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I write about marketing, branding and business strategy.

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How Raising Prices Can Increase Your Sales

It's every business executive's worst nightmare: you raise your prices, only to alienate your customers and decimate your bottom line. But what if the reverse were true?

Social psychologist [Robert Cialdini](#) suggests that in some cases, businesses can actually increase their sales by raising prices. The reason behind this surprising phenomenon, he revealed in a recent [podcast interview](#), is that in

"markets in which people are not completely sure of how to assess quality, they use price as a stand-in for quality." While most customers wouldn't pay \$20 for paper towels because it's easy to compare them to other products on the store shelves, it's much harder to evaluate certain categories of products or services.

Art is notoriously challenging – what makes a Damien Hirst sell for millions while a similar piece by someone else might languish? Consulting or other professional services are also hard to compare, because practitioners may have different approaches or skill levels, so you're not comparing apples to apples. Thus, says Cialdini, "especially when they're not very confident about being able to discern quality in their own right, people who are unfamiliar with a market will be especially led by price increases to go in that direction [and purchase more expensive offerings]."

Pricing is such an important signifier, says Cialdini, that "organizations will sometimes raise their prices and as a consequence, will be seen as the quality leader in their market," regardless of whether they've upgraded their offerings.

Cialdini's findings aren't a clarion call for everyone to charge more, however. Pricing mistakes – such as charging high fees when it's obvious your company doesn't have the skills or reputation to demand them – are a quick way to lose business. But if you've been considering a transition into the luxury market or



Prof. Robert Cialdini says raising your prices may increase sales (Image via Wikipedia)

positioning your company as a top-end provider, higher prices might help you cement that reputation.

How has your company handled its pricing strategy? Have you raised fees? If so, what was the response?

Dorie Clark is CEO of Clark Strategic Communications and the author of the forthcoming ***What's Next?: The Art of Reinventing Your Personal Brand*** (Harvard *Business Review* Press, 2012). She is a strategy consultant who has worked with clients including *Google*, the National Park Service, and the Ford Foundation. Listen to her *podcasts* or follow her on *Twitter*.

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