

Consumers' Psychology Towards Pricing of A Product With Special Reference to Shopping Malls

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Abstract: Price, cost, quality and value are all interrelated. Price is what a product or service is sold for and cost is what is bought for. Consumer perception towards Pricing of a product encountered in a shopping context influence consumer in quite different ways. Overall the pricing of a product plays a vital role in the purchase behavior of a customer. The main purpose of this study is to understand consumers' psychology towards the pricing strategy of a products and their buying behavior accordingly. The research design is descriptive and primary data were collected using a survey questionnaire. The survey comprised 232 respondents from visitors at Express Avenue, Chennai and The Forum Vijaya Mall, Chennai. Questionnaire is the instrument used and followed consumers opinion by personal interviews for any feedback, difficulties or interpretations of questions in the questionnaire. The data was analyzed using the software SPSS and AMOS. The findings show that there is a positive relationship and significant difference between prices and consumer buying behavior. It also showed that there is statistically significant difference between the responses of individuals "due to age, gender, marital status, qualification and monthly salary".

Keywords: Pricing, Consumer Psychology, Buying Behavior, Shopping Mall.

I. INTRODUCTION

A. Consumer Buying Behavior

Consumption is a process involving the acquisition of need-satisfying items, the use of those items and the subsequent evaluation of the entire process. All of us are consumer, no matter how old, educated and rich, we consume things of daily use, according to our needs, preference and buying power, we also consume and buy these products. These can be consumable goods, durable goods, specialty goods or industrial goods. Consumer behavior therefore is the behavior of individuals in their quest to satisfy needs. Thus, studying consumer buying behavior has a vital role in understanding the factors that influence consumers' buying decisions for marketers and salesmen. Customers are the primary focus of the marketing process and the benchmark to measure the success or failure of goods and services. Therefore, most of the companies study consumer behavior to increase the

possibility of their success. Consumers take many decisions in their daily life and one of these is the buying decision. They decide to buy some products because of several reasons: in need for these products, want to try them, products are strongly recommended by others or the products will be given as a gift. With the Globalization and the advance technology in market, consumers now get multiple choice of same product with different price where they compare it through online and various other means of information which makes the marketer to be more alert than before with their pricing strategies. Understanding how customers perceive pricing is important when setting prices. With so many ways of looking at price, its no wonder that marketing managers find the task of setting prices a challenge.

B. Pricing

Pricing is the process of determining and applying prices to goods and services. Price means one thing to the consumer and something else to the seller. To the consumer, it is the cost of something. To the seller, price is revenue, the primary source of profits. In the broadest sense, price allocates resources in a free market economy. To price is to decide the amount required as payment for (something offered for sale) as stated in Oxford Manpower Dictionary (2002). Prices are determined by the balance of supply and demand and set with a certain degree of confidence that consumers will pay it. Price is that which is given up in an exchange to acquire a good or service. Price plays two role in the evaluating of product alternatives: as a measure of sacrifice and as an information cue.

a). The Sacrifice Effect of Price

Price is again, 'that which is given up' which means what is sacrificed to get a good or service. In the United States, the sacrifice is usually money, but it can be other thing as well. It may also be time lost while waiting to acquire the goods and services. Standing in a long queue for billing in the super markets, or at the airport for checking and go through security checkpoint procedures before travelling is a cost. In fact, this delays are one reason people select alternatives mode of transportation. Price might also include 'lost dignity' for individuals who lose their jobs and rely on charity to obtain food and clothing.

b). *The Information Effect of Price*

Consumers do not always choose the lowest priced product in a category, such as shoes, cars or wine even when the products are similar. One explanation of this based upon research, is that we infer quality information from price. That is higher quality equals higher price. The information effect of price may also extend to favorable price perception by others because high price can convey the prominence and status of the purchase of the other people. Thus, a Swatch and a Rolex both can accurately tell time but convey different meanings.

Kotler & Keller(2012) stated that price is the one element of the marketing mix that produces revenue; the other elements produce costs. They also stated that purchase decisions are based on how consumers perceive prices and what they consider the current actual price to be. Understanding how consumers arrive at their perceptions of prices is an important marketing priority. Pricing is the most important factors in marketing. It is one of the four Ps of marketing (Product, Place, Price and Promotion) and it is perhaps the most important one because it is the only factor that generates revenue to the company and reveals the success or failure of the products and services.

C. *Shopping Malls*

Rapid progress in retailing industry has led to growth of shopping malls, particularly in the large cities of India. Shopping malls are the places these days where people spend their time to shop and relax. With the changing tastes and preferences of customers, shopping malls extend a modern retail across metros, cities and towns. Shopping Mall culture is impacted as a significant change in the life style of Indians, as shopping is no longer an activity of buying things but also viewed as a status symbol and a one-stop retail solution.

Shopping Malls have been a formidable aspect of the retailing environment for decades. The growth of shopping mall as such a format is exponential in India in the recent past. So, it is imperative to understand consumer behavior and pattern of their visits to shopping mall. With the primary data collection from the visitors of shopping mall has given lot of insight to understand customers buying behaviour in reference to buying at shopping malls, possible to find out the different buying behaviour of costumers in different shopping malls with the different categories of visitors by income, age, average monthly purchases, gender and even educational qualification. Because of globalization and booming in using electronic websites and social media, which enables consumers to do comparison between products and services with their prices at the same time, marketers need smart methods to attract consumers and to compete in this global worlds.

II. LITERATURE REVIEW

Price is undoubtedly one of the most important market variables (Bauer et al, 2004). Among the variables that affect the consumer's purchase decision is the price, which has a significant influence on communication factors concerning the advantages of purchasing a product or hiring a service, (Giuliana et.al 2012). Price can be accompanied by a "discount," which increases the perceived value of the product for the purchaser. The value is based on the consumer's perception of the benefits of the product vis-à-vis the price. Many factors influence the consumer's perception of value, such as the following: the initial price, the consumer's attitude to the product, the expertise of the consumer, and previous experience of the product. The quality perception of a product or service is acquired through variables such as brand, packaging, purchasing channels, advertising and others (Verma and Gupta, 2004).

According to (Dodson et.al, 1978) sales promotion based on prices can lower consumer's perceptions of brand quality. "For a durable product, a lower price fixation can negatively affect the quality image of the product and the consumer is not willing to buy a lower price brand" (Verma and Gupta, 2004, p. 67). They chose toothpaste as the product for their study, In the case of low-involvement products. The 171 participants judged the quality of a toothpaste tube in six different price classes with the aim of showing how the quality perception of an object varies according to the price. The participants judged the value of the product according to the price: higher prices lead to higher quality and vice versa. This shows that price is an important factor that shows the value of a product according to the customer towards the products and services and makes their decision whether to purchase or not.

The use of price as a quality indicator depends on the availability of other variables that can interfere with the quality such as brand, price variation in a product category or the consumer's awareness of the price, and his/her capacity to distinguish between the variations of the quality in a product group (Zeithaml, 1988). Price is a factor that influences the product evaluation process, as it is present in every purchasing situation, and represents the amount of economic effort that has to be made to ensure a satisfactory purchase (Lichtenstein et.al, 1993).

Lower reference prices cause a perception of higher gain when compared to higher reference prices, resulting in a higher purchase intention (Niedrich et.al 2001).

According to (Parasuraman et.al 1988), in the absence of tangible features, price become the main indicator of quality with regard to services. The intense competition on pricing that pervades many industries makes consumer perception more important than ever. Aggregator and comparison websites have brought greater price visibility and ease of product comparison to banking, insurance, hotels and other

consumer markets. It's also easier for consumers to split their spending among different providers, depending on which firms offer the best perceived price-value equation. Managing price perception, not just pricing structure and actual price points, thus has become a critical capability for firms in consumer markets.

III. CONSUMER PSYCHOLOGY

The word "Psychology" is derived from two Greek roots, 'Psyche', meaning 'mind' or 'soul' and 'logos', meaning 'study of'. Psychology, therefore, literally means, 'study of the mind'. However, a more recent definition by Atkinson et.al (1996) suggests that psychology is: 'the scientific study of behavior and mental process'. Psychological pricing uses the customer's emotional response to encourage sales. By pricing products strategically, a company may increase sales without significantly reducing prices. In some cases, a higher price is actually more likely to increase sales. Consider several factors in crafting a psychological pricing strategy to get the best results.

Price, as is the case with certain other elements in the marketing mix, has multiple meanings beyond a simple utilitarian statement. One such meaning is often referred to as the psychological aspect of pricing. Inferring quality from price is a common example of the psychological aspect of price. For instance, a buyer may assume that a suit priced at \$500 is of higher quality than one priced at \$300.

Numerous price strategies can be seen everywhere in the modern society. Whenever we turn on the TV, look through a newspaper, or listen to the radio advertisements, different price strategies immediately jump into our sight. Advertisements provide us with up-to-date information about the latest products and are a good method to introduce products and help manufactures to promote their new products. The goal of advertisement is to force people to notice their products. As they make things so attractive, we often end up buying things that we do not really need, especially when these ads are presented with price strategies, such as discounts.

Psychological pricing is one cause of price points. For a long time, marketing people have attempted to explain why odd prices are used. Odd pricing is a psychological pricing tactic in which numeric value is utilized to affect the customer's perception of product value. It seemed to make little difference whether one paid \$29.95 or \$30.00 for an item. Perhaps one of the most often heard explanations concerns the psychological impact of odd prices on customers. The explanation is that customers perceive even prices such as \$5.00 or \$10.00 as regular prices. Odd prices, on the other hand, appear to represent bargains or savings and therefore encourage buying. There seems to be some movement toward

even pricing; however, odd pricing is still very common. A somewhat related pricing strategy is combination pricing or bundling pricing, such as two-for-one or buy-one-get-one-free. It involves combining several products, usually complementary, and then selling it as a single product. It is a common feature in imperfectly competitive industries such as telecommunications, fast food and financial services. Examples include the Microsoft Office suite (which is a bundle of applications for word processing, spreadsheets, presentation, and so on), the McDonalds Happy Meal (which is a bundle of items such as a burger, fries and a cold drink) and bundling of TV channels by cable operators. Product bundling can be used as a means of differentiation and/or market expansion. Bundling is most effective when production has economies of scale; distribution has economies of scope; marginal costs are low; set-up costs for production are high; the costs of acquiring new customers are high; the customer base is heterogeneous in its demands. It usually works very well for high volume; low marginal cost goods.

Discount pricing is one of the most attractive factors to the customers. The definition of discount is reduced prices or something being sold at a price lower than that item is normally sold for. An example of something described as discount is a purse sold for 50 percent off its normal price or a store that focuses on selling designer items at below-market prices. It can also be sated as a valuation approach where items are sometimes initially marked up artificially but are then offered for sale at what seems to be a reduced cost to the consumer. For example, a retail store business might offer discount pricing on all of its apparel items for a limited time period in order to attract new customers and boost sales.

Consumers tend to react very positively to these pricing techniques.

The psychological pricing theory is based on one or more of the following hypotheses:

- Consumers ignore the least significant digits rather than do the proper rounding. Even though the cents are seen and not totally ignored, they may subconsciously be partially ignored.
- Fractional prices suggest to consumers that goods are marked at the lowest possible price.
- When items are listed in a way that is segregated into price bands (such as an online real estate search), the price ending is used to keep an item in a lower band, to be seen by more potential purchasers.

IV. DATA COLLECTION

Data source for the research study on consumers' psychology towards pricing with reference to malls in metropolitan cities is basically primary and secondary. Primary data is collected from the visitors of malls at Chennai. Sampling approach followed in this study is random sampling without replacement method. Each respondent has been contacted only once for data collection. Data collection instrument was structured Questionnaire and the questionnaire development is explained in the sections 'Research Instrument' and 'Research Instrument Development'. Secondary source of dataset is from scholarly journal articles, reference books, newspapers, magazines, publications from India's Central Statistical Organisation, National Sample Survey Organisation (NSSO), Reports and working papers.

V. ANALYSIS

Data analysis is considered to be important step and heart of the research in research work. After collection of data with the help of relevant tools and techniques, the next logical step, is to analyze and interpret data with a view to arriving at empirical solution to the problem. Analysis and interpretation of data are central steps in the research process. The aim of the analysis is to organize, classify and summarize the collected data so that they can be comprehended and interpreted to give answers to the questions that triggered the research. Interpretation is the search for the broader meaning of findings. Analysis is not fulfilled without interpretation; and interpretation cannot proceed without analysis. So, both are inter dependent. In this study a detailed analysis of the collected data has been attempted as per the objectives stated earlier. Hypotheses were stated, also tested based on the data interpretations and conclusions were drawn.

A. Price Dimension Related Measurements

Frequency Distribution, mean value in five point Likert scale, and standard deviation (SD) of Price related Measurements is illustrated in the table 1. The eleven variables shown are Discounts in shopping malls, Impulsive or quick purchases chances in shopping malls, Membership discounts / loyalty programs/cards, Retailers at this shopping mall sell high quality products, Have a plan for shopping, Compare product prices across retailers to get the lowest price Mall is a one-stop shopping place, Shopping mall is the place to check new products / designs / brands are available, Store outlets in the malls sell current merchandise, Shopping malls have the advantage of sales promotion schemes and Branded products available in the mall are reliable, trustworthy, risk free and status symbol. The variables listed in the order from highest to lowest mean values is as follows; the variable Retailers at this shopping mall sell high quality products has the mean value of 3.33, the variable Membership discounts / loyalty programs/cards has the mean value of 3.31, the variable

Discounts in shopping malls has the mean value of 3.24, the variable Impulsive or quick purchases chances in shopping malls has the mean value of 3.22, the variable Shopping mall is the place to check new products / designs / brands are available has the mean value of 3.14, the variable Have a plan for shopping has the mean value of 3.02, the variable Compare product prices across retailers to get the lowest price has the mean value of 2.94, the variable Mall is a one-stop shopping place has the mean value of 2.87, the variable Branded products available in the mall are reliable, trustworthy, risk free and status symbol has the mean value of 2.71, the variable Shopping malls have the advantage of sales promotion schemes has the mean value of 2.49, the variable Store outlets in the malls sell current merchandise has the mean value of 2.47.

The variables are listed in the order from lowest to highest standard deviation (SD) values is as follows; the variable Impulsive or quick purchases chances in shopping malls has the standard deviation value of 1.01, the variable Membership discounts / loyalty programs/cards has the standard deviation value of 1.05, the variable Have a plan for shopping has the standard deviation value of 1.05, the variable Discounts in shopping malls has the standard deviation value of 1.06, the variable Retailers at this shopping mall sell high quality products has the standard deviation value of 1.07, the variable Compare product prices across retailers to get the lowest price has the standard deviation value of 1.09, the variable Mall is a one-stop shopping place has the standard deviation value of 1.1, the variable Shopping mall is the place to check new products / designs / brands are available has the standard deviation value of 1.11, the variable Shopping malls have the advantage of sales promotion schemes. has the standard deviation value of 1.15, the variable Store outlets in the malls sell current merchandise has the standard deviation value of 1.17 and the

Variable Branded products available in the mall are reliable, trustworthy, risk free and status symbol has the standard deviation value of 1.19.

Variables	Very Low (%)	Low (%)	Moderate (%)	High (%)	Very High (%)	Mean	SD
Discounts in shopping malls	6.80	14.97	36.39	30.61	11.22	3.24	1.06
Impulsive or quick purchases chances in shopping malls	5.44	15.99	39.46	29.59	9.52	3.22	1.01
Membership discounts / loyalty programs/cards	5.44	13.95	38.10	28.91	13.61	3.31	1.05
Retailers at this shopping mall sell high quality products	5.78	13.27	38.10	27.55	15.31	3.33	1.07
Have a plan for shopping	7.82	22.79	37.07	24.49	7.82	3.02	1.05
Compare product prices across retailers to get the lowest price	8.84	26.53	36.05	19.05	9.52	2.94	1.09
Mall is a one-stop shopping place	13.27	22.11	34.69	24.15	5.78	2.87	1.10
Shopping mall is the place to check new products / designs / brands are available	7.14	21.43	35.03	23.47	12.93	3.14	1.11
Store outlets in the malls sell current merchandise	23.13	32.31	26.87	10.20	7.48	2.47	1.17
Shopping malls have the advantage of sales promotion schemes.	21.43	32.99	27.55	10.88	7.14	2.49	1.15
Branded products available in the mall are reliable, trustworthy , risk free and status symbol	18.71	26.19	28.23	19.39	7.48	2.71	1.19

Table 1: Frequency Distribution of Price Related Measurements

VI. HYPOTHESIS

A. Null Hypothesis

There is no significant difference between amount spent (purchase value) during the month with respect to Consumer Behavioral Determinants at Shopping Malls.

Dimensions		Amount Spent (Purchase Value) in INR					F value	P value
		S1	S2	S3	S4	S5		
Product	Mean	15.44	13.12	15.90	16.05	16.72	2.965	0.021*
	SD	4.14	4.65	3.79	3.67	4.50		
Price	Mean	13.76	11.81	12.67	13.49	14.82	2.532	0.040*
	SD	4.01	4.49	4.09	3.66	4.92		
Convenience	Mean	13.19	11.28	13.14	13.31	14.98	2.258	0.033
	SD	4.32	5.35	4.08	4.86	5.34		
Aesthetic Value	Mean	8.97	7.38	8.08	8.37	9.12	2.320	0.037
	SD	2.73	2.78	2.47	2.81	3.07		
Hedonistic	Mean	7.25	6.49	7.07	7.07	8.56	2.219	0.017
	SD	3.07	3.08	2.92	3.03	3.53		
Social	Mean	58.61	50.09	56.86	58.29	64.19	2.744	0.030*
	SD	15.62	18.46	14.58	14.88	19.30		

* Denotes significant at 5% level

Table 2: Summary of ANOVA for Amount Spent (Purchase Value)

S1 is the amount spent or purchase value in the shopping mall in the range of INR 500 and below, S2 is the amount spent or purchase value in the shopping mall in the range of INR 501 – 1,000, S3 is the amount spent or purchase value in the shopping mall in the range of INR 1,001 – 5,000, S4 is the amount spent or purchase value in the shopping mall in the range of INR 5,001 – 10,000 and S5 is the amount spent or purchase value in the shopping mall in the range of INR 10,001 and above. ANOVA test and test values for significant difference between amount spent in mall with respect to Consumer Behavioral Determinants at Shopping Malls is listed in Table 2. The P value for Product Determinants is 0.021, Price Determinants is 0.040, Convenience Determinants is 0.033, Aesthetic Value Determinants is 0.037, Hedonistic Determinants is 0.017 and Social Determinants is 0.030 at significant at 5% level ($\alpha = 0.05$). Since P value is less than 0.05, the null hypothesis is rejected 5 percent level of significance for Price, Convenience, Aesthetic Value, Hedonistic and Social. Hence concluded that there is significant difference in between the groups S1, S2, S3, S4, and S5 as for as the Consumer Behavioral Determinants Product, Price, Convenience, Aesthetic Value, Hedonistic and Social at Shopping Malls.

VII. CONCLUSION

The main purpose of this study was to find out consumer psychology of pricing towards a product and services. In the study it was found out that Price is one most important factor that attracts customer to purchase the products and at the same time important to the marketer as it generates revenue. Price perceptions can directly influence satisfaction judgments of the product and services. Most of the customer judge the quality of the product according to the price. A marketer or a producer needs to be careful in setting the prices right as it can keep the customers happy and improved customers satisfaction and increased revenue. The price fairness itself and the way it is fixed and offered have a great impact on satisfaction.

The customer assumes that the merchant charging more and if they pay more for a similar product, it is of better quality and more durable than the local product offered in lesser price. The higher the price, the better the quality, is what customer assumes in making purchase. It is clear that consumer use price as a reference for perceived quality. With the branded products and high price quality products available in shopping

malls, customer prefer to purchase in the malls as they think the products there are more reliable, trustworthy, risk free and status symbol. The study concluded that higher customer satisfaction is based not on real quality, but the price as people see it as an indicator of product quality.

This study has limitations, which may be considered for future research. The data collected from the respondents was only limited to Shopping Malls which make inability to meet all the basic requirements needed and outcome of this study specifically focused the southern states. Further study can be carried out to explore the general customer perception towards pricing and the buying behavior even in other states of India.

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