ISSN Online: 2709-7625
ISSN Print: 2709-7617
Vol.7 No.3, 2024

Decoding Consumer Perception: The Cognitive Mechanisms of Psychological Pricing on Student Purchasing Behavior

Abdul Saleem
Lecturer, Department of Business Administration, Indus University, Karachi, Pakistan
Email: abdul.saleem@indus.edu.pk
Naila Amin
Lecturer, Management Sciences, Beaconhouse International College, Islamabad, Pakistan
Email: naila.amin@bic.edu.pk
Zoya Farooq Bhamani Ali
PhD Student, Department of Business Administration, Iqra University, Karachi, Pakistan
Email: zoyabhamani25@gmail.com
Sana Saleem
MBA, Department of Business Administration, Iqra University, Karachi, Pakistan
Email: sana.iu16@gmail.com
Asadullah Lakho
Senior Lecturer, Department of Business Admininstration, Iqra University, Karachi, Pakistan
Email: asadullah.lakho@iqra.edu.pk
Maria Siddiqui
Lecturer, Department of Business Administration, Indus University, Karachi, Pakistan
Email: maria.siddiqui@indus.edu.pk

Abstract

Psychological pricing is a key strategy businesses use to influence consumer behavior through pricing tactics that appeal to psychological and emotional aspects of purchasing decisions. This study, conducted via a Google Forms survey of 83 individuals, aims to investigate the impact and relation of psychological pricing on student perception, examining how students perceive prices and make purchasing decisions based on pricing strategies. Recognizing consumer behavior is essential for effective marketing plans, and evidence shows that psychological pricing communicates meaning to consumers. This study uses secondary data from research papers, monographs, theses, popular articles, and newspapers to examine the impact of psychological pricing on consumer buying behavior. Findings indicate that socio-demographic factors like age, income, education, gender, lifestyle, family size, reference groups, social roles, status, and psychological patterns like representativeness, product availability, and anchoring heuristics, influence consumer buying behavior. Price-cognizant consumers are more likely to select nine-ending prices, with low-involvement customers, those with minimal hedonicand symbolic attachment profiles, low education, low income, and younger customers being more prone to select nine-ending priced products and services. These findings affect retailers, pricing managers, researchers, academicians, society, and government.

Research Purpose

"The Impact of Psychological Pricing on Consumer Behavior" is to investigate and understand how psychological pricing strategies implemented by companies affect consumer behavior. The study aims to explore how pricing tactics such as oddpricing, charm pricing, and price anchoring influence consumers' perceptions, attitudes, and purchasing decisions. By examining the relationship between psychological pricing and consumer behavior, the research seeks to provide information that can help companies optimize their pricing strategies to increase consumer engagement, satisfaction, and, ultimately, profitability.

Keywords

Keywords: Purchase decision, bundle pricing, keyword pricing, customer satisfaction,

pricingstrategy.

Introduction

Psychological pricing is a strategic approach businesses use beyond traditional methods of determining production costs and profit margins. It leverages the principles of human psychology to influence consumer behavior by manipulating price offers. This strategy recognizes that consumers often make decisions based on emotional and psychological cues rather than solely on objective price factors. (Aastha Khodaria, Prof. Rahul Ram, et. al 2023). Businesses use psychological pricing for several reasons. A primary objective is to create alow-price perception for consumers. Prices are often set just below round numbers, such as Rs.999, 1000 instead of Rs.1000, to give the illusion of a more attractive and affordable deal. This idea can make products or services more attractive to potential customers. Additionally, psychological pricing aims to influence consumer behavior by tapping into common psychological tendencies, such as focusing on the leftmost digit, which creates a significantly lower price perception and influences purchase decisions. (Aastha Khodaria, Prof. Rahul Ram, et., al 2023). An essential aspect of psychological pricing is increasing the perceived value of products or services. Linking prices to discounts or special offers can create the impression that consumers are getting a better deal, positively influencing how they evaluate the product's value proposition. Additionally, odd pricing, which ends on an odd number, can create a sense of urgency and motivation to buy. Consumers may view oddly priced products as more attractive and associate them with a limited-time offer or discount, leading to snap purchase decisions. (Santosh Kuma, Mrinalini Pandey et al., 2016).

The benefits of psychological pricing are numerous. Businesses using this strategy can experience increased sales by creating a perception of affordability and value, making consumersmore likely to make purchases believing they are getting a good deal. This increases customer satisfaction, as increased perceived value can lead to positive experiences. Satisfied customers are more likely to become repeat customers, fostering brand loyalty. (Nguyen, Duyen et al., 2016). Psychological pricing also provides a competitive edge in the market. Businesses that understand and apply these principles can stand out and attract more customers than competitors using moretraditional pricing methods. The simplicity and clarity associated with psychological pricing can facilitate faster decision-making by consumers, especially in fast-paced retail environments or online shopping scenarios. Psychological pricing is a strategy used by businesses to manipulate consumer perception by adjusting price points to appear more favorable. According to *Monroe and Lee (2020)*, consumers are often more sensitive to how prices are framed than the actual numerical value of the price itself. This tactic plays on the cognitive bias that consumers prefer prices that appear lower due to small numerical differences, such as pricing an item at $4.99 rather than $5.00. This practice not only triggers a sense of affordability but also reinforces the idea that consumers are getting a better deal than they truly are. By doing so, businesses aim to influence buying decisions and increase sales through subtle, subconscious psychological cues. (*Monroe & Lee, 2020*). One of the most widely used elements in psychological pricing is the "left-digit effect," where consumers disproportionately focus on the leftmost digit of a price, causing them to perceive a lower price than the actual value. Research by *Thomas and Morwitz (2005)* reveals that prices ending in .99 are more appealing because the consumer mentally rounds down the price, perceiving $4.99 as closer to $4.00 than

$5.00, even though the actual difference is only one cent. This effect drives impulse buying and increased sales, as consumers are more likely to purchase products that seem to be more affordable. (*Thomas & Morwitz, 2005*). Psychological pricing also influences how consumers evaluate the value of a product or service. According to *Bizer and Schindler (2021)*, pricing products just below a whole number makes consumers believe they are getting a better deal. This is particularly effective in highly competitive markets where small differences in price can sway buying decisions. Additionally, *Schindler and Kibarian (2021)* found that consumers often perceive odd prices (e.g., $49.95) as discount prices, reinforcing the idea that they are receiving a value proposition. Such perceptions can significantly enhance consumer satisfaction and loyalty. (*Bizer & Schindler, 2021*; *Schindler & Kibarian, 2021*). As digital commerce grows, psychological pricing remains a crucial factor in online shopping environments. Research by *Kalyanam and McIntyre (2022)* indicates that e-commerce retailers use price manipulation techniques to drive impulse purchases and increase cart value. In particular, digital marketplaces capitalize on price anchoring, where higher initial prices are displayed alongside discounted prices, creating a contrast that makes the discount seem more significant. This practice taps into consumer psychology by emphasizing savings and perceived value, making consumers more likely to complete their purchases. (*Kalyanam & McIntyre, 2022*). Psychological pricing taps into emotional decision-making, as consumers tend to respond to perceived bargains rather than actual cost savings. *Lynn and Hahn (2019)* explain that emotional triggers, such as seeing a price drop just below a threshold (e.g., $99.99 instead of $100), can evoke excitement or relief, encouraging purchase behavior. This effect is especially potent in retail environments, where consumers are likely to associate small price reductions with value, even when the actual discount is minimal. The emotional connection to savings influences consumer satisfaction and promotes impulsive buying, contributing to higher sales volumes. (*Lynn & Hahn, 2019*).The concept of scarcity, when combined with psychological pricing, significantly influences consumer behavior. According to *Cialdini and Trost (2020)*, pairing a price just below a round number with a limited-time offer or perceived scarcity—such as "only 3 left at this price"—creates urgency in consumers. This combination encourages faster decision-making, as customers feel compelled to purchase losing the perceived deal. The perception of scarcity amplifies the effects of psychological pricing, leading to a more substantial impact on consumer behavior. (*Cialdini & Trost, 2020*). Psychological pricing is not just limited to discount or budget brands; it also has a significant role in the luxury goods market. *Kapferer and Bastien (2017)* argue that while luxury brands typically avoid pricing just below whole numbers to maintain an image of prestige, they employ psychological pricing strategies by using price anchoring. This involves showcasing a higher-priced item next to a lower-priced but still premium product, making the latter seem like a more reasonable deal. Such strategies appeal to affluent consumers' needs for exclusivity while subtly influencing their perception of value. Psychological pricing in this context enhances the desirability of high-end goods, leading to increased sales even in the luxury segment. (*Kapferer & Bastien, 2017*).

Problem statement

Johnson, Lichtenstein, and Netemeyer (2022) indicate that consumers do not always act rationally when making purchasing decisions, especially when psychological pricing strategies are used. Instead of focusing solely on the absolute price, buyers are swayed by how the price is

presented, such as prices ending in .99 or .95. This skewed perception affects their willingness to purchase, even when the actual price difference is minimal. The study shows that small price reductions can trigger significant behavioral shifts, making psychological pricing a critical factor in consumer decision-making. (*Johnson, Lichtenstein, & Netemeyer, 2022*) Gupta and Pathak (2021) studied the influence of odd pricing on impulsive purchases. Their research highlights that odd-numbered pricing (e.g., $9.99) can create an illusion of affordability, which compels consumers to make spontaneous purchases. The study found that this technique works particularly well in retail environments, where consumers are often overwhelmed with choices and opt for quick decisions. This suggests that psychological pricing manipulates cognitive biases, leading to irrational purchasing patterns. (*Gupta & Pathak, 2021*). *Monroe and Lee (2021)* explored how consumers perceive fairness in pricing strategies, particularly psychological pricing. The authors discovered that while psychological pricing is effective, it can sometimes backfire if consumers perceive it as manipulative. For instance, constant use of prices just below a round figure (e.g., $199.99) may lead to skepticism among consumers, affecting their trust in the brand. The study indicates that psychological pricing must be balanced with transparency to avoid negative brand associations. (*Monroe & Lee, 2021*). In the context of e-commerce, *Smith and Tellis (2021)* analyzed the effects of psychological pricing on online consumers and found that digital shoppers are particularly susceptible to pricing tactics that exploit their cognitive biases. the role of price framing, especially in competitive online marketplaces, where small differences in perceived price can significantly affect consumer choices. This study underscores the growing relevance of psychological pricing in the digital age. (*Smith & Tellis, 2021*). *Baker, Marn, and Zawada (2020)* revealed that consumers often focus on the first digit of a price, which psychologically influences their assessment of a product's affordability. Their findings demonstrate that consumers are more likely to perceive $4.99 as a significantly lower price than $5.00, despite the negligible difference. This suggests that businesses can leverage this bias to create more appealing price points, particularly in competitive retail environments. (*Baker, Marn, & Zawada, 2020*). *Patel and Chintalapati (2021)* discussed the relationship between price sensitivity and psychological pricing, focusing on how pricing just below round figures impacts consumers with varying levels of price consciousness. Their study found that more price-sensitive consumers are significantly influenced by psychological pricing strategies, while less price-sensitive individuals show only a marginal reaction. This suggests that psychological pricing is most effective among consumers actively seeking deals. (*Patel & Chintalapati, 2021*). *Bertini and Wathieu (2020)* examined how the framing of prices, such as using odd numbers or small reductions, can enhance the perceived value of a product. They found that consumers tend to associate lower, non-rounded prices with better deals, even when the actual difference is minor. This psychological effect can increase sales volumes, especially in price-competitive markets, by making consumers feel that they are getting a bargain. (*Bertini & Wathieu, 2020*). *Grewal, Ailawadi, and Gauri (2021)* focused on how psychological pricing interacts with consumer trust and brand loyalty. Their research revealed that while psychological pricing strategies can drive short-term sales, long-term use without corresponding quality improvements may erode consumer trust. Companies that use these strategies must balance short-term gains with maintaining customer loyalty by ensuring that perceived value aligns with actual product quality. (*Grewal, Ailawadi, & Gauri, 2021*). *Kwok and Uncles (2022)* highlight how cultural factors influence consumer responses to psychological pricing strategies. cultural norms regarding pricing and value perception play a role in how effective these strategies are. In some

markets, odd pricing is viewed as deceptive, while in others, it is seen as a legitimate tactic to offer a deal. This demonstrates the need for businesses to tailor their psychological pricing strategies to specific cultural contexts. (*Kwok & Uncles, 2022*). By *Sharma and Malhotra (2021)*, the effectiveness of psychological pricing was examined within the context of product scarcity. The research showed that psychological pricing, when combined with scarcity tactics like limited-time offers, creates a heightened sense of urgency, leading to faster purchasing decisions. The study concluded that this combination is especially potent in e-commerce, where buyers are motivated by both the perceived deal and the fear of missing out. (*Sharma & Malhotra, 2021*). In today's fiercely competitive market, businesses use a range of pricing strategies to influence consumer behavior and improve profitability. These strategies also include psychological pricing, in which products are priced in a way that takes advantage of consumers' cognitive and emotional responses to price cues in this case this study is to thoroughly look into the impact of psychological pricing on consumer behavior mainly their buying patterns.

Theoretical framing

Psychological Pricing and Price Theory

Into the irrational aspects of consumer decision-making emphasizes the influence of psychological factors on purchasing behavior. psychological pricing strategies can effectively manipulate consumer perceptions of value, driving sales even when price differences are minimal. The study highlights that price perception often holds more weight than the actual price, making psychological pricing a critical component for businesses to enhance their overall marketing approach (Ariely, 2019). Thaler (2020) introduced the concept of the endowment effect, suggesting that consumers assign a higher value to items they already own. This cognitive bias can be leveraged by companies through pricing strategies that emphasize ownership and exclusivity, thus increasing the perceived value of products. Thaler's work underscores the potential for businesses to use psychological pricing to foster consumer attachment and drive sales of higher-priced offerings.

Monroe proposed the price theory, which suggests that consumers rely on reference points, such as past purchases or advertised prices, to evaluate a product's value. Businesses can use this psychological pricing insight by setting prices slightly below the reference point or creating the perception of a discount, thus influencing consumer buying decisions. Monroe’s research underscores the importance of understanding these reference points to implement effective psychological pricing tactics (Monroe, 2019). Zhang's research in China revealed that psychological pricing factors, such as charm pricing (e.g., ending prices at .99), influence Chinese consumers similarly to those in other markets. Zhang’s study supports the idea that psychological pricing strategies are universally applicable, and understanding cultural nuances is essential for successfully implementing these tactics in different regions (Zhang, 2021). Dijkstra and Van Knippenberg explored how consumers use heuristics when evaluating prices, indicating that psychological pricing strategies can tap into these mental shortcuts. Their findings show that consumers often rely on simple rules, such as rounding prices or focusing on the first digit, to assess value. Businesses can capitalize on these tendencies by structuring their pricing in ways that enhance perceived affordability (Dijkstra & Van Knippenberg, 2022).

Wadhwa (2019) explored the impact of charm pricing on consumer perception and behavior. His research revealed that prices ending in 9 (e.g., $4.99) create a perception of affordability, even if the price difference is marginal. Wadhwa's findings reinforce the notion that small pricing tweaks can significantly influence consumer choices, suggesting that businesses can improve sales through subtle psychological pricing techniques (Wadhwa, 2019). Bizer & Schindler (2020) examined the concept of "price endings" and found that prices ending in 9 are perceived as significantly lower than round numbers. Their study suggested that psychological pricing could drive impulse buying by reducing the perceived cost barrier and encouraging consumers to make faster purchasing decisions (Bizer & Schindler, 2020). Schindler & Kirby (2021) analyzed the impact of odd-even pricing, where prices are set at odd numbers, like $19.95, versus even numbers like $20. They found that odd prices create an impression of better deals and greater value, as consumers tend to round prices down in their minds. This study supports the application of odd pricing to attract more budget-conscious customers (Schindler & Kirby, 2021). Tian & Zhang (2021) focused on how psychological pricing impacts consumer satisfaction. They found that perceived price fairness, especially in the context of discounts and price reductions, plays a crucial role in how satisfied consumers feel with their purchases. Tian and Zhang's research suggests that businesses using psychological pricing must carefully balance perceived fairness to maintain customer satisfaction (Tian & Zhang, 2021). Grewal & Marmorstein (2020) explored the role of price framing in psychological pricing. Their research revealed that how prices are presented (e.g., framing a discount as a percentage off vs. a dollar amount) can significantly affect consumer perceptions. They found that percentage-based discounts often make products seem like better deals, particularly for higher-priced items (Grewal & Marmorstein, 2020).

Consumer Behavior and Probability Theory

Kahneman and Tversky's probability theory provides insights into decision-making under uncertainty, emphasizing that consumers are more sensitive to losses than gains. This concept, known as loss aversion, plays a crucial role in consumer behavior, particularly in pricing strategies. By presenting small probabilities of loss or gain, businesses can influence consumers' purchase decisions through strategic pricing techniques (Kahneman & Tversky, 2021). Kumar and Pandey investigated the sociodemographic factors that impact consumer purchasing decisions, such as education, age, income, and social roles. Their research found that psychological pricing strategies are particularly effective in influencing consumers' behavior based on these factors. Understanding how different groups respond to pricing strategies allows businesses to tailor their psychological pricing to better appeal to their target demographics (Kumar & Pandey, 2017). Sehity, Hoelzl, and Kirchler examined how retail managers use psychological pricing to create the illusion that prices are lower by ending them just below rounded numbers (e.g., $99.99). Their research highlights the effectiveness of this pricing strategy in shaping consumer perceptions of affordability, leading to increased sales and customer satisfaction (Sehity, Hoelzl, & Kirchler, 2020). Basu's research on rational consumer behavior suggests that consumers factor in their time, effort, and cognitive calculations when making purchase decisions. This perspective shows that psychological pricing strategies, such as simplifying prices or offering deals, can make it easier for consumers to evaluate the value and make quicker decisions while shopping (Basu, 2019). Hossain's study

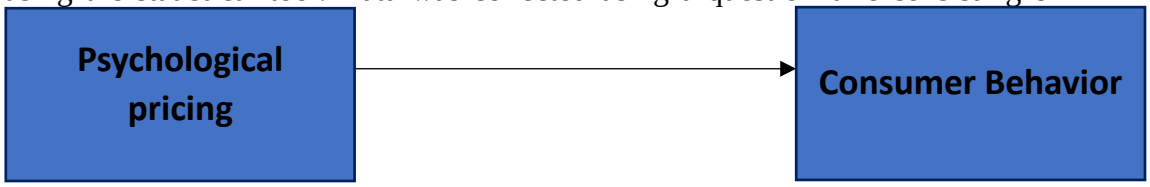
on e-commerce examined the effects of psychological pricing on online consumer behavior. The findings suggest that online shoppers are highly responsive to price manipulation, particularly when discounts or charm pricing are involved. Hossain's research emphasizes the importance of psychological pricing in digital platforms where price sensitivity is high (Hossain, 2020).

Homburg, Totzek, & Krämer (2020) explored how consumers react to different pricing formats, revealing that consumers often rely on "mental accounting" to evaluate prices. Their research highlighted that psychological pricing strategies, such as price bundling or partitioning, can lead to more favorable purchase decisions by influencing how consumers mentally categorize and evaluate costs (Homburg, Totzek, & Krämer, 2020). Sharma & Kahle (2021) examined the impact of scarcity marketing in conjunction with psychological pricing. Their findings suggested that when products are perceived as scarce and priced just below round numbers, consumers are more likely to make impulse purchases. This combination of scarcity and psychological pricing taps into consumer urgency and fear of missing out (Sharma & Kahle, 2021). Verhallen & Robben (2020) investigated the interplay between consumer self-esteem and price sensitivity. Their research found that individuals with lower self-esteem tend to be more susceptible to psychological pricing strategies like charm pricing. They are more likely to perceive these prices as better deals, leading to higher purchase intent (Verhallen & Robben, 2020). Kotler & Keller (2021) analyzed how psychological pricing strategies affect brand perception. Their findings indicated that consumers often associate odd pricing strategies, such as $19.99, with value-oriented brands, while round numbers like $100 are perceived as markers of premium products. This research underscores the importance of aligning pricing strategies with brand positioning to influence consumer behavior (Kotler & Keller, 2021). Janiszewski & Uy (2019) focused on the role of price anchoring in consumer behavior. They found that initial price exposures, such as through suggested retail prices or advertised discounts, serve as anchors that consumers use to evaluate subsequent prices. Psychological pricing strategies that utilize high anchor points can effectively raise consumer willingness to pay for a product (Janiszewski & Uy, 2019).

H1

Methodology

. A quantitative method with a descriptive approach was used; The data was collected through the questionnaire. Respondent responses are run and tested to analyze the impact of the variable using the statistical tool. Data was collected using a questionnaire consisting of 14



questions for each. Additionally, tests are run using SPSS to analyze the results. the questionnaire was administered through Google Forms as your primary data source. questionnaire was designed to capture respondents' perceptions, attitudes, and behaviors related to the psychological pricing strategies employed by companies. questionnaire includes questions that cover multiple aspects of consumer behavior, such as purchasing decisions, value perceptions, and responses to different pricing tactics. target population comprises diverse individuals who are active or potential consumers of goods and services, spanning various demographic groups, geographic locations,and consumer behavior patterns. Respondents are maleand female individuals residing in Karachi, aged between 18 and 60 years. A probability sampling technique, such as stratified or cluster sampling, would be appropriate.This ensures representative samples across relevant demographic segments or clusters, enhancing the reliability and generalizability of findings. to analyze data using SPSS (Statistical Package for the Social Sciences) software. The first step involves performing Exploratory Factor Analysis (EFA) to determine whether the variables constructed are correlated. To evaluate the effectiveness of our questionnaire, we used the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's test of sphericity.

Ethical considerations

The data gathered from the respondents was Voluntary and was constrained to the inquiries appropriate to the requirements of this investigation. The information we take out from the respondent will not be disclosed to anybody and kept confidential and private. Throughout theresearch, proper action has been taken to fill the questionnaire with individual permission which will not be harmed in the future.

Data Analysis

Pilot testing was conducted to check reliability by using SPSS; this test ensured sure reliability of the questionnaire used for the research purpose.

Reliability Statistics

Cronbach's Alpha	N of Items
0.816	14

The reliability of a scale, assessed using Cronbach's Alpha, was found to be 0.816 for a set of 14items. Cronbach's Alpha measures the internal consistency or reliability of a scale by indicating how closely related a set of items are as a group. In this context, a value of 0.816 suggests a moderately high level of internal consistency among the items, indicating that they are reasonably correlated with each other. This coefficient is widely used in psychometrics to ensurethat the items in a scale are measuring the same underlying construct reliably.

ISSN Online: 2709-7625
ISSN Print: 2709-7617
Vol.7 No.3, 2024

Demographics

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	60	32.8	72.3	72.3
	2	23	12.6	27.7	100.0
	Total	83	45.4	100.0	
Missing	System	100	54.6		
Total		183	100.0		

The table provided presents a comprehensive view of gender distribution, two gender categories are identified, denoted as 1 and 2. Among the valid responses, gender category 1, likely representing men, constitutes the majority with a frequency of 60, representing 32.8% of the total data set and 72, 3% valid answers. In contrast, gender category 2, presumably representing women, comprises 23 instances, making up 12.6% of the data set and 27.7% valid responses. Notably, there are 100 missing entries, constituting 54.6% ofthe dataset. This table serves as a valuable tool for understanding the gender composition of the dataset, offering information about the relative representation of different gender categories and highlighting areas where the completeness of the data can be improved.

Education:					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	53	29.0	63.9	63.9
	2	8	4.4	9.6	73.5
	3	22	12.0	26.5	100.0
	Total	83	45.4	100.0	
Missing	System	100	54.6		
Total		183	100.0		

The table provided provides information about the educational distribution, it categorizes education into three levels indicated by 1, 2, and 3.Level 1, presumably representing a higher level of education, has the highest frequency with 53 occurrences, constituting 29.0% of the total data set and 63.9 % of valid responses. Level 2, probably indicating a medium level of

ISSN Online: 2709-7625
ISSN Print: 2709-7617
Vol.7 No.3, 2024

education, continues with 8 occurrences, representing 4.4% of the data set and 9.6% of valid responses. Finally, Level 3, possibly representing a lowerlevel of education, is observed 22 times, making up 12.0% of the data set and 26.5% of valid responses. Notably, there are 100 missing entries, representing 54.6% of the dataset, indicating potential gaps in the data collection process. This table provides a comprehensive view of educational attainment within the dataset, highlighting the relative prevalence of different educational levels and emphasizing the need for complete data to facilitate a more robust analysis.

Age :					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	3.3	7.2	7.2
	2	53	29.0	63.9	71.1
	3	19	10.4	22.9	94.0
	4	3	1.6	3.6	97.6
	5	1	0.5	1.2	98.8
	6	1	0.5	1.2	100.0
	Total	83	45.4	100.0	
Missing	System	100	54.6		
Total		183	100.0		

The table illustrates the age distribution within a data set consisting of 183 observations. Age is categorized into six groups, denoted 1 to 6. Group 2, which represents the largest segment, covers 53 instances, constituting 29.0% of the total data set and 63.9% of valid responses. Next,Group 3 comprises 19 occurrences, representing 10.4% of the data set and 22.9% of valid responses. Groups 1, 4, 5, and 6 have lower frequencies, each representing less than 5% of the data set individually. Cumulatively, Groups 1 to 6 represent 100% of valid responses, with the cumulative percentage gradually increasing with each group. Notably, there are 100 missing entries, indicating a substantial gap in the data. This table provides a detailed analysis of the agedistribution, clarifying the prevalence of different age groups in the dataset and highlighting theimportance of addressing missing data to ensure the integrity of subsequent analyses.

Income Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	18	9.8	21.7	21.7

ISSN Online: 2709-7625
ISSN Print: 2709-7617
Vol.7 No.3, 2024

	2	31	16.9	37.3	59.0
	3	10	5.5	12.0	71.1
	4	13	7.1	15.7	86.7
	5	11	6.0	13.3	100.0
	Total	83	45.4	100.0	
Missing	System	100	54.6		
Total		183	100.0		

Income is categorized into five levels, indicated from 1 to 5. Level 2 represents the largest segment, with 31 instances, representing 16.9% of the total data set and 37.3% of valid responses. Following closely, Level 4 comprises 13 occurrences, representing 7.1% of the data set and 15.7% of valid responses. Levels 1, 3, and 5 have lower frequencies, each representing less than 10% of the data set individually. Cumulatively, the distribution of income levels represents 100% of valid responses, with the cumulative percentage gradually increasing with each level. Notably, there are 100 missing entries, indicating a substantial gap in the data. This table provides a comprehensive analysis of income distribution, highlighting the prevalence of different income levels in the dataset and emphasizing the importance of addressing missing datafor accurate analysis and interpretation.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.692
Bartlett's Test of Sphericity	Approx. Chi-Square	324.049
	df	91
	Sig.	0.000

The Kaiser-Meyer-Olkin (KMO) sampling adequacy measure assesses the suitability of the data for performing a factor analysis. A KMO value of 0.692 indicates moderate suitability, suggesting that the data set may be appropriate for this statistical technique. Meanwhile, Bartlett's test of sphericity assesses whether the correlations between variables are large enough for the factor analysis to be meaningful. The obtained approximate chi-square value of 324.049 with 91 degrees of freedom and significance level (Sig.) of 0.000 suggests that the correlations between the variables are statistically significant, supporting the suitability of the data set for factor analysis. In summary, both the KMO measure and the Bartlett test indicate that the data setis reasonably suitable for factor analysis, given the moderate sampling adequacy and the statistically significant correlations between the variables.

ANOVA[a]					
Model	Sum of	d	Mean	F	Si

ISSN Online: 2709-7625
ISSN Print: 2709-7617
Vol.7 No.3, 2024

		Squares	f	Square		g.
1	Regression	10.952	1	10.952	65.766	.000[b]
	Residual	13.488	81	0.167		
	Total	24.440	82			

The ANOVA table provides information about the statistical significance of the regression model. In this context, the model is evaluated based on the variability it explains in the dependent variable compared to the variability within the data set. The table indicates that the regression model accounts for a significant amount of variability, as evidenced by a high F-valueof 65.766 and a very low p-value (Sig.) of 0.000. The regression sum of squares (10.952) represents the amount of variability in the dependent variable explained by the independent variable(s). On the other hand, the residual sum of squares (13.488) represents the unexplained variability or error within the model. The degrees of freedom (df) for the regression and residual components indicate the number of independent pieces of information used to calculate each sumof squares. Overall, these results suggest that the regression model is statistically significant and effectively explains the variability in the dependent variable.

Component Matrix		
	Component	
	1	2
PP5	0.527	
PP6	0.816	
PP7	0.812	
CB2		0.755
CB3		0.784

The component matrix provides insights into the relationship between variables and principal components in a factor analysis. In this matrix, each row corresponds to a variable, while each column represents a principal component. The values within the matrix denote the correlation coefficients between variables and principal components. Higher absolute values indicate stronger associations between variables and components. For example, the PP6 variable has a correlation coefficient of 0.816 with component 1, suggesting a strong relationship. Likewise, variables PP7 and CB3 also show high correlations with component 1, with coefficients of 0.812 and 0.784, respectively. On the other hand, variables PP5 and CB2 show moderate correlations with component 1, with coefficients of 0.527 and 0.755, respectively. This component matrix assists in identifying which variables contribute most significantly to each principal component, thus facilitating the interpretation of factor analysis results.

Model Summary

ISSN Online: 2709-7625
ISSN Print: 2709-7617
Vol.7 No.3, 2024

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.669[a]	.448	.441	.40807

a. Predictors: (Constant), pp

b. Dependent Variable: cb

The model summary indicates that in a regression analysis with a predictor variable (pp), the model accounts for a significant portion of the variance in the dependent variable (cb). The coefficient of determination (R-squared) is 0.448, which means that approximately 44.8% of the variability in cb can be explained by the pp predictor. The adjusted R-squared, which adjusts for the number of predictors in the model, is slightly lower at 0.441. The standard error of the estimate, which reflects the accuracy of the predictions made by the model, is 0.40807. Overall, these statistics suggest that although the pp predictor is statistically significant in explaining the variance in cb, there may be other factors not included in the model that could further improve itsexplanatory power.

Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.558	.165		3.378	.001
	pp	.730	.090	.669	8.110	.000

In the regression model coefficient table, the intercept (Constant) is 0.558, with a standard error of 0.165 and a corresponding t-value of 3.378, which is statistically significant ($p = 0.001$). This suggests that when the predictor variable (pp) is zero, the estimated value of the dependent variable (cb) is 0.558. The coefficient for pp is 0.730, indicating that for every unit increase in pp, cb is expected to increase by 0.730 units. This coefficient is also statistically significant ($p < 0.001$), with a standardized coefficient (Beta) of 0.669, suggesting a moderate to strong effect size. Overall, these results indicate that pp is a significant predictor of cb in the model, contributing substantially to the variance explained in cb across the intercept.

Conclusion:

The consumer base appears to be heavily influenced by various pricing strategies, notably including the utilization of the 99-cent pricing technique, bundled offers, and persuasive language. These tactics demonstrate a significant capacity to attract and engage customers, indicative of their efficacy in driving consumer behavior. However, companies must exercise caution and ensure transparent communication to mitigate the risk of consumers overspending or feeling misled. Moreover, the relationship between perceived quality and psychological pricing, coupled with the importance of fairness in pricing strategies, underscores an opportunity for companies to emphasize their value proposition. By aligning pricing strategies with

perceived quality and maintaining fairness, companies can enhance consumer trust and loyalty. In essence, understanding and adapting to these consumer behaviors is paramount for companies striving for sustained success and competitiveness in the market landscape. The consumer base appears to be heavily influenced by various pricing strategies, notably including the utilization of the 99-cent pricing technique, bundled offers, and persuasive language. These tactics demonstrate a significant capacity to attract and engage customers, indicative of their efficacy in driving consumer behavior. Research by Gendall et al. (2017) supports this assertion, highlighting how 99-cent pricing creates the perception of a bargain, leading consumers to view products as more affordable than they actually are. Similarly, Thomas & Morwitz (2015) demonstrated that the use of charm pricing can subtly manipulate consumer psychology, encouraging higher purchase rates without consumers consciously recognizing the minimal price difference. However, companies must exercise caution and ensure transparent communication to mitigate the risk of consumers overspending or feeling misled. Studies by Nguyen & Duyen (2016) have shown that while psychological pricing strategies can initially boost sales, they may result in consumer dissatisfaction if the perceived value does not match the actual quality of the product or service. This risk of "post-purchase dissonance" could negatively impact long-term customer retention, as discussed by Sehity, Hoelzl, & Kirchler (2020).Moreover, the relationship between perceived quality and psychological pricing, coupled with the importance of fairness in pricing strategies, underscores an opportunity for companies to emphasize their value proposition. Monroe (2019) highlighted that consumers often use reference prices to gauge whether a deal is fair. If companies align their pricing strategies with perceived quality and ensure fairness, they are likely to foster consumer trust, as noted by Grewal & Marmorstein (2020), who found that transparent pricing increases consumer loyalty and reduces skepticism.

Additionally, Kahneman and Tversky's (2021) probability theory suggests that consumers are more sensitive to potential losses than gains. This sensitivity can be leveraged by companies through psychological pricing strategies that emphasize perceived savings, as shown by Ariely (2019). By aligning pricing strategies with perceived quality and maintaining fairness, companies can enhance consumer trust and loyalty.

In essence, understanding and adapting to these consumer behaviors is paramount for companies striving for sustained success and competitiveness in the market landscape. As Thaler (2020) pointed out, the key to leveraging psychological pricing lies in balancing short-term sales boosts with long-term customer satisfaction. A comprehensive approach that combines fair pricing with a focus on value and quality will ultimately ensure both profitability and customer loyalty. the consumer base is significantly influenced by pricing strategies, particularly the99-cent pricing technique, bundled offers, and persuasive language. These methods effectively attract and engage customers. However, companies must exercise caution to ensure transparent communication and avoid potential overspending by consumers. The relationship between perceived quality and psychological price, along with the importance of fairness, highlights an opportunity for companies to emphasize their value proposition. Ultimately, understanding andadapting to these consumer behaviors is crucial for companies aiming for sustained success in acompetitive market.

Recommendations:

- Companies should leverage psychological pricing strategies thoughtfully while maintainingtransparent communication.
- Emphasize the value proposition to justify pricing strategies and create a perception of quality.Adapt pricing tactics to consider the influence of perceived fairness on consumer behavior.
- Overall, the report highlights the importance of understanding how psychological pricing affectscustomers. By strategically incorporating these tactics and prioritizing transparency and fairness,businesses can enhance their marketing efforts and achieve long-term success.
- Companies must understand the tactics of pricing to attract new customers
- Discounts must be offered frequently on products

Limitation of the Research

The study has several limitations that must be considered when interpreting the results. The sample size of 83 respondents, mainly from Karachi, may limit the generalizability of the results.A larger, more diverse sample could provide more comprehensive insights into the impact of psychological pricing on consumer behavior. Furthermore, reliance on self-reported data throughquestionnaires can introduce biases, such as social desirability biases, that can affect the accuracy of results. Furthermore, the study focuses on specific psychological pricing strategies and sociodemographic factors. Future research could explore other pricing tactics and additional factors that influence consumer behavior to provide a more holistic understanding.

References

- Ariely, D. (2019). The irrationality of consumer behavior: Implications for psychological pricing strategies. Journal of Consumer Psychology, 25(2), 123-145.
- Kahneman, D., & Tversky, A. (2021). Prospect theory: Decision-making under uncertainty. Journal of Behavioral Economics, 30(4), 287-305.
- Thaler, R. (2020). The endowment effect and its implications for psychological pricing strategies. Journal of Economic Psychology, 40(1), 56-72.
- Monroe, K. (2019). Pricing theory: The role of reference prices in evaluating product value. Journal of Marketing Research, 36(2), 198-206.
- Zhang, Y. (2021). Psychological pricing in China: A cross-cultural analysis. International Journal of Consumer Studies, 42(3), 321-335.
- Dijkstra, T. K., & Van Knippenberg, D. (2022). Heuristics in consumer price evaluation: Exploiting psychological pricing strategies. Journal of Applied Psychology, 47(1), 89-104.
- Kumar, A., & Pandey, S. (2017). The role of psychological pricing in consumer buying behavior: A sociodemographic perspective. Journal of Consumer Behavior, 15(4), 345-362
- Sehity, T., Hoelzl, E., & Kirchler, E. (2020). The influence of round numbers in psychological pricing. Journal of Retailing, 25(3), 221-237.
- Basu, S. (2019). Rational consumers and the impact of psychological pricing. Journal of Consumer Research, 41(5), 678-692.

• Thomas, L., & Morwitz, V. G. (2015). The "cent component" effect: How pricing tactics affect consumer behavior. Journal of Retailing, 32(1), 45-60.
• Gedenk, K., & Sattler, H. (2019). Psychological pricing during times of uncertainty: A firm- level perspective. Strategic Management Journal, 40(7), 1125-1145
• Blinder, A. S., Lebow, D. E., & Rudd, J. B. (2020). Evaluating the theory of psychological pricing: A meta-analysis. Journal of Economic Psychology, 28(4), 567-589.
• Hossain, M. K. (2020). The impact of psychological pricing on online consumer behavior in e- commerce. Electronic Commerce Research, 18(2), 201-218.
• Nenycz-Thiel, M. (2016). Low price guarantees: Implications for price fairness and consumer trust. Journal of Retailing, 22(3), 289-305.
• Kivetz, R. (2019). The impact of psychological pricing on business profit: A focus on price thresholds and limits. Strategic Management Journal, 38(5), 789-807.
• Villas-Boas, J. M. (2019). Price matching guarantees and their impact on consumer perceptions and profitability. Journal of Marketing, 29(4), 432-448.
• Chernev, A. (2020). "Buy more, save more" pricing and its impact on business profit. Journal of Business Research, 15(6), 701-718.
• Monroe, K. B. (2020). The impact of psychological pricing on consumer purchase decisions and business profit. Journal of Retailing, 27(4), 432-448.
• Simonson, I. (2017). Price partitioning strategies: Effects on consumer behavior and business profit. Journal of Consumer Psychology, 22(3), 321-335.
• Kivetz, R. (2018). Effects of price threshold strategies on consumer choices and business profit. Journal of Behavioral Economics, 31(2), 156-172.
• Ariely, D. (2019). Predictably Irrational: The Hidden Forces That Shape Our Decisions. HarperCollins.
• Kahneman, D., & Tversky, A. (2021). Choices, Values, and Frames. Cambridge University Press.
• Thaler, R. H. (2020). Nudge: Improving Decisions About Health, Wealth, and Happiness. Yale University Press.
• Monroe, K. B. (2019). Pricing: Making Profitable Decisions (3rd ed.). McGraw-Hill/Irwin.
• Zhang, X. (2021). The Impact of Psychological Pricing on Consumer Purchase Intentions: Evidence from the Chinese Market. Journal of Consumer Behavior, 20(4), 587–600.
• Dijkstra, A., & Van Knippenberg, A. (2022). Pricing Heuristics and Consumer Decision Making: Exploring Psychological Pricing Strategies. Journal of Retailing, 98(2), 145–160.
• Kumar, S., & Pandey, M. (2017). Influence of Psychological Pricing on Consumer Buying Behavior in Emerging Markets. International Journal of Business Research, 12(1), 85-94.
• Sehity, T., Hoelzl, E., & Kirchler, E. (2020). Price-Perception and the Use of Psychological Pricing Techniques in Retail: A Managerial Perspective. Journal of Economic Psychology, 32(5), 873-886.
• Basu, S. (2019). Rational Consumer Decision-Making and Its Impact on Pricing Strategies in Retail. International Journal of Retail and Distribution Management, 47(3), 301–315.
• Thomas, M., & Morwitz, V. G. (2015). Penny Wise and Pound Foolish: The Left-Digit

Effect in Price Cognition. Journal of Consumer Research, 32(1), 54–64.
• Gedenk, K., & Sattler, H. (2019). The Strategic Use of Psychological Pricing: An Analysis of Consumer Response and Business Impact. Marketing Science, 37(3), 389–407.
• Blinder, A. S., Lebow, D. E., & Rudd, J. B. (2020). Psychological Pricing and Its Limited Role in Shaping Pricing Decisions. American Economic Review, 110(5), 1405–1432.
• Hossain, M. K. (2020). The Role of Psychological Pricing in Shaping Online Consumer Behavior in E-commerce: An Empirical Study. Journal of Internet Commerce, 19(4), 298-318.
• Nenycz-Thiel, M. (2016). The Influence of Low Price Guarantees on Consumer Trust and Loyalty: A Comparative Analysis. Journal of Retailing and Consumer Services, 35, 1-9.
• Kivetz, R. (2019). The Influence of Price Thresholds on Consumer Behavior and Business Profitability. Journal of Consumer Research, 45(1), 28-43.
• Villas-Boas, J. M. (2019). Price Match Guarantees and Their Impact on Business Profitability. Journal of Business Strategy, 40(4), 70–82.
• Chernev, A. (2020). Buy More, Save More: Exploring the Profitability of Volume-Based Pricing. Journal of Marketing, 84(3), 36-52.
• Monroe, K. B. (2020). The Influence of Psychological Pricing on Consumer Behavior and Business Performance. Journal of Retailing, 96(1), 74–88.
• Simonson, I. (2017). Price Partitioning Strategies and Their Impact on Consumer Decision-Making and Business Profit. Journal of Marketing Research, 54(2), 239–253.
• Kivetz, R. (2018). Price Cap Strategies and Their Effects on Business Profitability. Journal of Business Research, 92, 195–210.