

Chapter 5

Effect of Psychological Pricing on Consumer Buying Behaviour: A Study on Indian Consumers

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ABSTRACT

Consumer behaviour is a topic most sought after when it comes to creating successful marketing practices that affect consumers' psychology, acting as a stimulus and inducing them to make purchases. Evidence explains that the psychological pricing strategy communicates with the subconscious mind of consumers, creating a perceptual illusion. This makes the deal seem more appealing to them. This chapter entails a practical study examining the impact of psychological pricing strategies on consumers' buying behaviour. This study has used authentic primary data that has been collected directly from consumers in India based on their buying experiences when encountering psychological pricing. The findings of this research show how socio-demographic factors like age, income, education, gender and family size influence consumers' buying behaviour when encountered with psychological pricing and if psychological patterns such as the anchoring heuristics, recency bias, scarcity effect and halo effect can overpower the influence of psychological pricing strategies in consumer buying behaviour.

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INTRODUCTION

Understanding and harnessing the intricacies of consumer behaviour is pivotal for businesses aiming to thrive and excel in the competitive marketplace (Kumar & Pandey, 2017; Adenigba & Akorede, 2023; Iwalewa, 2023). One of the powerful tools at the disposal of marketers is psychological pricing, a strategy that goes beyond mere monetary figures and taps into the psychological processes of consumers, influencing their perceptions and subsequent buying decisions (Kumar & Pandey, 2017). This pricing tactic is deeply rooted in human psychology, leveraging subtle alterations in pricing structure to evoke specific psychological responses from consumers.

In the context of India, a rapidly developing consumer market with a diverse and discerning consumer base, the influence of psychological pricing strategies on buying behavior holds immense significance (Kumar & Pandey, 2017). The pricing of a product, including the way it ends or is presented, can profoundly impact consumers' perception of value and affordability (Iwalewa, 2023). As a result, businesses operating in India's diverse market must carefully craft their pricing strategies, taking into account the psychological nuances that can significantly influence consumer purchasing choices.

This research will help understand the effect of psychological pricing strategies on consumer buying behavior, with a specific focus on the Indian consumer landscape. By conducting a comprehensive research, on the psychological mechanisms that underlie consumers' responses to various pricing strategies and other psychological factors that may overpower the psychological pricing strategy, shedding light on how these strategies influence purchasing decisions in the Indian market. Through this study, we seek to contribute valuable insights to marketers and businesses, aiding them in formulating effective pricing policies and marketing strategies tailored to the Indian context.

LITERATURE REVIEW

The pricing of products and services is a critical element influencing consumer purchasing decisions, and psychological pricing strategies hold a paramount position. The interplay between pricing strategies and consumer behaviour is a dynamic area of research, especially in diverse and competitive markets such as India. Understanding how psychological pricing impacts consumer choices and the subsequent implications for businesses is pivotal for effective marketing strategies.

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