

Original Article**Psychological Pricing and Consumer Behaviour****Shruti Dinesh Khandekar**

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**Abstract**

Psychological pricing is a marketing strategy that uses psychology to influence consumer understanding and their buying behaviour. This research paper discusses the effect of psychological pricing strategies prestige pricing, and price anchoring on consumer behaviour. Based on available literature and empirical evidence, the paper analyses how consumers react to implicit price signals and how these signals influence the perceived value of goods and purchasing intentions. The study is trying to explain why consumer think Rs.999 feels cheaper or affordable than Rs.1000 even though there is Rs. 1 difference only. It studies behavioural economic concepts. Through behavioural economics they try to study how real people make financial decisions. Besides, the research considers demographic aspects such as age, income, and cultural backgrounds to establish whether psychological pricing affects various segments of consumers differently. Purchase decision of the consumer will significantly increase by psychological pricing especially when combined with emotional and mental signals. The article focusses on moral concerns related to using strategies like psychological pricing and emotional triggers. It also includes real world market tips. Marketer wants to increase prices of the product or services but want to maintain consumers trusts also. So, they try to use odd pricing strategy than round figure pricing. Odd figure pricing feels cheaper or affordable to the consumer than round figure pricing.

Keywords: Psychological pricing, consumer behaviour, behavioural economics, pricing strategies, odd pricing, decision making psychology, marketing strategy, customer perception

Introduction**Background of the study**

In today's competitive market pricing plays an important role not only in consumer choices but also in shaping brand perception and also purchase intention. Traditional pricing strategies focus on profit margin, cost and competition where as psychological pricing explores how consumer behave and respond prices. A common example is charm pricing, where products are priced at Rs. 999 instead of Rs. 1000 to create the illusion of a better deal. Psychological pricing strategies are helpful for those businesses who want to increase their sales without compromising consumer trust. By examining consumer responses to these tactics, this study aims to bridge the gap between psychological theory and marketing practice.

Research problem or Gap

Charm pricing, odd-even pricing and price anchoring are the main contents of the psychological pricing. But there is gap in understanding how these strategies or tactics influence consumer behaviour across different context, culture and product categories and also influence on purchasing decision. Many existing studies primarily focus on western markets or controlled environments which may not fully reflect real world consumer decisions especially in diverse markets. The effectiveness of psychological pricing is granting the underlying psychological mechanism such as emotional response. Insufficient research on how psychological pricing works differently online vs. in-store.

Objectives and Scope

- To study the impact of psychological pricing on consumer buying behaviour.
- To study the impact of psychological pricing on consumer buying decision.
- To examine psychological factors that influence how consumer perceive prices.
- To study consumer awareness about psychological pricing.
- To analyse the impact of psychological pricing on consumer trust.

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Importance of the study

- Understanding relationship between psychological pricing and consumer behaviour.
- Helps business how psychological pricing impact on consumer purchasing decision.
- Helps marketers to decide pricing strategy which is helpful to increase sales of the product.
- Studies how consumer awareness about pricing strategies affect brand loyalty.
- Studies how psychological pricing strategies impact on consumer trust on product or services.

Literature Review**Charm Pricing and Left-Digit Effect**

Studies like Schindler and Kibarian (1996) have shown that prices ending in .99 are perceived as significantly lower than rounded prices, due to the left-digit effect. This effect causes consumers to focus more on the left-most digit in a price, making Rs. 999 appear substantially cheaper than Rs. 1000.

Odd-Even Pricing and Perceived Value

Research by Thomas and Morwitz (2005) found that odd prices (like Rs. 199) are associated with bargains, while even prices (like Rs. 200) are seen as indicators of quality. This affects consumers' perceived value and purchasing intention.

Anchoring and Price Framing

The anchoring effect, introduced by Tversky and Kahneman (1974), shows that consumers' willingness to pay can be influenced by a reference point (e.g., "original price: Rs. 2000, now Rs. 999"), even if the reference is arbitrary.

Emotional and Cognitive Influences

Research by Shiv and Fedorikhin (1999) highlights that emotional responses often override rational thought in price perception, especially during impulse buying. Emotions like excitement, urgency, or scarcity can amplify the impact of psychological pricing.

Consumer Awareness and Ethical Concerns

While psychological pricing is widely used, Wertenbroch and Skiera (2002) warn that overuse or manipulation may damage long-term trust and brand reputation. As consumers become more aware of pricing tactics, the ethical use of such strategies is increasingly important.

Research Methodology**Research design and approach**

This study adopts a quantitative research to analyse the relationship between psychological pricing strategies and consumer behaviour. It describes how consumer respond to the psychological pricing as well as how psychological pricing impact on consumer purchasing decision. This study utilizes quantitative, correlational research design or research methods to examine the relationship between psychological money or pricing strategies and consumer behaviour includes purchasing decision, spending habits, consumer choices, consumer preferences, saving habits, etc.

Data Collection Method

Secondary Data collected from books, Internet, etc.

Result & Discussion**Presentation of Findings**

- Most of the time consumer attracted towards odd prices with discount and better deals than even prices.
- Offers like Buy One Get One Free are particularly effective as the consumer feels they get the product totally free.
- In charm pricing strategy consumer feels lower or affordable in which they unplanned purchases or change their purchasing decision especially in online shopping.
- Younger consumer with lower income group most of the time attracted towards the strategies used in psychological pricing methods.
- Emotional triggers such as urgency, scarcity are attached to the psychological pricing then consumers response get increases towards the product or services.

Conclusion and Recommendations**Conclusion**

- Psychological pricing influence consumer purchasing decision.
- Odd even prices increase purchasing of consumer due to perception of a better deal.
- Due to discount framing techniques willingness of consumer to purchase a product or service increases.
- In psychological pricing method emotional factor plays an important role.
- Consumer purchasing decision changes as per the changes in income, choices, preferences, etc.

Recommendations

- Using odd even pricing strategy increases the sales of a product or services.
- Showing higher reference price before actual selling price of the product can increases the chances to increase the sale of the product or services.
- Avoid odd pricing strategy for luxurious products.

- Even pricing or round figure pricing for luxurious products helps to maintain their brand image or prestige in the market.
- To maintain consumer trust balance psychological pricing and maintain transparency.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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