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Professional Certificate in Neuroscience in Marketing Communication

## Neuroscience of Pricing and Product Development

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**Anchoring:** A cognitive bias where individuals rely too heavily on an initial piece of information (the "anchor") when making decisions. In the context of neuroscience of pricing, anchoring can affect how customers perceive the value of a product or service based on the price of similar items or the suggested retail price.

**Default effect:** The tendency for individuals to accept default options, even when there are other alternatives available. This concept is relevant in product development, as companies can use default options to nudge customers towards certain choices or features.

**Decision making:** The process by which individuals choose between different options. Neuroscientific research has shown that decision making is influenced by various factors, including emotions, social context, and cognitive biases.

**Emotion:** A complex psychological state that involves three components: subjective experience, physiological response, and behavioral response. Emotions play a significant role in consumer decision making, as they can influence perceptions of value, brand loyalty, and purchasing behavior.

**Framing effect:** A cognitive bias where the way information is presented can influence decision making. For example, presenting a product as a "gain" (e.g., "you will save \$10") rather than a "loss" (e.g., "you will pay \$90") can affect how customers perceive its value.

**Hedonic adaptation:** The tendency for individuals to return to a baseline level of happiness or satisfaction after experiencing positive or negative events. In the context of product development, hedonic adaptation can affect how customers perceive the long-term value of a product or service.

**Loss aversion:** The tendency for individuals to prefer avoiding losses over acquiring gains. This concept is relevant in pricing, as customers may be more motivated by the fear of missing out on a deal than by the possibility of gaining a benefit.

**Mirror neurons:** Neurons that fire both when an individual performs an action and when they observe someone else performing the same action. Mirror neurons are thought to play a role in social cognition, empathy, and imitation.

**Neural plasticity:** The ability of the brain to change and adapt in response to experience. Neural plasticity is relevant in product development, as it suggests that customers' brains can be shaped by their experiences with a product or service.

**Neuromarketing:** The application of neuroscientific principles and techniques to marketing research and practice. Neuromarketing can be used to understand how customers make decisions, perceive value, and respond to marketing stimuli.

**Pain of paying:** The negative emotional response that customers experience when making a purchase. The pain of paying can be influenced by factors such as the price of the product, the payment method, and the perceived value of the product.

**Prospect theory:** A psychological theory that describes how individuals make decisions under uncertainty. Prospect theory suggests that people are more sensitive to losses than to gains, and that they tend to make risk-averse decisions when facing potential losses and risk-seeking decisions when facing potential gains.

**Psychological pricing:** The use of prices that are psychologically appealing to customers. Psychological pricing techniques include charm pricing (e.g., \$1.99), pricing at round numbers (e.g., \$10), and offering discounts or promotions.

**Salience:** The quality of standing out or being noticeable. In the context of product development, salience can be used to draw customers' attention to certain features or benefits of a product.

**Scarcity:** The perception that a product or service is rare or in demand. Scarcity can increase the perceived value of a product, as customers may be more motivated to purchase it if they believe it is in short supply.

**Social proof:** The phenomenon where individuals look to the behavior of others to guide their own actions. Social proof can be used in marketing to create a sense of popularity or endorsement for a product or service.

**System 1 / System 2 thinking:** A framework developed by psychologist Daniel Kahneman that describes two modes of thinking: System 1, which is fast, automatic, and intuitive, and System 2, which is slow, deliberate, and analytical. Neuroscientific research has shown that System 1 thinking plays a greater role in decision making than previously thought.

**Uncertainty avoidance:** The degree to which individuals are comfortable with uncertainty or ambiguity. In the context of pricing, uncertainty avoidance can affect how customers perceive the risk of making a purchase.

**Value attribution:** The process by which customers assign value to a product or service. Value attribution can be influenced by factors such as the price of the product, the quality of the product, and the perceived benefits of the product.

**W Y N questions:** A technique for simplifying decision making by framing choices as a simple "yes" or "no" question. W Y N questions can be used in product development to help customers make quick and easy purchasing decisions.

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