

Leading with price is the path to ruin

The recession has increased the prevalence of price discounting. It's a perilous strategy that will kill your advertising, branded offers and, ultimately, your company

By Dan Hill, *Sensory Logic*

Nowhere in marketing do emotions run hotter during today's slowly fading Great Recession than when it comes to the role of (low) prices being highlighted in advertising.

In boardroom after boardroom, one can easily imagine what's being said: "We've got our fixed costs, for salaries, equipment, etcetera, and we need to make some money fast. So let's lower our prices, and let everybody know as loudly and clearly as can be." As a result, CEOs and CFOs carry the day, and chief marketing officers beat a quick retreat to their offices to let the ad agencies know what they need to do.

Only it's a bad – even terrible – idea to lead with price in advertising, and here are seven reasons why.

"To cut us off from the wisdom of our emotions and the gut-level instincts we use to evaluate an offer's value has led many consumers to make a purchase decision they soon regret. And that's no way to build a business"

1 Discounting – especially repeated discounting – isn't sustainable. One of the key advantages of a sale is that it has the element of surprise, thereby gaining attention. After all, how does surprise register on people's faces? Their eyes go wide, and their mouth falls open as if it's nature's way of saying "shut up, and notice the world around you". Surprise aids stopping-power – a vital ingredient in successful advertising. But surprise fades when you use the same reduced-price trick over and over.

2 Surprise. This is really, in effect, a pre-emotion. It's brief (less than a second) and followed either by the verdict of the surprise being positive (a 'wow') – or a negative (a 'yikes'). Low pricing that is constantly repeated leads to expectations of future low prices, to desensitisation, and the virtual impossibility of creating a 'wow' emotional response. But don't take just my word on

this. Shopper research involving bargain price tags has shown that seeing any price tag causes disgust. The explanation is that people instinctively don't like giving up their money. So creating more delight regarding the offer, thereby generating allure that exceeds feelings of disgust about surrendering cash, is what a positive purchase decision relies on. The problem is that a low-price strategy isn't about the offer's intrinsic value; it's merely a desperate attempt to lower people's disgust levels about opening their wallets and, ultimately, given desensitisation, it's a losing game.

3 A focus on prices is a focus on numbers, on statistics, and carries people from right-brain emotional involvement in advertising to left-brain analytics. That's a bad trade-off, given that everyone feels before they think, that the emotional brain sends ten times as much data to the rational brain as vice-versa, and that only the sensory and emotional parts of the brain connect to muscle activity – that is, they make something happen. An analytical response to advertising is fine in academia but, in business, results from the IPA's database of 880 marketing campaigns has found that emotionally-oriented campaigns generate twice as much profitability as 'hard-sell', rationally-oriented ones.

4 Price-leading advertising also creates an offer to be promoted. For starters, let's consider the $value = quality/price$ equation. There, price at least gives the illusion of being a precise, tangible entity, a benchmark for inferring the quality of the offer. So what will a lower price do? It might help to shape perceptions that the as-yet floating, undetermined quality of the new offer is actually quite low, or that an existing offer was never worth as much as people have been accustomed to paying for it, thereby harming the offer's equity. Put another way, cheap doesn't feel good.

5 Encouraging consumers to take a price-oriented, statistical, rational approach to their purchase decisions can have disastrous, unintended consequences because often, and contrary to popular opinion, our emotions are providing us with valuable insight. They steer us, which is inevitable, given the conservative estimate that 95% of people's thought activity isn't fully conscious – it is intuitive, operating in the realm where emotions hold sway. To cut us off from the wisdom of our emotions and the gut-level instincts we use to evaluate an offer's value has, as research shows, led many consumers to make a purchase decision they soon regret. And that's no way to build a business.



Discount retailers have performed well during the recession, but in the long-term, discounting damages brands

6 Brand loyalty is at risk because pride takes a hit. Loyalty is a feeling, and how is a loyal user of the offer supposed to feel when they see the price is lower for everyone, and not just them? Won't they feel duped for what they bought before the price cut, losing the pride that comes from having bought wisely? Moreover, the company loses twice over. Its existing customers pay less for goods they were already buying anyway and may not buy again at full price, when or if it gets restored, because their latest belief is that the original full price suddenly looks too high. As for the new customers who bought a deal, their loyalty is less real than the profit margin sacrificed to bring them into the picture.

7 A brand with offers often on sale is a brand with an integrity problem. After all, a key way we judge the trustworthiness of others, as well as companies, is to look at the degree to which they behave consistently. With price-leading advertising, the truth is that a company's identity becomes fuzzy. Suddenly, you're either a discount brand or else you are signalling a lack of confidence – even desperation – and that, in commerce, just as in dating, is never very attractive. To further that point, leading with price suggests you have nothing else to say, or show, in your advertising. Price as your main attribute doesn't mean anything – except that, instead of emphasising customer connectivity, aided by advertising, the

battle ends up getting fought in terms of price and distribution. Loyalty ceases to be a barrier to entry, as surprise, hope and every other positive emotional dynamic required comes crashing down.

ALTERNATIVES TO DISCOUNTING

In contrast, what should a company do rather than rely on price-leading advertising in tough times? Here are three suggestions.

1 Leverage the sensory dimension. For most of this article, I've been talking about the emotional brain versus the rational brain, but in reality, we have three brains that came during different stages of evolution, starting with the sensory brain (500 million years old), followed by the emotional brain (200 million years old) and, finally, the rational brain (100,000 years old). Two principles emerge: first, the rational brain is, in scientific terms, an afterthought. It doesn't enjoy first-mover advantage. Second, the sensory and emotional brains enjoy the advantage of older – even ancient – hard-wiring in the brain that links them together. So leverage that connection, adding sensory elements to your offer to distinguish it from rivals in subtle, intuitive ways.

2 Enhance brand associations. The human mind isn't really a very rational, linear, sequential machine. Or, to the extent

that it is, it's more like a pinball machine, and the companies that win that game do so by using advertising that keeps the ball moving, the lights on, and the score rising, by creating subconscious, positive, emotionally-charged connections. Brand associations cost nothing, and, unlike a bargain price, we don't become desensitised to them, meaning they have more value by virtue of being inherently meaningful if created wisely.

3 Invite the consumer into the picture. What's the easiest way to sell to people? Sell them on what they've already bought in on, which is themselves. Validate their worth by inviting innovation through co-creation. Let them have a say in what the product could look like next. Surely we're past the point of believing that a factory-centric approach is sustainable in business?

The consumer is king and queen, so promote openness, sharing and collaboration on behalf of making your company's $value = quality/price$ an equation they can buy into. When people have enjoyed having a hand in creating the offer, then the advertising that advocates for its value becomes a far easier sell.

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