



# The Psychological Aspects of Pricing in the Beauty Sector

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## Abstract

*This article's purpose is to investigate the complex psychological determinants of pricing policy and consumer choice in the health and beauty services industry. It takes into account how perceived value, cognitive bias and emotional influence influence consumer choice tending to result in so-called irrational buying decisions outside the traditional cost-plus pricing models.*

**Methodology:** *The study uses a conceptual analysis, combining fundamental ideas from consumer psychology, services marketing, and behavioral economics. To apply these frameworks to the particular context of the beauty services industry - a field distinguished by high levels of personal involvement and intangible outcomes - it thoroughly reviews the body of research on pricing psychology, perceived value, and cognitive heuristics.*

**Findings:** *The statistics indicate that customer choices in the industry of beauty are largely propelled by an engineered perceived value instead of prices that actually exist. Underlying psychological principles, i.e., the anchoring effect, price-quality heuristic, Social proof and the decoy effect are worthy tools in the construction of this impression. The paper posits that the service environment (servicescape), the practitioner's brand, and digital social validation are critical components in justifying premium pricing and influencing consumer decisions. The decision-making process is frequently dominated by emotional, System 1 thinking rather than rational, System 2 deliberation.*

**Practical Relevance:** *This paper presents managers and marketing directors of companies specializing in beauty with practical recommendations. Acquaintance with and proper application of psychological pricing strategies like menu of services offered at different tiers, bundling of services, and membership pricing can help companies to potentially enhance perceived value, alleviate "pain of paying," and form customer loyalty. The paper presents an outline for creating a pricing strategy aligned with brand positioning and value messaging.*

**Originality/Value:** *This paper provides a consolidated theoretical framework specifically for the beauty services industry, a sector often overlooked in academic pricing literature. It connects behavioral economics theory with practical business applications, providing a sophisticated comprehension of why consumers are inclined to pay a premium for services that are fundamentally intangible and subjective.*

**Keywords:** *Pricing Psychology, Perceived Value, Consumer Behavior, Beauty Industry, Irrationality, Behavioral Economics, and Services Marketing.*

## INTRODUCTION

Beauty and personal care are a multi-billion industry founded on the pillars of aspiration, self-worth, and transformation (Statista, 2023). In contrast to physical commodities, the "products" that are supplied - haircuts, facials, manicures, and so forth, as a form of aesthetic therapy - are intangibly-based, experientially-based, and co-created in the moment in the dyad of the practitioner-client relationship. The intrinsic intangibility renders price a notably intricate strategic dilemma. Traditional economic models posit a rational consumer who evaluates price relative to utility; nevertheless, the beauty business exemplifies the influence of psychology and the prevalence of illogical consumer behavior.

The cost of a beauty service seldom merely reflects the expenses of supplies and labor. A haircut may cost between \$20 and over \$500, not due to a 25-fold disparity in the cost of scissors and shampoo, but rather because of a cultivated impression of value. This value is linked to the stylist's reputation, the salon's atmosphere, the exclusivity of the experience, and the expected emotional and social results. Consumers are not merely purchasing a service; they are investing in assurance, social standing, and a sense of self-nurturance (Belk, 1988).

This paper aims to address the subsequent research inquiries: In what manner do consumers formulate their perception of value for intangible beauty services?

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Which psychological principles and cognitive biases affect customer price sensitivity and willingness to pay in the beauty industry?

In what ways can beauty enterprises strategically and ethically utilize these psychological findings to formulate more effective pricing models?

This paper tries to integrate consumer psychology and behavioural economics understanding in attempting to develop a beneficial system of determining prices in the beauty industry.

### THEORETICAL FRAMEWORK: THE ORIGINS OF PERCEIVED VALUE IN IRRATIONAL CHOICE

#### The Concept of Perceived Value in Services

Perceived value is the consumer's overall judgment of how useful a product or service is based on what they think they get and what they think they contribute (Zeithaml, 1988). In services marketing, what is "received" extends far beyond the core technical outcome. It includes the quality of the interaction, the physical environment (the "servicescape"), and the emotional benefits derived from the experience. What is "given" includes not only the monetary price but also time, effort, and psychological risk. An effective pricing strategy focuses on increasing perceived benefits over perceived sacrifices rather than merely lowering costs.

#### Behavioral Economics and Pricing Heuristics

Behavioral economics, founded by Daniel Kahneman and Amos Tversky, challenges the rational customer. Systemic cognitive biases and heuristics affect human decision-making. Many principles apply to beauty pricing.

**The Anchoring Effect:** Consumers' assessment of a price is heavily influenced by the first piece of information they receive (the "anchor"). A salon can strategically use a high-priced "VIP Package" on its menu not just to sell that package, but to make its other, standard-priced services seem more reasonable by comparison (Tversky & Kahneman, 1974).

**The Price-Quality Heuristic:** Consumers sometimes use price to indicate quality when other signals are lacking. Beauty treatments, where the outcome is uncertain, might be priced higher to indicate better talent, supplies, and a safer, more pleasurable experience. Conversely, low prices may raise hygiene, skill, or quality problems.

**Charm Pricing and Price Presentation:** While ending prices in ".99" is a standard retail tactic to make prices seem lower (the "left-digit effect"), its application in premium services can be counterproductive. Round numbers (e.g., One hundred fifty for a 90-minute facial" vs. a simple "\$150" - can also frame it as either a cost or an investment in a valuable experience.

**Decoy Effect:** The introduction of a third, asymmetrically dominated option can influence a consumer's choice between two other options. For example, a menu with a "Basic Manicure" for \$30 and a "Deluxe Manicure" for \$50 could be augmented with a "Standard Manicure" (the decoy)

for \$47. Decoy makes the Deluxe choice seem so much more deserving of the expense for a minimal premium, thereby steering the decision (Ariely, 2008).

#### Emotional and Social Factors of Decision Making

The purchase of a beauty treatment is emotional. It is most often motivated by the necessity for good health, a superior feeling of confidence, or a once-in-a-lifetime occasion in life. This emotional state makes consumers more susceptible to non-rational influences.

**Social Proof:** Consumers look to the behavior of others to guide their own decisions, especially under conditions of uncertainty. In the digital age, social proof manifests as online reviews, testimonials, influencer endorsements, and "Instagrammable" salon interiors. People think that a salon with a lot of active followers is better and can charge more (Cialdini, 2007).

**The Pain of Paying:** Leaving someone money is an uncomfortable move on an emotional level. Companies worsen this pain with tactics such as bundling (i.e., a "Spa Day Package"), which obscures personal costs of services, or membership/subscription plans (pay a set periodic amount, which is a habitual lighter burden) (Prelec & Loewenstein, 1998).

#### METHODOLOGY

This study employs a conceptual research methodology. It involves a systematic review and synthesis of established theories from the fields of behavioral economics, consumer psychology, and services marketing. The process involved identifying foundational academic literature on pricing psychology and consumer irrationality, and then applying these theoretical lenses to analyze standard business practices, marketing communications, and consumer trends within the beauty services industry. There are helpful examples and case studies in the paper that show how the general theory can be applied in real life. The paper is inspired by the development of a cumulative body of theory, rather than a single concept against new empirical evidence. It is a good strategy for that.

#### DISCUSSION: THE BEAUTY INDUSTRY'S FRAMEWORK OF WORTH

The underlying theory described doesn't exist in a vacuum. In the realm of cosmetics, they intersect to form a strong foundation of perceived worth that sustains high-end price premiums.

**The Practitioner as a Brand:** Often, the practitioner is the main factor that determines worth. A "master stylist" or "celebrity aesthetician" is a personal brand. He or she possesses a seeming expertise, premium experience, and positive client relationship that have an incredibly vast "halo effect" outside technical service. Clients are paying to access the individual's expertise and artist's vision; therefore, price is secondary to availability.

**The Servicescape as a Metric of Value:** Salons and spas provide an intangible service that is both observable and

perceptible within their physical environments. Opulent décor, soothing music, complementary refreshments, and pristine cleanliness all function as significant indicators of excellence. The “servicescape” immediately enhances the total experience and rationalizes a premium price by transforming the service into a luxury delight rather than a mundane task (Bitner, 1992).

**Digital Authentication and the Emergence of Innovative Social Validation:** The influence of social proof has been significantly increased by social media. Before-and-after photographs provide conclusive evidence of the transformation of results. Client testimonials and influencer partnerships provide potent, purportedly impartial endorsements. This online platform enables salons to establish a reputation and image of high demand, resulting in a less sensitive price and a virtuous circle of popularity that justifies and reinforces increased charges.

### RECOMMENDATIONS FOR STRATEGY AND PRACTICAL APPLICATIONS

In seeking more sales and customers, owners of cosmetics stores must be aware of and act upon the following psychological forces:

**Institute Tiered Pricing:** Establish service menus in “Good, Better, Best” categories (e.g., Stylist, Senior Stylist, Master Stylist). It uses the anchoring effect and allows customers to price themselves in a category in conformance with budget and perceived expertise demand.

**Create Strategic Bundles and Packages:** Bundle complementary services (e.g., haircut, color, and conditioning treatment) into a single, attractively priced package. This increases the total transaction value while reducing the perceived “pain of paying” for each item.

**Leverage Membership Models:** For services requiring regular upkeep (e.g., manicures, waxing, facials), a monthly membership model can secure recurring revenue and foster loyalty. The one-time payment decision reduces ongoing price deliberation for the consumer.

**Communicate Value, Not Just Price:** Marketing efforts should focus on the emotional and transformative benefits of the service, not discounts. Use high-quality visuals, showcase practitioner expertise through content, and highlight positive client testimonials to build a narrative of premium value.

**Invest in the Servicescape:** Recognize that the physical environment is a core part of the product. Investing in ambiance, comfort, and cleanliness directly contributes to the perceived value and supports a premium pricing strategy.

### CONCLUSION

Pricing psychology in the beauty business is a powerful

example of how logical economic theory can not always explain things. People do not just make choices without thinking about them. Cognitive shortcuts, emotional needs, and social signals all play a role in shaping those decisions. The price of a beauty service is not based on how much it costs to run, but on how much people think it is worth, which is based on skills, the setting, and the promise of change.

This essay identified the key behavioral rules at play and provided a plan for applying them in the beauty industry. This study’s main flaw is that it is only mental. In the future, Researchers should test these ideas in real-world settings using experimental designs, such as A/B testing different pricing structures or conducting surveys to determine the importance of various value drivers to consumers (e.g., practitioner skill versus salon atmosphere).

Finally, the most essential thing for beauty business owners and marketers to understand is that price is not just a matter of math; it is a powerful way to communicate with people on a psychological level. Businesses can set prices that not only bring in money but also build brand loyalty and long-lasting relationships with customers if they know what makes people act the way they do.

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