The Real Price

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Recommended Citation
Available at: https://scholarworks.bgsu.edu/visions/vol3/iss2/9

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ABSTRACT

This article examines the component of time and psychological price in consumer decision making. Social pricing is a critical element that determines consumer satisfaction and offers another element on which to segment the audience.

THE REAL PRICE

INTRODUCTION

What is the real cost (for a customer) to acquire a given product or to engage in a service? All too often when developing a pricing strategy we fail to acknowledge social price; that is, the non-monetary component the customer must pay. Regardless of the fees and charges levied, social price is frequently the determinant of whether a transaction will take place. There are two important components to social price: time and psychological elements.
One only has to reflect on the number of clinches/phrases dealing with the subject of time to appreciate its importance in our culture ("wasting time," "time waits for no one," "doing time," etc.). While many recreation services require little or no monetary costs, recreation behaviors do require an expenditure of time. Thus, adopting a new behavior frequently has an impact on how the individual allocates his or her time among activities.

1. Time cannot be saved; it disappears automatically, continuously, and irreversibly. Although features of the "time" problem vary from one person to the next, the basic problem is the same: to what extent will a new activity be viewed as disruptive in the context of the consumer's allocation of this precious commodity?

Every behavior observed by social scientists and marketers takes place in a temporal context. The following questions should be addressed when formulating the marketing mix:

1. How much time does it take to carry out the new behavior? How long do the customers think it will take? Whether it's losing weight, getting fit, or improving your reading skills, may seek short term or instant results. Can the activity be done in conjunction with some other activity; that is, can we "kill two birds with one stone"?

2. To what extent can the customer determine when the exchange will take place? How many alternate times are available to engage in the service? For example, is the popularity of Nautilus weight training programs due in large part to the fact that the service can be accessed on the client's terms with respect to time?

3. How often do we require the customer to participate (daily, weekly, monthly, etc.)? Will the customer demonstrate a resistance if we increase the frequence? Must one "give up time" everyday if he/she wish to avail himself/herself of the service? Would the video taping of aerobics classes serve to accommodate the client who cannot always attend during the scheduled class time?

4. How much time is required for the desired outcome to be realized? Must the customer attend religiously to acquire an adequate level of performance? Is the recent popularity of racquetball representative of an activity that allows for reasonable success without a major commitment of time for skill development?

5. Finally, will the service require a long term commitment? To
what extent will duration deter participation? How would reducing the length of the bowling/softball leagues impact on the participation rates?

PSYCHOLOGICAL PRICE

Product development, promotion, and distribution channels all impact upon associated psychological costs. When a consumer considers a purchase, several real and perceived risks may be acknowledged. Forfeiture of self-esteem, pride, identity, privacy, control and freedom from risk may all be experienced in varying degrees.

Since the 1960's, researchers have addressed various dimensions of psychological costs. (2,3,4) Segmentation of consumers based on demographic, geographic, psychographic, and usage variables can aid in identifying these non-monetary costs. For example, research by Stem and Lamb (4) indicates that there are significant differences in perceived risk among non-users and users who are contemplating the purchase of skis. Thus, if one is introducing a new service/product or attempting to attract first time users it is incumbent upon them to factor in the psychological costs within the marketing mix.

Taking the discussion one step further, we may ask, for example, what are the expectations of a first time user when enrolling in a beginning aerobics class. In order to complete the purchase, the customer's apprehension must be addressed. For example, if the overweight customer is seeking weight loss, how might she or he react to seeing a somewhat anorexic model in the promotional materials? Would we reduce his or her anxiety by using clients of similar body type in promotional items? Perhaps, using both examples in a before and after approach may prove to reduce the anxiety. Once enrolled do we schedule the activity under conditions that insure privacy or do we put our overweight, uncoordinated students in a gymnasium or in a storefront of our neighborhood mall. Finally, we may want to assess whether this class appreciates the wall-to-wall mirrors located in many exercise rooms.

In addition to usage segmentation, psychographic profiles can be extremely helpful in the determination of non-monetary pricing variables. Tigert, Lathrop and Bleeg (5) employed psychographic analyses to determine who utilized carryout food establishments. They segmented the market by those who found "time" to be a factor in their decision to purchase carryout food. By categorizing people into groups based on their common values and lifestyles (6), the different need patterns or requirements they have for leisure/recreational activities become apparent, including the prices they are willing to pay both in monetary and non-monetary terms. Psychographic segmentations offer the opportunity to position and reposition existing services. They show what needs the service meets within each segment and which services are best at meeting them. (7)
In a study which segmented joggers by sex, it was found that women placed significantly greater importance on the safety features within a competitive ten kilometer race. In order to increase the chances of women participating, it appears necessary to develop a product which will provide these important attributes. The psychological cost can be reduced by promoting the fact that medical care, water stations, thirst quenchers at the finish line, etc., will be provided. When you examine first time women competitors, the accommodation of these concerns becomes even more critical.

Irrespective of the activity, there exists some social risks; therefore, the entrepreneur must go beyond the dollars and cents issues of pricing when developing, promoting, and distributing the service. The greater the customer's familiarity with the product the less the anxiety about the consequences of purchasing.

REFERENCES


