

Small price differences can make options seem more similar, easing our buying decisions

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(Medical Xpress)—Some retailers, such as Apple's iTunes, are known for using uniform pricing in an effort to simplify consumers' choices and perhaps increase their tendency to make impulse purchases. But other stores, like supermarkets, often have small price differences across product flavors and brands.

As counterintuitive as it might seem, these small price differences may actually make the options seem more similar, according to new research published in *Psychological Science*, a journal of the Association for [Psychological Science](#). The research shows that adding small differences can actually help to make choosing less difficult and reduce the likelihood that we'll put off making a choice.

Traditional models of similarity – along with everyday [intuition](#) – would suggest that increasing the differences between objects can't make them seem more similar. But researchers Nathan Novemsky and Ravi Dhar of the Yale School of Management, along with Jongmin Kim of Singapore Management University, hypothesized that small differences might actually draw attention to the attributes that are identical – attributes we would otherwise ignore.

So, for example, if we have to choose between two [cereals](#) that have the same price, we're likely to ignore price and focus on the similarity in flavor. But if the prices are slightly different, we'll focus on similarities

in both price and flavor, leading us to see the cereals as more similar overall.

In the first study, university students chose between two kinds of tea. They saw an image and read information about the ingredients, benefits, and price of each tea.

Students who were told the teas had the same price judged them to be less similar than the students who thought they had different prices, confirming the researchers' hypothesis. And this finding wasn't limited to tea: Novemsky and his colleagues observed the same pattern with other options, including cereals and restaurant entrees.

Results from a second study suggest that we do pay attention to identical attributes but only when our attention is drawn to them.

So what consequences might this effect have for actual decision-making?

Additional studies revealed that students had more difficulty choosing between objects with the same price because they were seen as less substitutable for one another. And students were more likely to actually purchase an object when the prices were different. In the final study, introducing a 3% difference in price nearly doubled the number of purchases.

Ultimately, these studies suggest that these small differences increase perceived similarity, which helps to make choosing less difficult and decreases the likelihood that we'll defer making a choice.

Novemsky and his colleagues note that small differences across choice options probably seem trivial to most people. In a follow-up study, most participants predicted that small [price differences](#) wouldn't affect their

choices; they also underestimated their tendency to pay attention to those differences.

But, together, the findings of these studies suggest just the opposite – small differences can have a substantial impact on how we choose.

Provided by Association for Psychological Science

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