



# A RESEARCH STUDY ON THE INFLUENCE OF PRICING ON CONSUMER BUYING BEHAVIOR

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Research Paper-Consumer Behavior

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## ABSTRACT

The study of Consumer buying behavior is very challenging task. Consumers consider various factors when making purchasing decisions. If a Company wants to survive, it should be able to compete well on different factors and the most important one is Price. The main purpose of this research is to measure the impact of pricing strategies on consumers' psychology and on their buying behavior accordingly.

For the study a questionnaire has been designed, distributed and filled by the different sections of the society varying in age, lifestyles, occupations, sex, etc. in India. 50 responses were received from participants and the details were recorded on Google form.

The main objective of the research is to study the variations in the consumer behavior as the price varies. It is to analyze how the price plays the vital role in purchasing a particular item(s). The price of the product is divided into three dimensions: fair price, fixed price, and relative price.

Thus, the finding shows there's a positive relationship between the prices and the consumer buying behavior. Also, there's no large statistically significant difference between the responses of the Individuals. Consumer has developed a consumer buying psychology that investing large prices on certain items won't change anything.

## KEY WORDS

Consumer, Consumer Behavior, Fair price, Fixed price, Relative price, Consumer buying Psychology, Purchase Decision, Price and Brand Image.

## INTRODUCTION

In this dynamic era of marketing revolution and the intensifying impact of marketing activities on the life of a common man, people have become more brand conscious in most of the products they purchase. Before deciding to purchase a product, customer's looks for some factors, such as quality, performance, features, and even country of origin. A consumer's purchase decisions are influenced by many factors, including personal, psychological, social and cultural factors, thus making it difficult for marketers to predict how consumers buy a particular product.

Brand name plays an important component of brand equity, which is why it is often regarded as a prerequisite of consumers' purchasing decisions. Brand image is important because it influences consumers' purchasing behaviors which ultimately leads to influences purchasing decisions.

Consumer Buying Behavior refers to the buying behavior of the ultimate customer. Many factors, specificities and characteristics influence the individual in what he is and the consumer in his decision. Consumer Buying Behavior refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants. There are different processes involved in the Consumer behavior.



Many factors specificities, and characteristics especially Income in personal factor that influences the individual in what he is and the consumer in his decisions making process, shopping habits, the brand he buys or the retailer he goes.

Price as a parameter can generate and influence various questions-

- What to buy?
- Why to buy?
- Who is involved in buying?
- How do buy?
- When to buy?
- Where to buy?

## LITERATURE REVIEW

There have been various researches that has been conducted to understand the consumer buying behavior. These researches gives a clear view of how there are various factors that influences the consumer buying behavior. Considering, price is one of the main parameter of personal factors.

The price you set for a product or service has a very significant effect on how the consumer behaves. If consumers believe that the price you're charging is lower than competitors it could cause a major spike in sales. But if the price you set is significantly higher than expected, the response can be disappointing.

In either case a change in price could produce unexpected results when it comes to consumer buying behavior.

## **Rationale**

This concept attempt to tell you how price plays an important factor in consumer buying behavior. Price not only influences but derives the way a consumer thinks of a product. As smart consumers, people take into account various factors before purchasing in order to enjoy more and better goods or services with the same budget. In particular, consumers shop for items that have the best prices in the market. People tend to purchase goods or services with lower price increases so as to maximize the level of enjoyment that can be attained within the same or a smaller budget.

## **Price**

Price perception greatly affects a consumer's decision to purchase a product. The perception of price explains information about a product and provides a deep meaning for the consumers (Kotler and Keller, 2016). Hence, price is an important factor in the purchasing decision, especially for products that are frequently purchased, and in turn, influences the choices of which store, product, and brand to patronize.

The price of a product is divided into three dimensions: fair price, fixed price, and relative price.

- Fair price refers to the adjustment of a price that offers a combination of quality and appropriate services at a reasonable price (Kotler and Keller, 2016).
- Fixed price is a set price for all buyers (Kotler and Keller, 2016).
- Relative price is the price set in accordance with the quality and service provided by the seller (Kotler and Armstrong, 2014).

Hence, Price has a positive influence on Purchase Decision.

Although the majority of consumers are sensitive to price, they also consider other factors, such as brand image, store location, service, value, and quality. Many consumers use price as an indicator of quality by considering 'you get what you pay for' recommended that a brand must come with a reasonable price.

However, the magnitude of the price effect in different goods and services depends on the elasticity of demand, such as whether the goods are necessary. Individual consumption preferences may also change along with the fluctuations in the price levels of goods and services.

## **Consumer**

Consumers are the ultimate target for any Company. All the above mentioned strategies and different strategies are used to influence their buying behavior. Pricing Strategy is the upmost taken care of.

- A consumer is an organization or an individual targeted by a company to sell their services or product to.
- A consumer is an organization or an individual that pays a price to use the services or products that are produced by your organization.
- A consumer is an organization or an individual who is the final user of the services or products of a company or organization

Consumers who are influenced by price are also concerned about product quality and durability, suggesting their preference towards purchasing high quality products at an equitable price rather than searching for cheaper products.

In recent times, consumers make more informed purchasing decisions through their own research evaluating available alternative solutions rather than being overly reliant on the information provided by a sales representative.

### **Purchase Decisions**

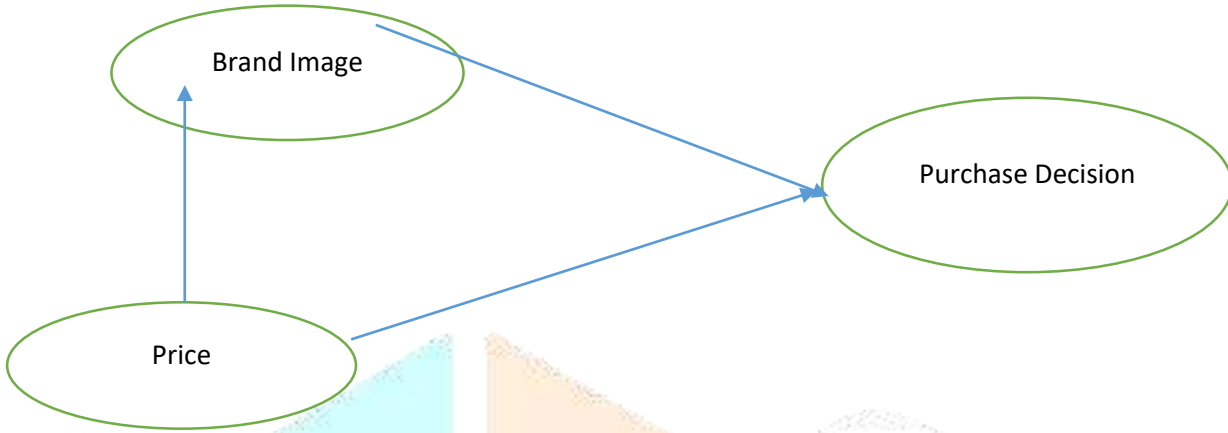
A purchase decision is an evaluation stage, in which consumer preferences towards a brand are formed. Consumers also establish the purpose of buying the most preferred brand during this stage.

As a stage, purchase decision is the buyer's decision making stage where-in individual decides to actually buy the product being considered. Kotler and Armstrong (2014) explained that a purchase decision is the decision regarding a brand to be purchased.

Brand as a factor acts as a criteria majorly affects purchasing decision. Customer gets more attracted when they hear a brand more popular or known to them. The celebrity that endorses the brand, the logo, the country of origin also derives the buying/purchase decision.



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**Brand Image**

Brand is one of important factor in marketing activities because introducing activities and offering products or services can not be separated from dependable brand. The brand is also an important attribute of a product and a brand identity to differentiate the company’s products with other products that produced by competitors.

- Brand according to America Marketing Association (Kotler, 2009:258) “A brand is a term, design, name, symbol or any other features that distinguish one company’s product to the others.”
- Brand image is a unique set of associations in the mind of customers regarding what a brand stand for and the implied promises the brand makes’. This means that the brand image is a unique set of associations in the minds of customers about what brands stand for.

A brand image sums up consumer perceptions regarding a given brand’s overall personality. This perceived image includes evaluative, though not necessarily conscious, considerations of the relative strengths and weakness of a brand.

The marketing materials and advertising efforts of the business behind the brand, as well the consumer experience with the brand over time, help to shape and refine brand image. Because brand image corresponds to the sometimes mercurial tastes and attitudes of the public, it remains transient and subject to constant revision.

Consumer perception of a brand also means that consumers will assess whether a brand is considered more superior or inferior compared to other brands such as the functional aspects, durability or it might also emotionally.

**Consumer Buying Psychology**

There are various upon which a consumer buying psychology depends varying from culture, social class, family, age, occupation, etc.

- Culture

Culture is a complex set of beliefs and principles held by a given society and which clearly defines the roles played by the members of the society. It also defines the traditions and customs of the society.

- Social Class

Every society typically has some social classes that exist within it. Social class is determined by income, level of education, and a whole host of other factors.

- Reference Groups

A reference group is a group to which the consumer associates their buying decisions. It is usually the case that a consumer will buy a product or service simply because members of their reference group are buying the same product or service.

- Family

The buying behavior of a consumer will be affected by their families and by the opinions of their family members. Whenever a group of people begins to live together, whether because they are related by blood or by marriage, their buying behaviors will begin to rub off each other.

- Their Age and Life Stage

The age of a consumer, as well as the stage of life the consumer is at, are very important as to the buying decisions they make. When consumers are of different ages and life stages, the motivations behind a consumer's purchases will differ from those consumers who do not have the same profile.

- The Occupation of the Consumer

The occupation of a consumer will affect their buying decisions in so far as it will determine their income, social status, and their interests, as well.

- Personality and Self-Perception

Every consumer is different, and each consumer views herself in a unique way. The way that consumers view themselves, coupled with their personalities, will determine which products and services they prefer.

## RESEARCH DESIGN & METHODOLOGY

### STATEMENT OF PROBLEM

Consumer behavior research is the scientific study of the processes consumers use to select, secure, use and dispose of products and services that satisfy their needs. Knowledge of consumer behavior directly affects marketing strategy. This is because of the marketing concept, i.e., the idea that firms exist to satisfy customer needs. Firms can satisfy those needs only to the extent that they understand their customers.

Competition is also growing within the industry because of the large number of players entering Indian market both from national and international levels. The changes in the behavior of consumers in turn have impact on the industry directly or indirectly. In order to attract and retain customers, the companies have to come up with various business strategies and a reasonable pricing is one of them.

Pricing and merchandizing decisions are crucial in attracting the customers. Merchandizing and setting a right price for apparels, shoes, cosmetics, bags, accessories, and ornaments is always a challenge as most of the apparels follow the fashion cycle. Customers want quality and variety at a reasonable price. But, it is a challenge to get a right mix of factors in order to attract and retain the customers.

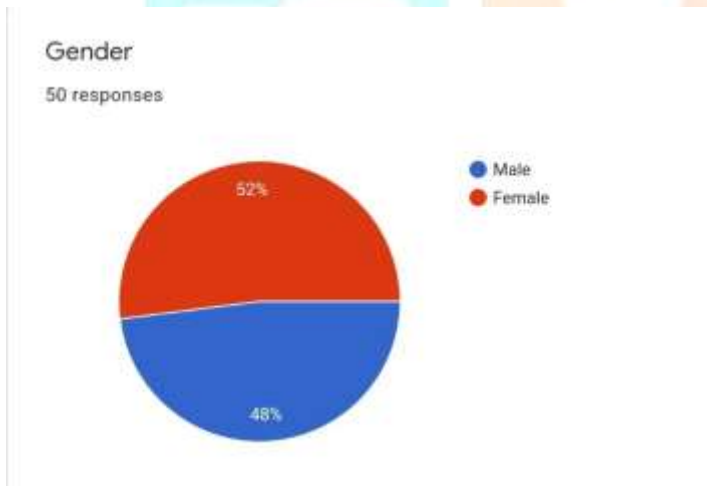
Hence, there is a genuine need to understand the factors that influence the buying behavior of consumers when they shop in organized and unorganized retail outlets. The present study is an attempt in this direction.

## RESEARCH OBJECTIVE

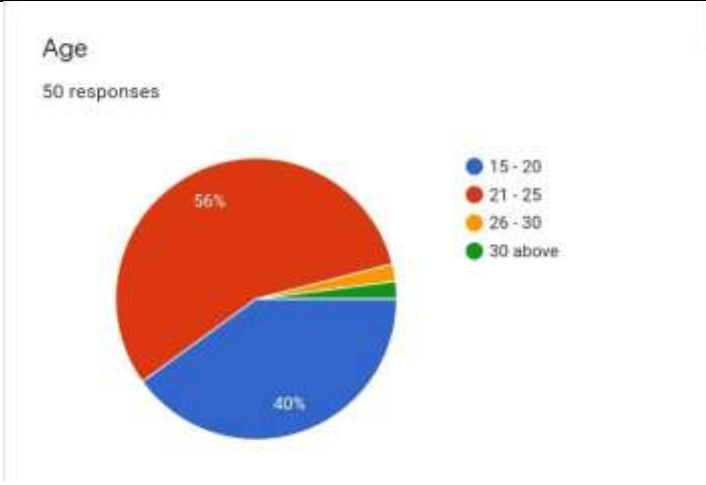
- To study the influence of price on the buying behavior of consumers while making a purchase.
- To analyze the influence of price on the buying behavior of consumers while purchasing apparels in organized retail outlets.
- To understand the factors that influence the buying behavior of consumers while shopping in organized retail outlets.
- To study the consumer buying psychology while making a purchase.
- To analyze the impact of brand image on consumer while making a purchase.

## RESEARCH FINDINGS

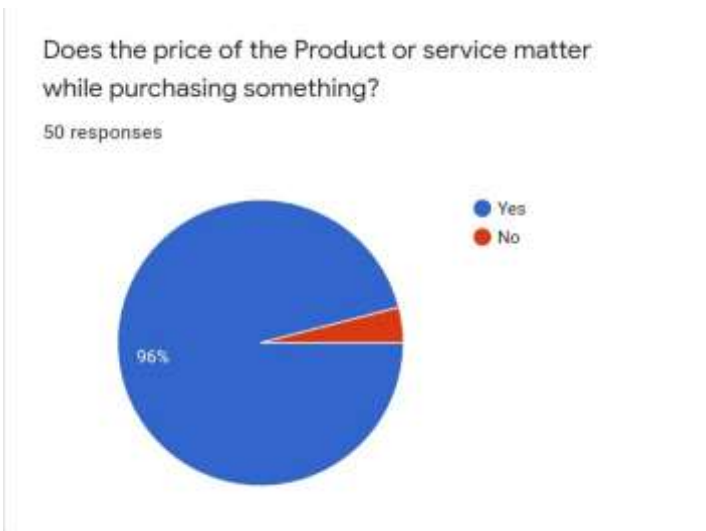
**SAMPLING POPULATION:** The survey was conducted online from a total 50 respondents across the different cities of the country. Care has been taken to include respondents from the millennial in large number.



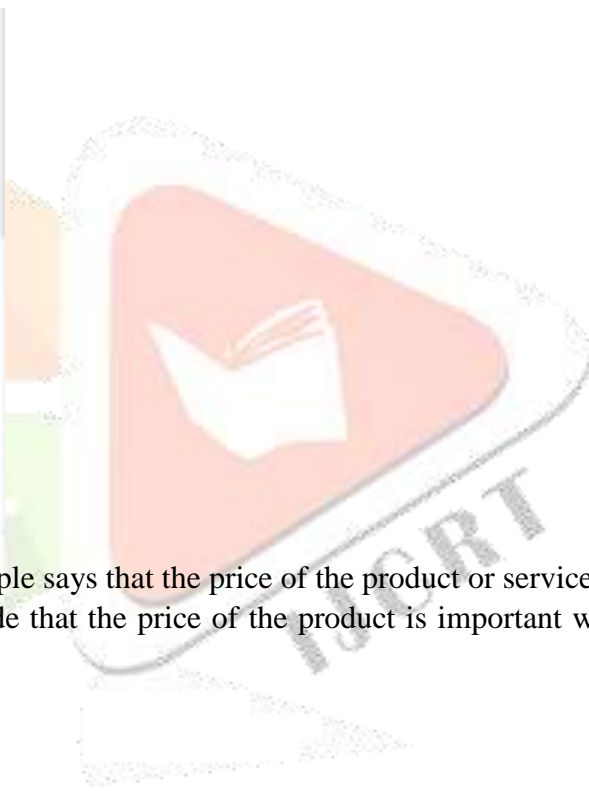
**Interpretation:** From the Google form which we circulated we got a total of 50 responses. In which 52% were female and 48% were male.



**Interpretation:** From the received responses, 56% of the age group was between 15 – 20 years and 40% respondents were of age group 21 – 25 years. This is because the respondents of the study is most student class.



**Interpretation:** Form a total responses, 96% of the people says that the price of the product or services does matter to them while purchasing anything. Thus, we can conclude that the price of the product is important while purchasing anything.

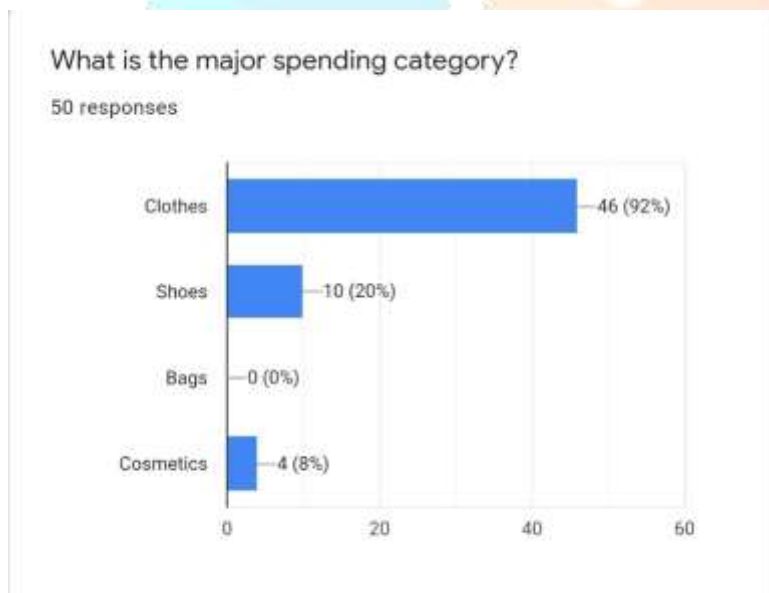




**Interpretation:** Here, we asked whether the price of the product or service affect the buying decision on a person. And we got a response on the scale of one to five. Majority of the peoples buying decision get affected by the price of the product or service. Only about 4% to 6% people does not get much affect by the price.



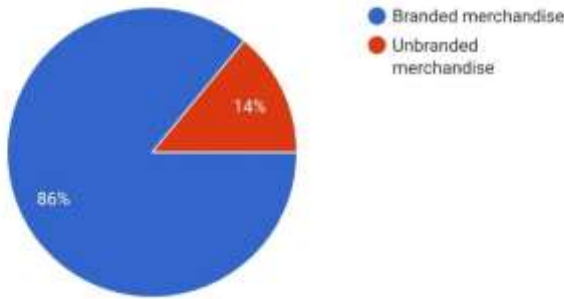
**Interpretation:** In this question, about 78% people go for quality of the product or service rather than the price, feature, or brand. Here, we can see that when it comes to buying, quality of the product matters the most and not the price.



**Interpretation:** Here majority of the people spend on clothes, which is the necessity of human.

What would you buy, one branded merchandise or two unbranded merchandise, if the price of both are same?

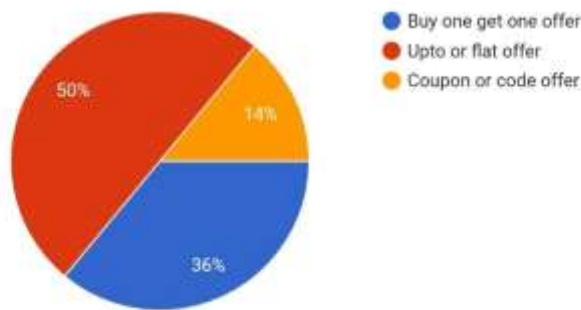
50 responses



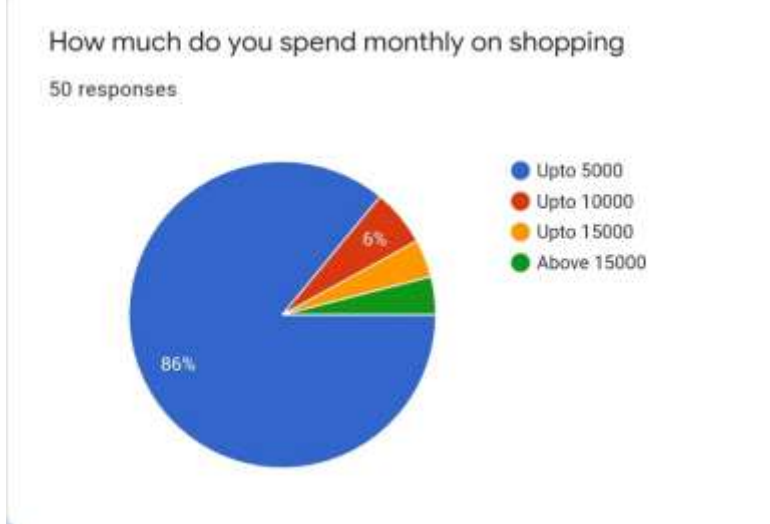
**Interpretation:** Here we can see that 86% of the people will go for branded products and only 14% will go for unbranded products when the price of both is same. By this we can understand that if the price is same most of the people will opt for branded product or service as they provide better quality then the unbranded products or services.

What kind of discounts attracts you more?

50 responses



**Interpretation:** When it comes to discounts and offers, 50% of the people get attracted to Upto or flat offer, where 36% of people get attracted to buy one get one offer and only 14% people gets attracted to coupons or code offer.



**Interpretation:** Here, we can see the spending capacity of the people. Mostly people spend upto 5000 rupees a month on shopping. Very less number of people send more than 5000 rupees a month on shopping.



**Interpretation:** In this question we understand, how much does the odd pricing strategy attracts customers. Odd pricing strategy means, prices like 1499, 1999, etc. From the responses we can see the odd pricing strategy does attracts people. Only about 8% of the people does not get attracted to this kind of pricing strategy.

## RESEARCH LIMITATIONS

- The very first limitation caused during the research was to find out the respondent who are interested in taking the survey.
- The next limitation that occur during limitation was to identify whom to survey and in what numbers will people participate.
- The study is restricted most to students and some working class. Hence it may not be possible to generalize the finding to the entire population of the country.

- Some of the respondents may not give accurate information, as they may not like to reveal their actual identity, income, how much they spend on shopping, whether they use branded or unbranded products, etc.
- There may be some positive and negative biases of the respondents.
- Consumers would like to portray themselves as trendy and elite and may not give their actual preferences.
- Shoppers may not have the patience to answer all the questions accurately.
- Some respondents even don't reply to all the questions.
- The surveyor have to request many times and tell the purpose of the study to the respondents as after that the respondents agrees to respond.

## PRACTICAL IMPLICATIONS

- The study will be useful for organized retailers while identifying the prices of the product and services.
- The study will help organized retailers to understand importance of pricing while deciding the MRP (Maximum Retail Price), Sales Price, Psychology of the consumer, Brand Image for the consumers when they buy products.
- The research will also help the retailers to understand which type of pricing activities i.e. discounts up to/flat, buy one get one, coupons/codes/schemes is most preferred by the consumers.
- This research study will help small, medium and organized retailers to understand the importance of competitive advantage on the name of price in attracting the customers.
- This research study will also help the students to pursue more detailed study on the Consumer buying behavior and how other factors and parameters influences these behavioral aspect.
- This research study will be of use for academicians and students in order to understand pricing strategy of retail in India and the factors influencing the buying behavior of consumers with respect to millennial generation and what they particularly seek for.
- This research study will also help in complete detailed analysis of first step of consumer buying behavior i.e. need recognition with respect to wants they can seek.
- This study will also help the retailers to study on which parameters the consumers actually goes for alternatives present in the market.

## CONCLUSION

This research explains that it is very valid that there is a positive relationship between prices and consumer buying behavior as appropriate prices make consumers more willing to purchase.

It is also showed that there is certain differences between the age varying from 15 to 50 as age group of 15 to 30 are more attracted towards brand and they don't consider price such as the feels the more the price better the product. On the other hand, people of age group 30 and above are more declined towards the quality parameter.

Based on the study, retailers need to have a detail study on the various factors attracting and influencing which is one of the most successful ways to know consumers' interest when posing a purchase to them.

In my study, it is recommended that retailers need to segment consumers based on the demographics characteristics and study carefully their needs and willingness to buy products or services and most importantly how they are willing to spend of which item.

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