

PRICING STRATEGIES AND ITS INFLUENCE ON CONSUMER BEHAVIOUR

Aarushi Dua

B.A.(H)Economics, Gargi College, University of Delhi, India

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ABSTRACT

This research explores the impact of diverse pricing strategies on consumer purchasing behavior and business performance in a dynamic, technology-driven marketplace. Adopting a mixed-method approach, the study analyzes consumer responses to three major pricing strategies—discount pricing, bundle pricing, and psychological pricing—through survey data from 100 respondents across various demographic backgrounds. The analysis is further supported by real-world case studies of leading firms such as Walmart, McDonald's, Amazon, and Starbucks, each exemplifying strategic pricing models in retail and service sectors. Key findings indicate that discount pricing significantly drives consumer engagement and brand loyalty, while bundle and psychological pricing elicit mixed responses depending on context, product type, and consumer demographics. The research highlights the role of age, gender, and price sensitivity in shaping price perception and concludes with practical recommendations for businesses to tailor pricing strategies for maximum consumer impact and profitability.

KEYWORDS: *Pricing Strategies, Consumer Purchase Behavior, Marketing Strategies, Psychological Pricing, Dynamic Pricing, Business Environment*

INTRODUCTION

In the ever-changing business environment, pricing strategies play an imperative role in defining consumer purchasing decisions and business profitability. As consumers become more brand-conscious and marketing activities gain prominence, businesses must adopt well-structured pricing models to remain competitive. Pricing—one of the four P's of the marketing mix is the sole variable that directly creates revenue, making it a key determinant in the success or failure of a product.

The buying behavior of consumers is affected by various factors, including psychological, personal, social, and cultural aspects, making it challenging for businesses to predict buying patterns. Price perception and brand equity significantly impact consumer decision-making, as individuals compare products and services based on price, quality, and value. With globalization and the rise of e-commerce, consumers have greater access to price comparisons and alternative options, forcing businesses to refine their pricing strategies.

This research explores several strategies of pricing —cost-based, value-based, competition-based, psychological, dynamic, premium, and discount pricing—and their influence on consumer behavior. It employs a two-pronged approach, to analyze how different pricing models affect consumer preferences, brand loyalty, and purchasing decisions.

OBJECTIVES OF THE STUDY

For the entry, survival, and growth of a business, an appropriate pricing strategy needs to be put in place by the entrepreneur. Thereby making the study of consumer behavior quite essential. Even though understanding consumer preferences is a challenging task it still cannot be left unattended in this ever-changing global environment.

The objectives of this study are stated below:

- To examine various pricing strategies and their implementation in different industries.
- To analyze how consumer perceptions and responses to changes in price and pricing strategies.
- To investigate the role of technology and artificial intelligence in pricing strategies.
- To identify actionable insights that businesses can apply to align pricing with consumer expectations, improve customer satisfaction, and sustain competitive advantage

RESEARCH METHODOLOGY

This research study adopts a **mixed-method approach**, incorporating both **quantitative and qualitative data** to ensure a comprehensive understanding of the impact of pricing strategies on consumer behaviour. The primary objective of this study is to evaluate the influence of pricing policies on consumer purchase decisions. To achieve this, the study follows a **two-pronged strategy**. Firstly, the **survey method** was employed as the primary quantitative tool. A structured questionnaire was designed, circulated, and completed by respondents from various age groups, genders, and social backgrounds. A total of **100 respondents** provided complete and valid responses, which were then analyzed to derive meaningful insights into consumer perceptions and behaviours. Secondly, the study integrates **qualitative secondary data** in the form of **case studies**, focusing on how real-world companies apply pricing strategies to shape consumer decisions. These case studies include the pricing models adopted by firms such as Amazon, Walmart, McDonald's, and Starbucks, offering practical perspectives on the use of dynamic, discount, bundle, and psychological pricing. For the sake of analytical clarity, three key pricing strategies have been selected and examined in detail: **Discount Pricing Strategy**, **Bundle Pricing Strategy**, and **Psychological Pricing Strategy**. These were chosen based on their relevance to consumer-focused industries and their observable impact on purchase behaviour.

LITERATURE REVIEW

Consumer Behavior

“Consumer behavior refers to the process individuals follow when choosing, purchasing, utilizing, or disposing of products and services. Gaining insights into these decision-making patterns is vital for marketers, as it allows them to customize their offerings to better satisfy consumer needs” (Kotler & Keller, 2016).

Several factors influence consumer behavior:

- Personal Factors: A person's age, income, lifestyle, and degree of education all have a big impact on what they want to buy.

- Psychological Factors: Elements like motivation, perception, beliefs, and attitudes determine how consumers interpret and engage with brands and products.
- Social Factors: Influences from family, friends, social media, and cultural background strongly impact consumer choices and purchasing habits.

Consumer Behavior and Pricing

- Price Perception: Consumers perceive prices based on reference prices, past experiences, and contextual cues. High prices may be associated with superior quality, while discounts may signal lower quality. Perceived fairness of pricing strategies significantly affects consumer trust.
- Price Sensitivity: Price sensitivity varies across demographics and product categories. Some consumers prioritize brand loyalty over price, while others seek the lowest possible cost.

Pricing Strategies

Pricing strategies are the methods used by companies to decide on the costs of their goods and services, taking into account variables such as perceived consumer value, market competitiveness, and manufacturing costs (Nagle & Holden, 2002).

Examples of Pricing Strategies

- **Discount Pricing Strategy:** Discount pricing involves temporarily reducing prices to stimulate sales. This strategy appeals to price-sensitive consumers (Kumar & Steenkamp, 2007). Retailers often use discount promotions during holidays or clearance sales.

Case Example: Walmart

Walmart employs everyday low prices (EDLP) to attract budget-conscious consumers and increase customer loyalty. According to a 2023 report by Statista, Walmart's EDLP strategy has consistently driven high sales volumes, making it a market leader in retail.

- **Bundle Pricing Strategy:** Bundle pricing allows you to purchase several goods or services at a lower cost than you would if you bought them separately. Customers are encouraged to purchase more as a result (Guiltinan et al., 2005).

Case Example: McDonald's

McDonald's uses bundle pricing through its value meals, combining burgers, fries, and drinks at a lower price. This approach increases average transaction values and enhances customer satisfaction. A study by QSR magazine found that McDonald's value meals contribute to a significant portion of their overall sales.

- **Psychological Pricing Strategy:** Psychological pricing makes use of how customers feel about prices. Pricing techniques like odd-even pricing (for example, \$4.99 rather than \$5.00) give the impression that the price is cheaper (Monroe & Krishnan, 1985).

Case Example: Amazon

Amazon frequently uses psychological pricing. A product priced at \$99.99 appears more attractive than one priced at \$100, despite the negligible difference. It plays on consumers' perception of value. Data from a 2022 survey by the National Retail Federation indicated that a significant percentage of online shoppers are influenced by prices ending in .99.

Amazon also employs AI-powered dynamic pricing, adjusting product prices multiple times per day. Studies indicate that this strategy maximizes sales while encouraging impulse buying. Data shows that Amazon's use of personalized pricing leads to higher customer retention and revenue growth.

Apart from discount, bundle, and psychological pricing strategies, businesses utilize several other pricing approaches to address market dynamics and consumer behavior. These include:

- **Penetration Pricing:** Penetration pricing is the practice of introducing a product at a cheap cost to quickly draw clients and increase market share.
- **Price Skimming:** Price skimming is the practice of setting a high price at first to attract early adopters and then lowering it gradually.
- **Cost-Plus Pricing:** Setting the selling price by adding a profit margin to the overall cost of production is known as cost-plus pricing.
- **Competitive Pricing:** Competitive pricing is setting prices that are either equal to or marginally less than those of competitors.
- **Value-Based Pricing:** Value-based pricing, which is frequently used for high-end or luxury goods, sets prices based on the product's perceived value.
- **Dynamic Pricing:** Dynamic pricing is the practice of instantly changing prices in response to variables like market conditions, rival pricing, and demand.
- **Freemium Model:** Offering a basic version of a good or service for free and charging for more sophisticated features or upgrades is known as the freemium model.

Each pricing strategy comes with its own advantages and limitations, making it more suitable for specific market conditions, product categories, stages in the product lifecycle, and consumer segments. The selection of an appropriate pricing approach should align with the company's broader business goals while considering factors like brand positioning, competitors and the target market.

Case Study: Starbucks Pricing Strategy

Starbucks is an excellent case study for analyzing the effectiveness of pricing strategies in influencing consumer behavior. The company uses a combination of premium pricing, psychological pricing, and loyalty programs to position itself as a high-quality coffee brand.

Analysis of Starbucks' Pricing Strategies

- Premium Pricing: Starbucks charges higher prices than competitors, reinforcing the perception of quality.
- Psychological Pricing: Prices ending in .95 or .99 enhance perceived value.
- Loyalty Programs: The Starbucks Rewards program incentivizes repeat purchases through discounts and free items.

Impact on Consumer Behavior

Starbucks' strategic pricing has led to increased brand loyalty. A survey of Starbucks customers showed that 70% perceived the brand as offering high-quality products worth the premium price. According to the annual report of Starbucks' 2022-2023, the Rewards program has over 30 million active members in the U.S., contributing significantly to their sales.

FINDINGS AND ANALYSIS

Survey Data

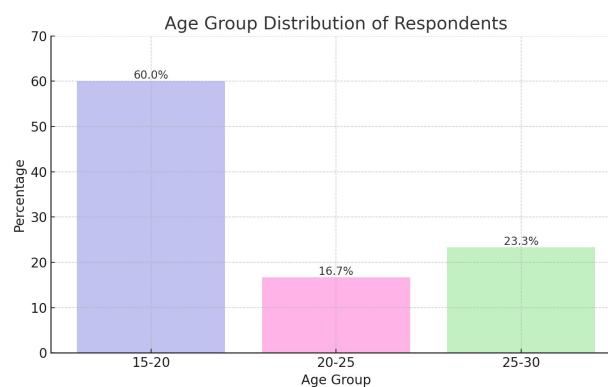


Figure 1: Distribution of Participants According to Age Variable.

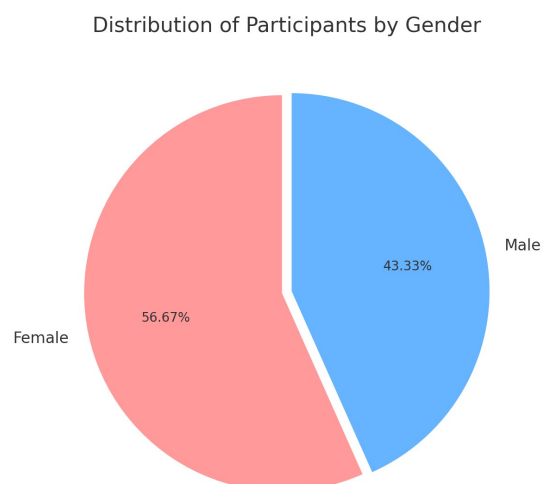


Figure 2: Distribution of Participants According to Gender Variable.

Table 1: Discount Pricing Strategy

Competitive Pricing Strategy	Yes (Percent)	No (Percent)	Neutral (Percent)
Would you buy a luxury product if the discount is very high?	40	53.33	6.67
Would you prefer discounts or cashback over free gifts	60	40	-
Would you prefer a double discount deal(like 70%+10%discount) over package deals?	50	40	10
Do you follow the discount and sale schemes of the brands you purchase frequently?	76.67	23.33	-
Do you prefer to buy your needs during sale season?	66.67	20	13.33

Table 2: Bundle Pricing Strategy

Bundle Pricing Strategy	Yes (Percent)	No (Percent)	Neutral (Percent)
Would you prefer to buy assorted bundles/packages over individual product items if the combined price of products in the bundle is lower?	33.33	53.33	13.34
Are you more inclined to buy products that come with bundle offers, such as "Buy one, get a gift"?	46.67	36.67	16.66
Are you more likely to purchase products that come with bundle offers, such as "Buy one, get one free"?	63.33	20	16.67

Table 3: Psychological Pricing Strategy

Psychological Pricing Strategy	Yes (Percent)	No (Percent)	Neutral (Percent)
Is it really a fact that ₹199 sounds significantly better than ₹200?	23.33	26.67	50
Does the way prices are presented (e.g., ₹99.99) influence your decision to purchase a product?	20	26.67	53.33
Do you generally purchase products which have odd prices (such as ₹.19, ₹29,ETC)	30	23.33	46.67
Do you perceive a sense of savings when purchasing items priced at odd amounts like ₹21 or ₹23?	26.67	33.33	40

Table 4

Particulars	Yes (Percent)	No (Percent)	Neutral (Percent)
Do you have a predetermined amount you want to spend on a product before you start searching for the product?	60	33.33	6.67

Table 5

Particulars	Yes (Percent)	No (Percent)	Neutral (Percent)
Would you buy the first imitation just because their prices are lower than the original?	33.33	43.33	23.34

Table 6

Particulars	Yes (Percent)	No (Percent)	Neutral (Percent)
Do reduced product prices enhance your inclination to purchasing the product?	53.33	26.67	20

Table 7

Particulars	Yes (Percent)	No (Percent)	Neutral (Percent)
Do you usually negotiate when purchasing a product?	23.33	46.67	30

Factor Given Maximum Priority by Respondents

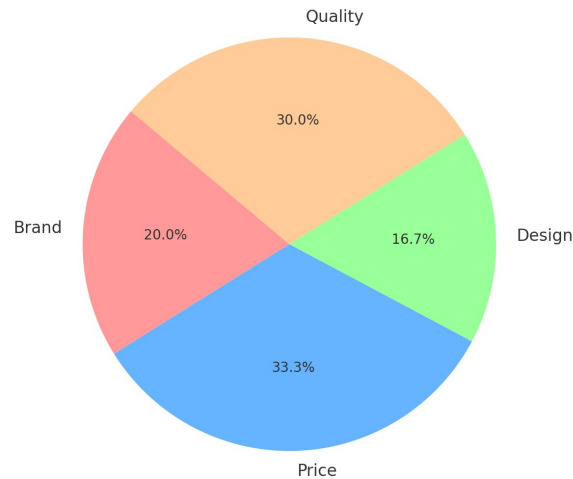


Figure 3: Factors Given Maximum Priority by Respondents.

FINDINGS AND CONCLUSION

The research findings underscore the significant influence of pricing strategies on consumer behavior. Analysis of the primary survey data, supported by relevant case studies such as those of Starbucks, Amazon, Walmart, and McDonald's, reveals key insights into how consumers respond to various pricing approaches. The study demonstrates that discount pricing strategies are particularly effective in driving purchase decisions and fostering brand loyalty, while responses to bundle and psychological pricing vary depending on product type and consumer demographics. These findings offer valuable implications for firms aiming to align pricing strategies with consumer expectations in a competitive marketplace.

From the research results, it is evident that the majority of respondents are from the age group 15–25 and 56.67% of all the respondents are females. Consumers respond positively to discount pricing strategies like double discounts, cashbacks, promotional discounts, and competitive discounts. Most participants actively follow sales and discount schemes offered by brands they frequently purchase from, which in turn increases product demand and strengthens brand loyalty. This aligns with existing research that positions Gen Z as highly value-conscious and digitally savvy. Brands targeting this segment must incorporate aggressive discounting strategies, flash sales, and loyalty incentives to capture and retain attention.

Consumers tend to favor discounts over other pricing strategies, as discounts increase consumer surplus, allowing them to allocate saved money toward other purchases. Psychological pricing strategies do not significantly impact consumer preferences, suggesting that discount pricing is a more effective approach for businesses. The consumers are largely neutral towards various bundle pricing strategies such as free gifts, assorted bundles, and “buy one get one free” deals, indicating that such approaches may be more situational in their effectiveness.

The recurring revenue model and brand loyalty rely on strong customer relationships, making value-based pricing a better strategy for retaining customers in the long term. This study establishes a positive correlation between pricing and consumer purchasing behavior. As shown in Table 7, both price and quality play crucial roles in influencing purchase decisions. While 30% of respondents prioritize product quality, 33.33% focus on price, with lower prices significantly enhancing their willingness to buy. The survey results also indicate that consumers prefer high-quality products at fair prices, leading to greater satisfaction and increased repeat purchases for businesses.

This study suggests that product price has a positive association with consumer purchasing behavior because optimal pricing enhances consumers' willingness to buy. The results also show that people's perceptions of the three pricing strategies—Psychological Pricing, Bundle Pricing, and Discount Pricing—vary depending on their age, gender, level of education, and monthly income.

E-commerce platforms, like Amazon, benefit greatly from dynamic and psychological pricing due to their ability to adjust prices in real time and present anchor pricing through strikethroughs and limited-time offers. Physical retailers, however, rely more on seasonal promotions, in-store displays, and bundle deals. Hence, the pricing strategy must be adapted to the nature of the retail environment. Overall, these insights reinforce the need for businesses to adopt flexible, data-driven pricing strategies that align with consumer psychology, demographic preferences, and the retail channel. The integration of technology, such as AI-powered pricing engines, will further enhance the ability of firms to respond to consumer behavior in real-time.

Data Inferences

The survey findings confirm that pricing strategies play a pivotal role in shaping consumer purchasing behavior. A majority of respondents were from the 15–25 age group (60%) and of all respondents majority identified as female (56.67%), suggesting that young, female consumers form a key demographic in evaluating pricing strategies.

Discount pricing emerged as the most impactful strategy, with 76.67% of respondents actively following sales and promotional schemes, 66.67% preferring to shop during sale seasons, and 60% choosing discounts or cashback over free gifts. These findings underscore consumers' strong preference for direct financial incentives, which enhance consumer surplus and drive purchase intent.

In contrast, **bundle pricing strategies** received mixed reactions. While 63.33% responded positively to “Buy One, Get One Free” offers, only 33.33% preferred assorted bundles over individual items. This suggests that bundled deals are effective only when perceived as high-value.

Psychological pricing, including odd pricing (e.g., ₹199 vs. ₹200), had limited influence. Around 50% of respondents were neutral toward such strategies, indicating a relatively low impact on their purchasing decisions. However, a significant difference in responses was observed based on gender, particularly regarding odd pricing formats.

Overall, consumers demonstrated a clear inclination toward **discount pricing**, while responses to bundle and psychological strategies were more varied. Businesses can leverage these insights to align their pricing approaches with consumer expectations—particularly by emphasizing competitive and promotional pricing strategies to increase brand loyalty and sales effectiveness.

SUGGESTIONS AND WAY FORWARD

The findings of this study highlight the significant impact of pricing strategies on consumer purchasing behaviour, particularly in the context of discount, bundle, and psychological pricing. Based on these insights, the following suggestions are proposed:

Businesses should adopt a more **consumer-oriented approach** to pricing by aligning strategies with consumer preferences, which vary across demographic groups. The use of **dynamic and data-driven pricing models**, supported by technology and artificial intelligence, can further enhance responsiveness to market trends and consumer behaviour.

Additionally, **transparency in pricing and perceived value** should be prioritized to foster consumer trust and long-term brand loyalty. Combining pricing strategies with **promotional tools and loyalty programs** may also increase effectiveness in influencing purchase decisions.

Future research may explore the long-term effects of dynamic pricing and personalized strategies in digital markets, as well as conduct comparative studies across industries or cultural contexts to generalize findings more broadly.

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