



# MONEY WISE

VALUING PEOPLE. VALUING MONEY.  
MANAGING IN TOUGH TIMES INITIATIVE



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### THIS MONTH'S TOPIC: BECOMING A SMART CONSUMER

We all want to believe that we are smart consumers. We want to believe that we make rational choices about the things we want and need. However, whether we realize it or not, many of the factors that influence our spending decisions are happening subconsciously. Marketing is a multi-billion dollar industry with tons of research on clever ways of encouraging consumers to spend more money. With the odds (and the marketing dollars) stacked against consumers, we need to at least be aware of these subtle sales strategies.

Smart consumers should constantly keep three things in mind: They need to know marketers, they need to know themselves, and they need to know their friends. The next time you shop, be sure to keep the following suggestions in the forefront of your mind to ensure that you are spending wisely.

#### Know your marketers

##### *Beware of pricing strategies*

There are a multitude of pricing strategies that marketers use to trick consumers into buying more than intended. Some vendors will use odd-pricing or figures that end in 5, 7, or 9, as in pricing a pair of pants at \$20.97. Consumers tend to subconsciously round this figure down to \$20 instead of rounding up to \$21, making them more likely to purchase.





Other vendors will use multiple pricing as in “10 for \$10.” Ten yogurts for \$10 may seem like a great deal until you realize that the price of yogurt is already a dollar per unit. By falling for the multiple pricing trap, the vendor may have seduced you into buying ten yogurts instead of two!

#### *Free is not always so free*

Many shoppers are enticed by the word “free.” But remember, retailers are most concerned with their bottom line. They only give away free items in an effort to get you to buy more of something else. A buy one get one free deal on shirts is not so free if you never intended to buy a shirt in the first place. You may walk out of the store with two shirts feeling as though you have gotten a great deal when, in reality, the retailers have tricked you into buying something you did not even need!

#### **Know yourself**

Equally important to knowing what goes on the minds of marketers is knowing what goes on in your own mind. In other words, smart consumers should be aware of their tendencies and their weaknesses. Do you sometimes make impulse purchases? Make a shopping list to keep yourself

accountable. Do you have difficulty sticking to a spending limit? Use cash instead of a credit card to limit your spending. We all have shopping habits that retail stores will try to exploit. Being aware of your own tendencies will help you overcome them.

#### **Know your friends**

Psychology teaches us that our friends can influence the way we shop as well. Shopping with others can make the whole experience more fun, but it can also cause you to overspend. This is especially true if you go shopping with someone who does not have the same attitudes toward money and spending that you do. If your friend thinks that brand names are a must have, you will be more likely to forego the clearance rack for high end items.

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