

# TAX TALK



## How the power of pricing can influence consumer purchases

When it comes to setting prices, numbers aren't just numbers – they're signals.

How you price your products or services can subtly influence how customers feel about what you're offering. That's where pricing psychology comes in, using behavioural science to guide smarter pricing strategies.

The big box stores and supermarkets are experts at this strategy.

You can apply four of the most powerful techniques – charm pricing, anchoring, bundling, and urgency – to position your goods or services more effectively.

You will certainly have seen charm pricing. It's the \$19.99 price instead of \$20.00. This works because consumers tend to focus on the left-most digit. In this case the '1', not the '2', so \$19.99 feels significantly cheaper than \$20, even though it's only a cent less. This trick can make your pricing feel more attractive without really cutting into your margin.

The idea of anchoring is using a high "reference price" to influence how your actual price is perceived. For example, if you list a premium package for \$499 and your standard one for \$299, suddenly \$299 feels like a great deal.

That high anchor helps frame the value of your other options. If someone takes the premium package, you'll probably do well, but you're expecting most to go for what's seen as the better deal.

Bundling is all about combining products or services into a package. It reduces the need for customers to make multiple decisions and can increase perceived value.

For example, instead of choosing between separate services, customers see a single, value-packed offer, which can help you upsell without the hard sell.

And you will have seen the concept of urgency plenty of times on the internet.

Creating a sense of urgency through limited-time offers or low stock messages taps into the fear of missing out. This encourages quick decision-making and discourages hesitation, especially in online or service-based sales.

Used thoughtfully, these strategies can not just help to convert browsing sales, but also help to position your brand more effectively.

## Summer 2025

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## Two tips to make deals seem irresistible

Some prices just seem like a better deal, so you end up buying even when you weren't planning to.

How you were influenced is probably not by accident, and you probably fall for the pricing psychology behind it more often than you think.

Two clever strategies behind this psychology are what are known as the decoy effect and zero pricing. Many businesses use the decoy effect to steer your choices. The idea is simple: offer three options, but promote one as a no-brainer. For example, the price at a café shows a small coffee for \$6, a medium at \$7.20 and a large for \$7.50. What coffee are you steered towards?

The medium coffee is not really there to sell. It's a decoy. Its job is to make the large look like a bargain: "Only 30c more for the big one? Why not!" Suddenly, you're upsizing, and the café is making more profit, all without pushing you. |

It's your decision after all.

Zero pricing is a little different, because everyone likes something for nothing – "free" is the irresistible word. Offer something at no added cost, or highlight something free, and people pay attention.

Think of streaming services with free tiers, or cafés offering a free coffee with a scone. The offer might not be their main product, but it gets people in the door. And once you're in? Maybe you grab a muffin, upgrade and upsize, or just keep coming back.

Both the decoy effect and zero pricing work because they play on how we feel about value, not just what we see on the price tag.



## Discounting could cost you more than you think

It's not surprising many businesses drop their prices to compete with a rival – especially one who's started discounting to get more sales.

If you're tempted, consider where you want to sit in the market, not just how your prices compare. A bit of thought could save your business from making a costly mistake.

Panicking and slashing prices to keep up with competitors can backfire. You can not only hurt your profit margins, but also damage your brand. Would Rolls Royce ever cut prices just to sell a few more cars?

It's OK if you're aiming to be a cheap, high-volume supplier in the market. Your prices will reflect that. But if you position your business as a premium, high-value brand, cutting prices might not help.

Be clear on where your firm sits. Then look at what your competitors are doing. If they're cutting prices they might be trying to reposition themselves as a cut-price business. Understanding their moves helps you plan yours.

Important in any strategy is to figure out how much profit you need, not just to stay afloat, but to grow. Businesses

## The do's and don'ts of holiday sale specials

When run right, Christmas promotions don't just boost sales, they build trust that lasts well beyond the festive season. Follow these five simple rules to spread holiday cheer without a compliance headache.

**Do:** offer genuine holiday discounts and Christmas bundle deals.

**Don't:** hike your prices beforehand to make your discounts look better than they are.

**Do:** Be transparent about available stock and time limits.

**Don't:** Use countdown timers or "only 2 left!" gimmicks to create a false sense of urgency.

**Do:** Showcase real, recent customer reviews.

**Don't:** Cherry-pick, recycle, or fabricate testimonials.

**Do:** Keep a close eye on your stock levels.

**Don't:** Promote items that are already sold out.

**Do:** Offer gift cards or vouchers for easy last-minute gifts.

**Don't:** Set expiry dates shorter than three years: it's against New Zealand law from March 2026.



need to make money, so your pricing has to support that.

Sometimes, raising your prices might actually be smarter, especially if you're adding value. An example is when McDonald's opened a store close to a shop selling hamburgers. The other owner doubled his prices and lost about 10% of his customers. But by doubling his price, he convinced people his product was so much better.

So don't treat pricing as a reaction, but as a statement. Remember, pricing on any part of the scale determines how you are perceived.

# WE CARE ABOUT YOUR BUSINESS

## COURT CASES for your interest ■ ■ ■

### Collapsed scaffolding had basic safety flaws

Details of a dramatic scaffolding collapse onto a busy Auckland road have been revealed for the first time by WorkSafe New Zealand, as its court case against the company responsible draws to a close.

The nine-metre-high scaffold was for townhouses being built on the boundary of the Ellerslie Racecourse. The structure fell into the path of cars along Remuera's Peach Parade on a windy day in January 2024. A witness described it "start to curl like a wave" before coming down onto the road. Three workers were nearby at the time, and drivers were left traumatised from swerving to avoid injury or death.

A WorkSafe investigation found the scaffold was effectively free-standing and lacked the minimum safety features to anchor it. For example, it was not tied down, nor was there

bracing (known as rakers) used to increase the base width for stability. However, CCTV footage showed workers installing rakers onto the collapsed structure after the incident.

The scaffold company did not carry out a risk assessment for the scaffolding along the roadside, nor for installing the scaffolding without rakers. The company has now been sentenced, after pleading guilty to breaching the Health and Safety at Work Act 2015.

"Our official guidelines are clear that rakers, ties, and risk assessments are essential, not optional. Construction scaffolding design is complex, and you are gambling with lives if you cut corners," says WorkSafe's northern regional manager, Brad Duggan.

At the time of the collapse, the company operations manager was qualified to design, construct, alter

and dismantle the scaffold. The company could not explain the safety shortcomings to WorkSafe investigators.

"It is extremely disappointing that the company failed to ensure that this structure was safe, and followed industry standards and guidance," says Brad Duggan.

"How this collapse did not end in tragedy is nothing short of miraculous. This was a seriously deficient set up, and a blatant risk to public safety. Businesses must manage their health and safety risks and where they do not, WorkSafe will take action."

#### Background

The company was sentenced at Auckland District Court on 3 September 2025.

The court ordered reparations of \$8,500 to be paid.

### Penalties rise over conveyor belt deaths

Courts have imposed more than \$800,000 in penalties since mid-March, in response to workers being killed on unsafe conveyor belts in the manufacturing industry.

A Timaru company are the latest to be jointly sentenced over the death of a young worker. The 23-year-old was working near a conveyor belt, when he became entrapped in its drive roller in November 2022.

WorkSafe's investigation found there was no guarding to protect workers along the length of the conveyor belt, or in the area where the victim was drawn in, nor had a risk assessment been done. A range of other machine safety defects were also found onsite. The company also failed to follow a

safety consultant's recommendation to safeguard the conveyor back in 2017.

The Timaru case has concluded after the recent sentencing of a company which also had a worker killed on a conveyor belt in Mt Maunganui.

"Endangering workers in this way is careless in the extreme, because these deaths were clearly preventable. In no way is it acceptable to be able to be killed at work on a conveyor belt," says WorkSafe's acting regional manager, Darren Handforth.

"The manufacturing sector must seize these two deadly incidents as a watershed moment for health and safety. We implore businesses to ensure their machine guarding meets

safety standards. If necessary, engage a qualified expert to ensure your machinery is adequately guarded to avoid inflicting further tragedy on other families," says Darren Handforth.

Guarding involves installing physical barriers and/or safety devices to prevent workers from accessing exposed moving parts on machinery.

#### Background

The company and its director were sentenced in a reserved decision of the Timaru District Court on 7 July 2025.

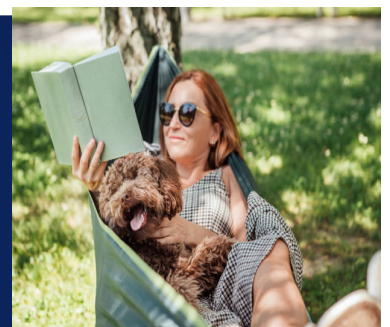
Fines of \$250,000 were imposed for the company and \$60,000 for its director.

Reparations of \$140,000 were also ordered (\$20,000 of which had been

Try a  
digital  
detox

Encourage your team to truly switch off from work over the holidays: no emails, phone calls, or notifications. A proper disconnect helps reset energy levels, and a rested team returns with better focus, motivation, and creativity.

Remember, supporting your team's mental health isn't just good leadership, it's good business: a balanced team leads to a balanced ledger.





## When renovating a new rental could cost you ‘Tis the season for giving... but what can you claim back

Often, when a property is bought for rental, the owner will do it up shortly after purchase after it is tenanted. IRD’s view is this cost should generally be added to the amount paid for the property.

Why? Because if it is work which the previous owner might have done, it is assumed, if that had happened, you would have paid more for the property. It is better to plan your maintenance and delay to a point where some wear and tear has occurred while you own it. Don’t rush in at the beginning.

The following are the factors which should be taken into account when determining whether a maintenance cost should be added to the cost of the property or treated as repairs:

- the time which has elapsed before the repair is undertaken
- the state of repair of the asset at the time it was bought
- whether the asset was in a fit state to use at the time of acquisition
- whether this state of repair of the asset affected its value when you purchased
- intended use of asset compared with previous use
- nature and extent of repair work done
- whether the owner made any use of the asset before or during the repair work.

## Unlock AI potential with specific questions

AI is useful for answering business-related questions, but it can be more powerful if you use it the right way. If you’re new to AI, there are multiple applications readily available – ChatGPT, Google Gemini, Microsoft Copilot and Meta AI among them. Ask and you will get an answer, but if you’re specific with your questions, the answer will be more specific. For example, don’t just ask: “How do I

market my business?” It’s better to ask: “What are some low-cost digital marketing strategies for a local service business with less than \$1000/month to spend?”

Don’t ask: “How do I do X?” Try: “Give me a step-by- step plan for launching a subscription-based online news service.”

When you have an answer (almost

instantly), follow up with more questions. Treat AI like a business consultant – it can keep going to clarify points, and refine answers through conversation.

But always remember, AI is not perfect. Use it to help you prepare and speed up your thinking, but verify important or high-stakes decisions with your accountant or lawyer.

Gifts, bonuses, parties, and more: here’s a brief breakdown of what you can and can’t claim this festive season.

### Employee gifts

Gifts that are not subject to the entertainment tax rules (vouchers, hampers, flowers) are fully deductible and exempt from Fringe Benefit Tax (FBT) if they cost less than \$300 per employee per quarter, and the total for all staff stays below \$22,500 a year. However, gifts that do fall under the entertainment tax rules, like food hampers or wine, or taking your team to a show or event, are 50% deductible, and not liable for FBT.

### Cash bonuses

Bonuses are classed as income, so PAYE and other payroll taxes apply. These “lump sum” payments are taxed at a flat rate based on your employee’s income bracket.

### Client gifts

Food, drink, or entertainment gifts are 50% deductible. Other gifts (flowers, movie tickets, a book) are 100% deductible

### Workplace events

Christmas parties, client dinners, or team drinks are 50% deductible, while morning teas, office lunches, and charitable donations are fully deductible.

**Remember: GST adjustments apply for entertainment expenses that are 50% deductible.**

Important: This is not advice. Clients should not act solely on the basis of the material contained in the Tax Talk Newsletter. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Tax Talk Newsletter is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be

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