What are Likes Worth? A Facebook Field Experiment
Daniel Mochon, PhD, Karen Johnson, PhD, Janet Schwartz, PhD, and Dan Ariely, PhD

Pricing Strategies: The Difference of a Digit
Lingjiang Lora Tu, PhD and Chris Pullig, PhD

Boundary Conditions of Ethical Leadership: Stress as a Potential Inhibitor
Matthew J. Quade, PhD, Sara Jansen Perry, PhD, and Emily M. Hunter, PhD

Salesperson Ambidexterity and Customer Satisfaction
Raj Agnihotri, PhD, Colin B. Gabler, PhD, Omar S. Itani, PhD, Fernando Jaramillo, PhD, and Michael T. Krush, PhD

The Influence of Political Skill on Sales Outcomes
Jie Li, PhD, Gong Sun, PhD, and Zhiming Cheng, PhD

Maximizing Your Social Media Marketing
Kevin Pettit, MBA Candidate

INSIDER: When—The Scientific Secrets of Perfect Timing
Clint Ratliff, MBA Candidate

INSIDER: Sales Insanity
Jorge Trevino, MBA Candidate
Pricing Strategies: The Difference of a Digit

*Lingjiang Lora Tu, PhD and Chris Pullig, PhD*

If you’ve ever driven through Southern California, Nevada, or Texas, you’ve probably driven past a 99 Cents Only Store. These stores operate under the theory that people are more attracted to prices ending in 9 than a round 0. This is not a new concept—businesses have been using this nine-ending price effect and other persuasive pricing techniques for decades. But are there ways that this phenomenon may be magnified or mitigated?

In real estate, it is universally agreed that strategic pricing plays a huge role in determining how quickly a house will sell; yet there are still questions on how pricing affects different people, especially those with different cultural backgrounds. Does the way people think make them more or less susceptible to nine-ending pricing? In this article, we look at several studies conducted to determine the following:

1. The effectiveness of nine-ending pricing on analytic versus holistic thinkers
2. Whether mental load cancels out the effect of thinking style on pricing

**What is Thinking Style?**

Analytic and holistic thinking styles have been found to affect consumers’ perceptual judgment and memory (Nisbett et al. 2001). The analytic thinker tends to pay more attention to focal issues and ignore the background information. They see separate details of complex problems instead of the connections between the details. On the other hand, the holistic thinker pays attention to both the focal issue and the context in which the focal issue is embedded. They understand complex problems by recognizing interconnectedness between elements.

**The Effect of Holistic vs. Analytic Thinking Style on Pricing**

A consumer with an analytic thinking style tends to view the digits within a price as separate and independent. Their brains process the multi-digit price information digit by digit with a focus on the left most digit. This is called *left-digit anchoring*, making the consumer more susceptible to nine ending pricing (Manoj & Morwitz 2009).
In contrast, a consumer with a holistic thinking style tends to view all the digits in a price as interdependent, with each digit being an inseparable part of price information. That is, their brains process a price of $299 more holistically as a number line that is close to the number line of $300. Therefore, a holistic thinker doesn’t think of a 9-ending price as much smaller than a round price one unit higher.

In our first study, we examined the effect of thinking style on nine-ending prices with Chinese consumers who are culturally holistic thinkers (Chua 2015). Participants were grouped into two categories: high- and low-holistic thinkers. Participants were then asked to rate the price of a pen ending in nine against the price of a pen ending in zero.

Results showed that the low-holistic thinkers perceived nine-ending price as lower than the zero-ending price. In contrast, the high-holistic thinkers did not perceive a difference. Results from this study provided evidence that thinking style impacts the nine-ending price effect.

In our second study, we aimed to replicate the results of study one with American consumers, who are culturally analytic thinkers. Participants were again grouped into high- and low-analytic thinkers and tested on the effectiveness of the nine-ending price effect with the perceived price of pens.

Results showed that for analytic thinkers, the price of the pen with a nine-ending price was perceived as significantly less than the pen with a zero-ending price. This confirmed our hypothesis that analytic thinkers are more susceptible to nine-ending price effects.

**Mental Load Effects on Pricing**

Our brains have a finite amount of cognitive resource. When our senses are overloaded we experience adverse effects in our thought processes. The third study was designed to understand how the nine-ending price effect is affected by the presence of time pressure and cognitive load. We found that holistic thinking is more effortful than analytic thinking. When under time pressure or cognitive load, holistic thinkers respond to the nine-ending prices the same way as analytic thinkers. That is, the nine-ending price effect was more pronounced when consumers are under high levels of time pressure and mental stress, regardless of thinking style.

In other words, when individuals are under time pressure or cognitive load (i.e., with limited cognitive resources), both holistic and analytic thinkers will be subject to the nine-ending price effect. In the real estate context, the buyer who is stressed or burned out would be more significantly affected by the nine-ending price effect.

**Implications for the Real Estate Industry**

When applying this research to the real-estate context, it’s most important to consider the buyer’s perspective. What thinking style are they most likely to possess? Analytic buyers will be more
focused on specific property details, while holistic thinkers will be more concerned with the big picture.

At point of sale, marketers are able to influence price evaluation by considering the effect of mental load on thinking styles. Given the results of this research, nine-ending price effects might be more effective where consumers have limited cognitive resources. For example, when considering an open house, how much stimuli is the buyer receiving at once? Is there music playing in the background? How much information is the consumer trying to process at once? These have an influence on how effective pricing strategies will be.

**Conclusion**

Learning to effectively price is an invaluable tool in the real estate industry. The better you understand how your prospective buyer processes information, the better you will be able to price listings. It is important to remember that these findings have key implications for segmentation strategies and marketing communications. Identifying holistic and analytic thinkers in regional and local markets can help boost the effectiveness and predictive accuracy of listing prices.

**Recommended Reading**


**References**


About the Authors

Lingjiang Lora Tu, PhD  
Clinical Assistant Professor, Baylor University  
Dr. Lingjiang Lora Tu’s (PhD – University of Texas at San Antonio) research interests include the impact of consumers’ identity and thinking style on consumers’ decision making. Her research has been published in *International Journal of Research in Marketing* and *Marketing Letters* among others. Dr. Tu’s research won awards such as the Sheth Dissertation award of Association of Consumer Research and the American Marketing Association Best Paper Award.

Chris Pullig, PhD  
Chair and Professor of Marketing, Baylor University  
Dr. Chris Pullig’s (PhD – Louisana State University) research is focused on consumer attitudes and decision-making. He has been published in a variety of journals such as the *Journal of Marketing*, *Journal of the Academy of Marketing Science*, and the *Journal of Consumer Psychology*, among others.