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'Free' doesn't really mean without cost

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SAN FRANCISCO » The words seem straightforward enough: special, reduced, exclusive, value. And they're more familiar than ever, now that it's hip to compare discounts and deals, now that parsimony is a point of pride.

But the language retailers use to describe prices and promotions leaves lots of room for interpretation -- and manipulation. And in the wake of the recession, stores are using this lingo to reframe how shoppers think.

The most dangerous word of all? "Free."

Whether it's free shipping, buy-one-get-one-free offers or a free gift card if you buy something, nothing is free if you must spend money to receive it. Even so, retailers know you won't see it that way.

"Customers love the idea of getting something for nothing, and it's shocking to me how much they're willing to spend to get that something for nothing," says Kit Yarrow, psychology department chairwoman and marketing professor at Golden Gate University in San Francisco.

Most people probably realize, if they stop to think about it, that the retailer will shift the cost somehow. But most people don't stop to think.

"What I hear is 'free,'" says Ed McQuarrie, an associate dean and marketing professor at Santa Clara University's business school in California. "For me to construct the total shipping plus stated price now versus then, this discount versus everything, all I have to calculate, that's a lot of work."

After the recession gave shoppers new confidence they will find bargains, retailers had to "up their game," Yarrow says.

Stores are doing that by bringing to prices the same kind of emotional freight that advertising and branding have long carried, she says. "Retailers have to get that heart rate up to get the wallet out, and there's nothing like the fear of missing out."

In addition to "free" and "limited" offers, retailers are using Facebook, Twitter and e-mail to promote discount "clubs," all kinds of coupons and "private" short-term online sales that customers must sign up to enter. Stores are also hawking "inside" deals to "friends and family."

Don't fall for it. You can know a deal is good only if you know what items normally cost. And you can do that only by comparison shopping -- in person and online -- and never letting down your guard.

"We are going to get the discount one way or another," says Yarrow, calling discounts "standard" in the

wake of the dramatic price cuts of late 2008.

Marketers want you to see purchase decisions now as opportunities -- ways to do something special and define yourself -- rather than rational choices, Yarrow says.

But all the traditional ploys are alive and well, too. There are still plenty of comparisons with "regular" prices that businesses need only charge for a short time to be able to advertise "new," "discounted" or "reduced" prices, even if the cut is only a matter of pennies.

"The way that we react to prices is really a lot like the way we react to other physical sensations," says author William Poundstone. "We have no inner price sense, that this is the right price. ... Instead, we're very sensitive to contrast."

Even people with smart phones, which retailers initially saw as a grave threat, rarely use the dozens of apps that would let them do a reality check inside a store, says Poundstone, author of "The Myth of Fair Value" and other books.

All this is part of businesses "systematically" removing barriers that might prevent people from making impulsive purchases, says David Bell, a marketing professor at the University of Pennsylvania's Wharton School who focuses on prices. Almost as effective as giving things away, he says, is charging a membership fee -- think of warehouse club memberships or Amazon.com's flat annual shipping charge.

"Normally, I might say, 'I'm not going to buy those tennis balls until I need a new racket as well,'" Bell says. "But if I'm encountering Amazon Prime or a situation like Walmart is doing -- all shipping for free -- people are much more likely to make all sorts of small purchases."

The fees can make you feel obligated to spend -- to get value for the "membership." Bell's research revealed that even people who shop regularly at warehouse clubs spend an average of \$100 extra on the day they renew their membership.

"You see people trying to amortize," he says.

To avoid being taken in, research the product itself, especially in the case of items like mattresses or appliances, where the variations among models are almost infinite. Instead of comparing just prices, you should know why given features are important, which you most value and what models would work best for you.

"So if you get a discount on what you really want, you've gotten something really valuable," says Robert Schindler, a marketing professor at Rutgers University in New Jersey. "If it's not what you really want, how good a deal are you really getting?"

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