

Marketing Munchies Podcast Transcript

Episode #16: Perceived Value

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Announcer: Welcome to the Marketing Munchies Podcast series hosted by Dr. Bridget Behe. Each week Bridget and her guests will share information, insights, research-based findings, and her 30 years of experience to help your horticultural business connect better with current and future customers. Now, let's join our host, Dr. Bridget Behe.

Dr. Bridget Behe: Hi, and welcome to the Marketing Munchies Podcast. I'm your host, Dr. Bridget Behe. Today, I want to talk about a topic that affects almost everyone in the industry. That is pricing. I recently read another article that laments the fact that greenhouse production costs keep going up, but why are prices staying the same? I thought this was an ideal time to do a short series of several podcasts that address some pricing topics.

The cost of business keeps going up, and the biggest piece of that cost, the input cost, is usually labor. It's really tough to pay competitive wages when you can't generate enough revenue to keep the good people you already have and hire some new talent. Everyone in the supply chain is faced with similar issues. How do we attack this issue of pricing?

I want to start first by talking about the notion of pricing, academically. What is pricing? If you think about it, it's the ratio or the relationship of value with price. It's what you get for what you pay. So that "value" word becomes a very important word. How do we define value? I think it's a lot like defining beauty. It's in the eye of the beholder. What we do in the marketplace, is we find people who believe that the price, or the assignment of value is worth what they're going to pay. Some people would pay three dollars for a cup of coffee, and that has kept Starbucks in business for a long time. While others like my dad would never pay that much for a cup of coffee, because they see it more as a commodity.

When we begin to talk about the notion of pricing, we have to first start thinking about this concept of value or perceived value. Let's next talk about the assignment of value. There is an article entitled *The Theory of Consumption Values* by Seth Newman and Gross in 1991. They identified five components to the assignment of value. I want to talk about each of those five components, because we tend to only focus on one of those components when we're setting a price. When, in fact, really we need to look at all five.

The first element of perceived value that they defined was the functional value. These are the features, the functions, or the attributes or the characteristics of the plant and how well it does what it is supposed to do. One of the examples that I like to use when I talk about functional value is Asclepias or the Butterfly Weed. Well we call Asclepias the Butterfly Weed, because it is darn good at attracting butterflies and other pollinators. Sure there are other plants that attract pollinators, but when we think about functional value, Asclepias has it all over attracting pollinators. Its performance relative to others is quite high, therefore its functional value in attracting pollinators is quite high. The same could be said for mitigating runoff, or creating

shade, or moderating temperature. There are some plants that simply do a lot better job than others in the functional value. That's what gives them higher or greater functional value.

All too often, I think we don't focus on any other element of value other than the functional value. We tend to price products that have different levels of functional value pretty much the same. Let's move on to the second element of perceived value, and that's epistemic value. What do we mean by epistemic value? This is the novelty or the newness or even the sensory aspect of the plant. In a previous podcast, I talked about the production mentality. When we have new or novel cultivars in a production mentality that kind of makes us position those new cultivars at the same price as cultivars that have been on the market for a long time. We're really eliminating that epistemic value or that novelty or the newness attribute. When, in fact, we know from research outside the horticulture industry that people are willing to pay more for new and novel products.

The same thing could be said for fragrance. Fragrance is an epistemic value, because it provides us with a sense of smell or fragrance. Yet, do we really think about pricing plants that have a fragrance, because they have greater epistemic value? Could we price them a little bit higher? I think that possibility is definitely there and, certainly, a part of the perceived value that we don't tend to examine or add to the price.

The third dimension of perceived value is conditional value. What the authors meant by this is its symbolic meaning or the symbolism that it has to our lives, to traditions or to an area, to a culture, to a society. For example, the rose is the national floral symbol of the U.S. Many people don't know that, but they do often equate red roses with the symbolism of love. I'm not saying we can charge a higher price for red roses. What I am saying is, we need to consider the symbolism that some plants have to our lives, and perhaps there's a way that we could add that symbolism to the perceived value and increase the price slightly.

The fourth element of perceived value is emotional value. Here, again, is something that could and should add as we calculate prices in the horticulture industry. This would be the emotional value—the joy or the positive feelings that people get from buying the product. They help our emotional lives tremendously. We don't tend to think about that when we're calculating the price.

The last element of perceived value is social value. This dimension helps consumers identify with their social groups. If all your friends are wearing this style of t-shirt or this type of shoe, you want to feel connected with them. That's why you buy that particular t-shirt or shoe. The same might be true for succulents. If all your "cool" friends have succulents, then maybe you need to have some too.

These five dimensions of perceived value kind of give us a ground work to talk about pricing in the next podcast. We'll explore using these dimensions of perceived value as we help to set prices—hopefully that are more profitable.

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Announcer: Thank you for joining us on this week's Marketing Munchies Podcast. For more information or to download the transcript of this podcast, please visit, connect-2-consumer.org. That's C-O-N-N-E-C-T, dash, the number two, dash, C-O-N-S-U-M-E-R, dot, C-O-M.