



The Psychology of Pricing

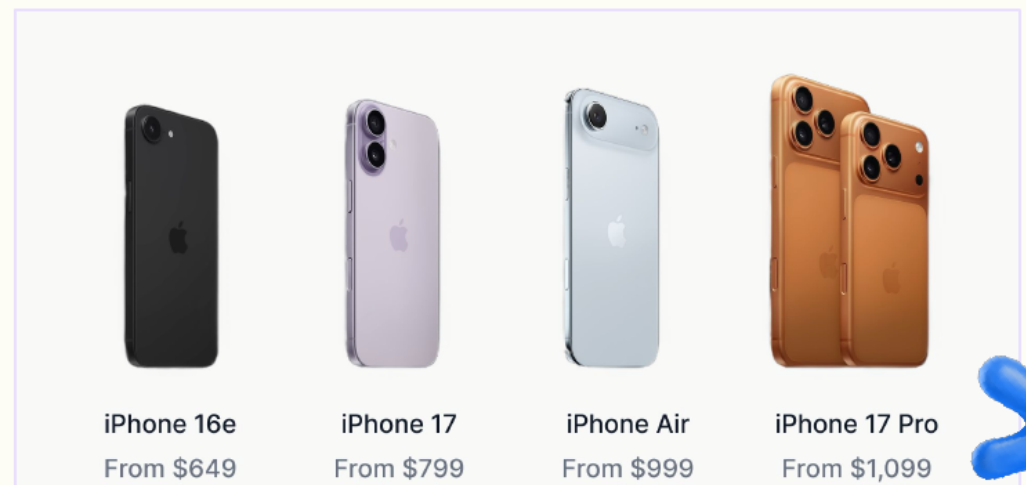
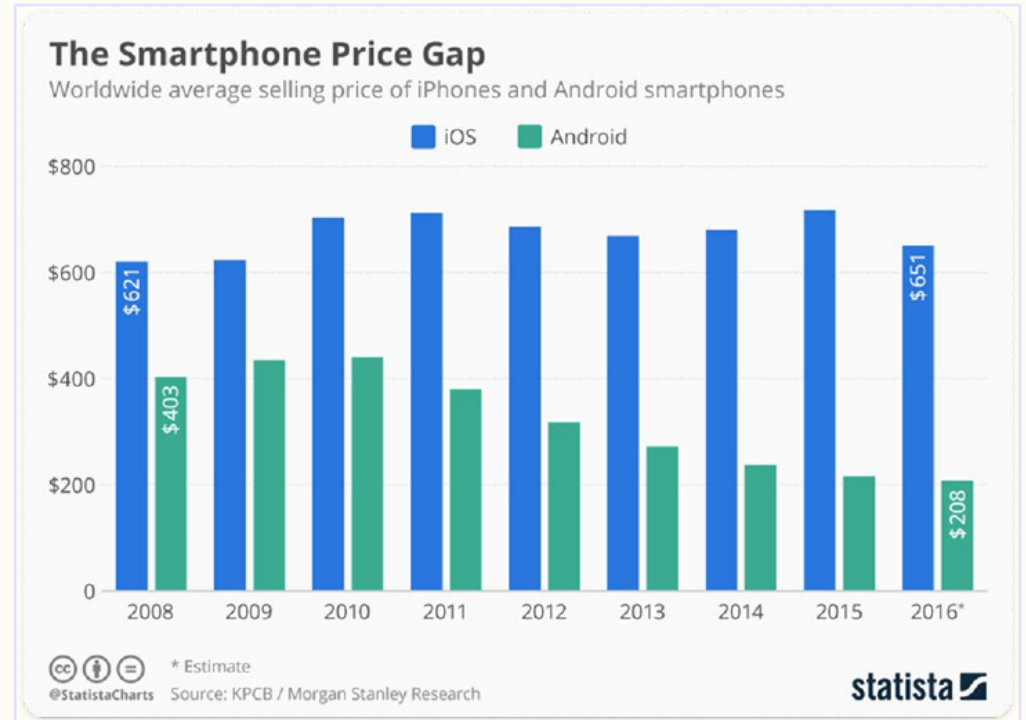
How Apple Makes Premium
Prices Feel Reasonable

Mel • Chengtian • Sasha



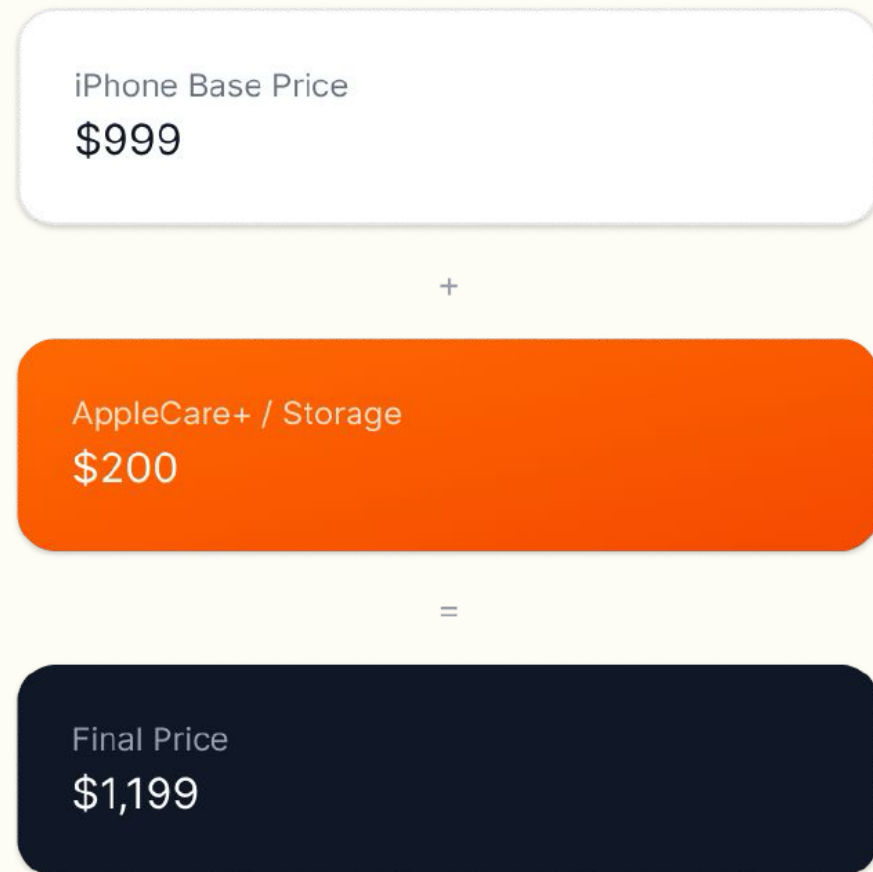
Reference Dependence: "Reasonable" Is Relative

- Consumers judge prices relatively, not absolutely
- Apple sets clear reference points through its lineup
- **iPhone 17 Pro (\$1,099)** makes **iPhone 17 (\$799)** look "fair"
- **The iPhone Air (\$999)** makes the **iPhone 17 Pro (\$1,099)** seem less expensive



Diminishing Sensitivity

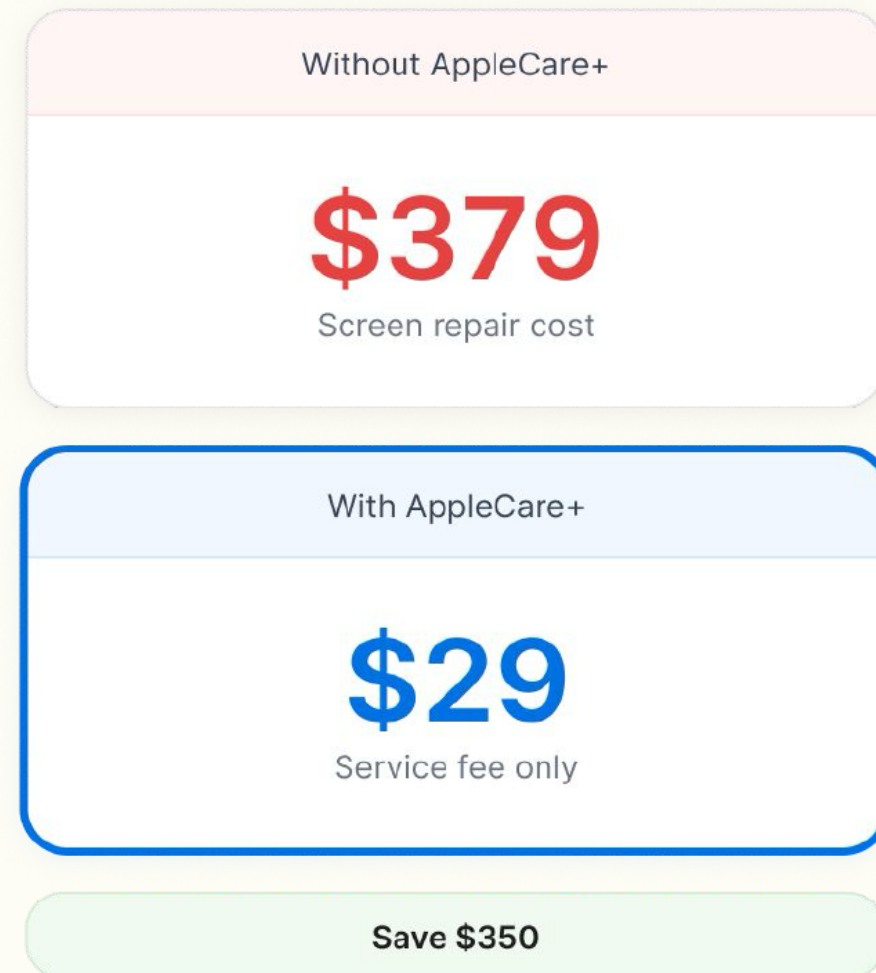
- As price increases, small additions feel less significant
- Adding \$200 above \$999 doesn't "feel" big
- Apple uses this effect to promote upgrades



"The higher the base, the smaller the pain."

Loss Aversion

- People fear losses more than they value gains
- **\$379 repair** vs. **\$29 service fee**
- \$9.99/month feels like preventing a loss



High Prices as a Function of Quality



MacBook Air-13 inch

- 10-Core CPU
- 10-Core GPU
- Apple M4 Chip
- 18hrs Battery Life
- 2tb Storage

Macbook Air Vs. Macbook Pro

- Pro is consistently more expensive leading customers to believe that it is more powerful, reliable, and professional.
- Apple reinforces this perception by maintaining prestige pricing
- By not lowering prices, Apple protects the perception that their products represent high craftsmanship and premium engineering.



MacBook Pro-14 inch

- 14-Core CPU
- 20-Core GPU
- Apple M4 Pro Chip
- 22hrs Battery life
- 4tb Storage

Price Discrimination & Storage

- Same iPhone, different storage tiers priced very differently
- Cost difference to Apple is small, but price difference to consumers is large
- Customers willing to pay more to avoid running out of space
- iCloud offers the same benefit through small monthly fees instead of a large upfront cost
- Fear of losing photos/files makes paying feel justified



iPhone Pro 17
Pricing:

256GB – From
\$1099

512GB – From
\$1299

1Tb – From
\$1499

New iCloud Storage Plans
Upgrade your storage right from your iOS device.

5GB

Free

20GB

\$0.99/month

200GB

\$3.99/month

500GB

\$9.99/month

1TB

\$19.99/month



iPhone 17 Pro

From \$1099 or
\$45.79/mo. for 24
mo.*



iPhone Air

From \$999 or
\$41.62/mo. for 24
mo.*

Left-Digit Bias

- Consumers focus on the left-most digit when reading prices
- \$999 feels meaningfully cheaper than \$1000, even though the difference is \$1
- An iPhone priced at \$999 is perceived as “in the \$900 range”
- This small change reduces the perceived psychological cost
- Left-digit bias leads customers to see premium pricing as more acceptable

Signposting Through Consistency

Base Configuration iPhone (256GB)



iPhone 15

From
\$799



iPhone 16

From
\$799



iPhone 17

From
\$799

Signposting Through Consistency

Makes other products look like better deals



Apple Watch

From
\$399



AirPods Pro

From
\$249



iPad Air

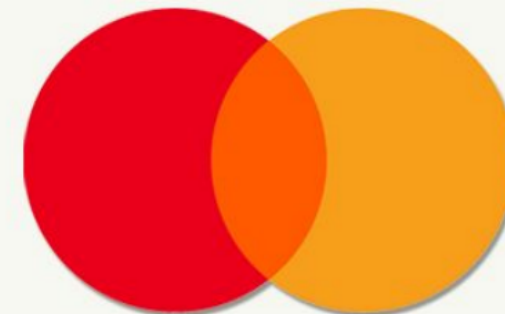
From
\$599

Reducing The Pain of Paying

Ease of Transaction

Apple makes the payment method very frictionless:

- Many, many payment methods
- Tap and go, no need to take out a card or wallet
- Emotionally detached
- Carrier deals and services available through Apple



mastercard



Reducing The Pain of Paying

Disaggregation of Price

Price is broken down
into monthly payments

Perceived loss lowered

Visually striking
comparison

Made to
feel manageable

iPhone 17 Pro

Innovative design for ultimate
performance and battery life.

From \$1099 or \$45.79/mo. for 24 mo.¹⁰

iPad

The colorful, all-screen iPad for the
things you do every day.

From \$349 or \$29.08/mo. for 12 mo.^{**}

MacBook Air 13" and 15"

M4 chip

Strikingly thin and fast so you can work,
play, or create anywhere.

From \$999 or \$83.25/mo. for 12 mo.^{**}

From Apple.com

Reducing The Pain of Paying

Apple Trade In. Get \$40–\$670 credit toward your new iPhone.#

Select a smartphone

Answer a few questions to get your estimate.

No trade-in

Which model do you have?

✓ Select

iPhone 16 Pro Max - Up to \$670
iPhone 16 Pro - Up to \$550
iPhone 16 Plus - Up to \$450
iPhone 16 - Up to \$420
iPhone 15 Pro Max - Up to \$470
iPhone 15 Pro - Up to \$400
iPhone 15 Plus - Up to \$330
iPhone 15 - Up to \$310
iPhone 14 Pro Max - Up to \$370
iPhone 14 Pro - Up to \$300

On your iPhone, go to Settings > Your Name. Scroll down to see the model. On other smartphones, go to Settings > About phone.

Upgrading through a program or carrier plan?

If your model is part of the iPhone Upgrade Program, [check your upgrade eligibility and trade in](#) ↗

Are you on Boost Mobile Infinite Access and ready to upgrade? [Get started](#) >

Trade in Programs

- Reframes expense as an upgrade
- Immediate credit
- Don't need to sell it yourself
- Feel responsible and sustainable

Reducing The Pain of Paying

On the surface

- 0% Interest payments
- 3% Cash Back
- Integrated in wallet

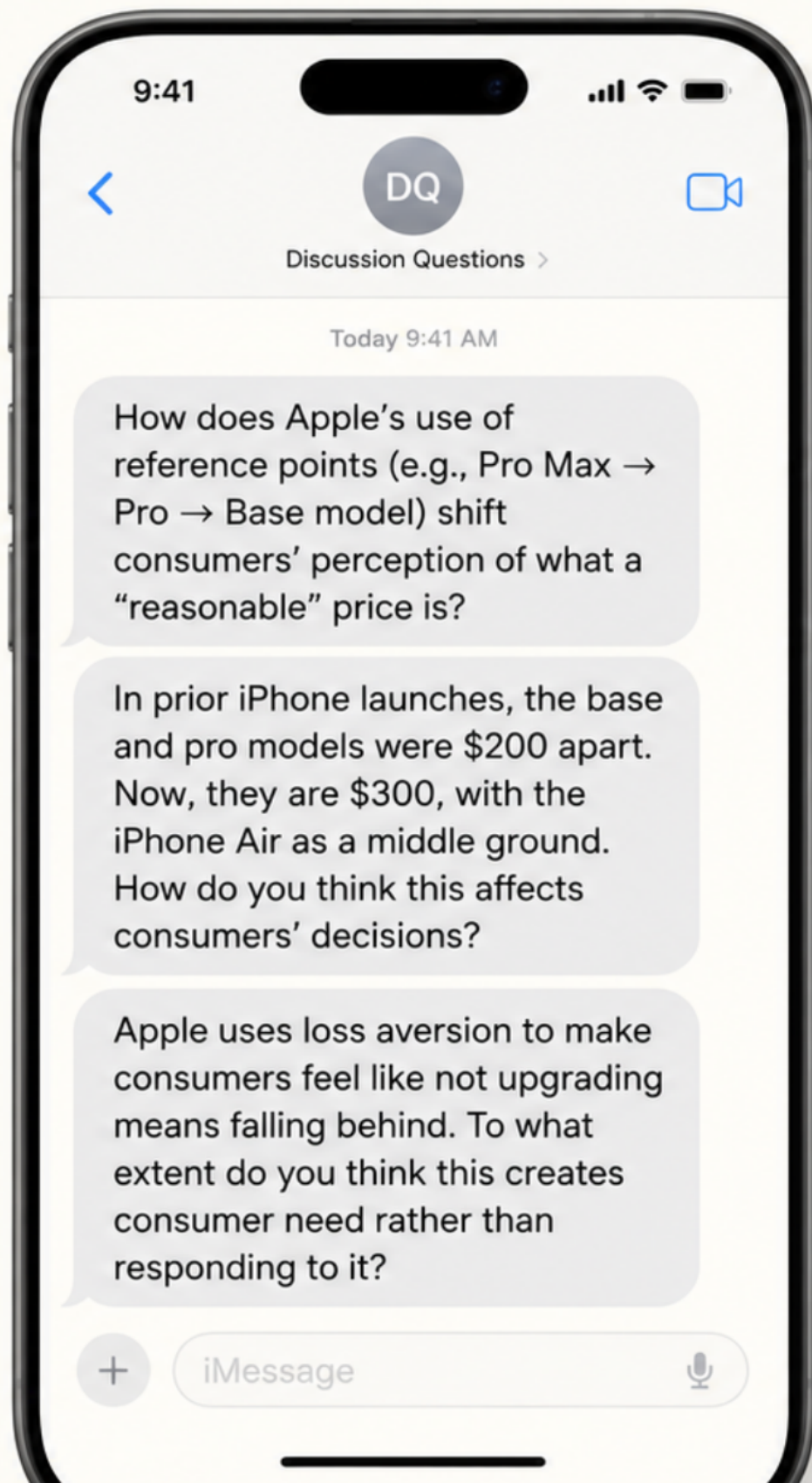
In reality:

- *Next purchases encouraged*
- *Spending feels rewarding*
- *Keep you in the ecosystem*



One more thing...





DISCUSSION QUESTIONS

Let's Discuss.

Mel • Chengtian • Sasha