

Relative values and price anchors

Pricing to increase your footwear and lesson sales

Are your prices expensive? It depends

There are two rules of pricing and consumer behavior, which you should understand and work to your advantage. The results for you will be more revenue from all your retail categories including lessons.

In this paper, we show you how to use the rules to your benefit with golf balls and golf lessons.

So let's look at the rules first, before we explore the two categories I described.

Rule #1 – The brain and 'relative value'

Consumers do not do a good job of establishing absolute values, their brains work on 'relative value'.

What this means is that consumers are not as good at knowing the exact price of a product or service at another retailer as you think they are. This is despite all the technology aids they have.

We all expected smartphones and the Internet to change that, but studies conducted in 2012 indicate that there has been little change in 'exact price awareness' over the past 12 years.

Psychological studies of the behavior of consumers show that their brains look for a relative comparison at the point they see the price of a product in your store or on a screen.

A very important note is that in the absence of any price the consumer will assume you are relatively more expensive. They make that assumption and rarely ask to check.

Rule #2 – Price anchoring influences the 'relative value'

The second rule of consumer behavior in response to selling prices is: consumers can be influenced in their perception of 'relative value' by price anchoring.

Expensive boutiques understand this. They highlight and attract shoppers to the outrageously priced clothing or shoes. At that point the shopper sees the price for a pair of shoes at say \$700. This creates what psychologists term as an 'anchor' in the brain, against which all other prices will be judged. The shopper now looks at the next pair of shoes, priced at \$400. What do you think their thoughts are now? Sure, \$400 is a lot of money for shoes, but it's a better deal than \$700.

At \$400, these shoes are 'relatively inexpensive'.

If you want to test for yourself how powerful 'anchoring' is then go to the last section and we show you how you can run your own simple trial, without marking shoes at \$700!

Making this work for you with golf balls

Golf balls are a particularly interesting category in the golf shop because they are often so poorly merchandised. Pricing is rarely very visible for new golf balls. They are often out of reach of the golfer and require ‘service’. If you survey golfers, almost all feel that golf balls in an on-course golf shop are more expensive than they are at a Superstore.

Fix that, and you will sell more golf balls at greater margin. In a year when rounds were down nearly 20% due to terrible weather; Martin Heggie, PGA Professional at Moortown Golf Club, UK, increased his total golf ball sales by 12% AND improved his average margin.

You might say that this category is also complicated by the fact that golf balls are sold in dozens and sleeves, but that is where your opportunity to leverage anchoring works.

Look at the point of sale sign below. It trumpets a dozen’s price, with a saving. That not only sets a price anchor, but it also provides a positive price perception (you have deals in your shop).

The sleeve price however is NOT discounted. It is at full margin.

Play the right ball...
Play better golf, Have more fun.

NEW
Titleist
"1 ball in golf."
NXT TOUR

MSRP: \$42

Per Dozen \$36
Per Sleeve \$10.50 | **Save \$6**

Talk to us about playing the right ball for your game

Your PGA Professional
Bringing you closer to better Golf, more fun and a great community

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These are the two prices the brain will use to make a relative judgment.

And this impacts consumer 'price perception' about your shop.

But, as incredible as it may seem to you, the brain now makes one comparison between the dozen’s price and the sleeve price. It knows the sleeve is more expensive per ball, but the relative judgment it is focusing on now is “how much am I prepared to spend”. There will be no comparison between your sleeve price and any perceived price on the Internet or at a Superstore.

Most golfers will make a judgment that the 'saving' is not worth the investment in buying a dozen golf balls and will then buy the sleeve. But they buy it quite happily at the full margin. They can clearly see the route to a deal and they are consciously deciding NOT to take it.

Many golf shops I spend time in have a marked price on golf ball sleeves, and a discounted price they charge members. That creates margin erosion (unless the marked price is very high, in which case it creates negative price perception to all your golfers – even those you give the discount to).

Create clear and very visible point of sale signage that promotes the pricing of dozens and sleeve price of each golf ball you price.

Anchoring works the other way as well remember. If the first thing a consumer sees is a low price for a product, then another higher priced product, will look 'relatively' expensive.

In many golf shops the most visible pricing of golf balls is attached to the 2nd hand golf ball buckets. How expensive does a sleeve of brand new Pro V's compare with the singles price on a 2nd hand NXT.

The most visible pricing, the most visible golf balls, must be your new golf balls.

The same principal works with lessons

Take everything we describe on the previous pages, and now apply it to your lessons advertising.

You create the equivalent of 'dozen's pricing' with a 'coaching program' of 6, or however many you want, lessons.

Again, there's a saving (I'd make this an up-front purchase) that shows the golfer the route to a deal or saving if that's important to them.

This is the price anchor.

The relative judgment is now whether it is worth getting the saving.

This price is now compared to the price anchor.

PGA Qualified Coaching
Play better golf, Have more fun.

6-Lesson Program
NOW: \$ 300
SAVE: \$ 60

Single Lesson
PRICE: \$ 60
Lesson duration is 60 minutes

Talk to us about starting your game improvement program today

Your PGA Professional
Bringing you closer to better Golf, more fun and a great community

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The advertisement features a background image of two men on a golf course, one in a light blue shirt and white pants, the other in a striped shirt and dark pants, both looking at a golf club. The text is overlaid on this image. Three green circles with lines pointing to them are placed on the left side of the ad, corresponding to the three text annotations.

The single lesson price should NOT be discounted or even promoted as a 'low price'. Your time is very limited, so be careful about your pricing.

Once again the relative judgment the golfer will go through is a comparison of the price for the 6 lessons (with a saving) vs. the required investment in a single lesson.

The single lesson price looks affordable when compared to the 6-lesson price.

Earlier in this document, I noted that in the absence of pricing, the consumer will always assume a 'relatively expensive price'. In fact, in a study conducted in the United States, they found that almost all golfers - when asked what they thought the price of a lesson with their professional was - gave a price that was higher than the actual price. Often much higher.

So step one: get your lesson pricing up and about and all around your facility. Step two: make sure you are exploiting 'price anchoring' and relative pricing.

Think about your whole golf shop

There are many places the two important rules of pricing apply in your shop. I want to go back to shoes because many PGA Professionals struggle to sell shoes beyond a certain price point; and if they do, then they often give big discounts to incentivize the customer.

I was studying the way that shoes are sold at a specialist running shoe store, and watched a consumer fuss about the price of running shoes she was being fit for. She eventually came down from the top price shoe, and settled on a relatively lower-priced show at \$120. To my astonishment, the sales person then introduced ‘inserts’ to the consumer who seemed reluctant at first. But after having her hot spots measured, the consumer (who had never got beyond the treadmill by the way) gladly bought the single insert set for \$40! You can guess the margin on the inserts.

If that consumer had come into the shop, and the salesperson had tried to sell her \$40 inserts from the beginning; the \$40 would have been perceived as expensive. There would have been no sale. But as the subject and price of inserts were introduced, after the \$120 price had been set in the consumer’s mind, the \$40 price point seemed much less expensive. The \$120 acted as an anchor against which all prices were relatively judged.

I am not suggesting you sell inserts. But think about the way you merchandise your shoes, and the way your staff present them to customers.

A golfer will think that a price is expensive or not when compared next to another product of a different price. So the \$149 shoe will look relatively expensive if you started out by having the customer try on \$90 shoe. If you started out with having the customer try on a \$199 shoe then you have set a price anchor, and the \$149 shoe is perceived as being relatively inexpensive.

Remember the consumer works on relative value and responds to price anchors. Now look around your shop and the services you offer, and review how your customers see your pricing interacting with and the way you deal with consumers and what would you change?

Still not convinced? Have some fun and try this test

If you don’t believe the power of establishing a number in a consumer’s mind up front and as quickly as possible, then run the following little survey with your customers.

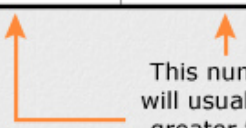
Ask the first 20 customers you see this week; “what percentage of golfers have an average handicap of under 6?” at your club? After they have given their answer (don’t tell them the correct answer), ask them what the average handicap at the club is. Take all 20 answers to this second question and calculate an average response.

Then, take the next 20 customers you see and change the “anchor” from 6 to 14; and ask them “what percentage of members have a handicap under 14?” at your club. After they have given

the answer (again don't tell them the correct answer), ask them what the average handicap at the club is. Once again, calculate the average handicap number from their responses.

In almost all cases the average response to the second question (what is the average handicap) from the 2nd group, where you set an anchor at '14' will be higher than the first group where you set an anchor at '6'.

| | Numerical Anchor | |
|---|-----------------------|-----------------------|
| | 1 st Group | 2 nd Group |
| What % of golfer have a handicap under 6/14 | 6 / ?% | 14 / ?% |
| What is the average handicap in the club | | |


 This number will usually be greater than this number

If you want to run this little fun trial but you are worried that too many of your golfers are well informed about average handicaps, then use average driving distance.

The first question would be; "How many of our members have an average driving distance greater than 170 yards?" Then ask; "what is the average driving distance amongst the members?" You have set an anchor at 170 yards, so their mind will work on how much greater the distance is than 170 yards.

Now change the anchor with the next 20 customers and ask: "How many of our members have an average driving distance greater than 250 yards?" Then ask "what is the average driving distance amongst the members?" I can almost guarantee that the second group will on average perceive the average driving distance is greater than those of the first group.