

Psychological Pricing Strategies: A Critical Review Of Its Effects On Brand Perception And Consumer Behaviour

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Abstract:

The study examines the effect of psychological pricing strategies on brand perception and consumer buying behavior. With a sample size of 253 respondents, this study aims to uncover the underlying psychological mechanisms that drive consumer responses to various pricing strategies such prestige pricing and charm pricing and effect of these strategies in shaping consumers' perceptions of brand-value and willingness to purchase. The primary data collected using a survey among individuals from diverse demographic backgrounds is analysed using statistical software tools such as JAMOVI.2.3.28. Utilizing statistical tools such as regression analysis, correlation analysis, ANOVA and t-tests, the study seeks to discern significant differences, influences, and relationships between the variables under scrutiny. Key findings from the research suggest that psychological pricing strategies significantly influence both brand perception and consumer buying behavior. Specifically, pricing tactics such as charm pricing and prestige pricing can enhance brand image, increase perceived value, and stimulate purchase intentions. The study offers valuable insights into how to design pricing strategies that resonate with consumer motivations and preferences by unveiling the multifaceted relationship between these variables.

Background: In an increasingly competitive consumer market, organizations rely on pricing strategies to influence consumer behaviour and enhance profitability. Psychological pricing, emerging as a widely used approach, leverages consumers' cognitive and emotional biases, recognizing that purchase decisions are often unconscious and influenced by price cues rather than pure rationality. Understanding how different psychological pricing techniques shape value perception is therefore essential for marketers to design effective pricing strategies aligned with target markets and product positioning

Materials and Methods: The research approach used in the study involves a combination of quantitative, descriptive and cross sectional to gain a comprehensive understanding of the phenomenon. The research is quantitative as it involves collecting numerical data through surveys to analyze the relationships between pricing strategies and consumer behaviour.

Results: The results of the study confirm a significant impact of psychological pricing strategies on brand perception and consumer buying behaviour.

Conclusion: Brands must align their pricing strategy with their target market and overall brand positioning to effectively manage consumer perception and behavior.

Keyword: Psychological pricing strategies, charm-pricing, prestige-pricing, retail, brand perception, consumer behaviour

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I. Introduction

In a highly volatile and dynamic business environment, marketers consider pricing decisions as very crucial for the success of business. Pricing of products and services merely based on economic theories and costing techniques are not enough to motivate the customers to buy. Instead, a deep dive into understanding the intricacies of consumer decision-making process and their purchase behaviour helps in formulating the right pricing strategies. Understanding how these pricing strategies influence consumer decision-making processes is crucial for businesses striving to optimize their marketing tactics and enhance brand positioning. By uncovering the underlying psychological mechanisms that drive consumer responses to pricing strategies, marketers can foresee how brands can effectively shape perceptions and drive purchasing behaviors in the competitive marketplace.

Psychological Pricing

In today's highly competitive consumer market, businesses employ various pricing strategies to influence consumer behaviour and maximize profits. One such strategy is psychological pricing, which involves setting prices that exploit consumers' cognitive and emotional responses to price strategies (Taher, 2024). Psychological pricing is an approach used by businesses to influence behaviour and perception of individuals as it is a proven marketing practice which has a psychological influence on the decision-making process of the consumer (William & Ferrel, 2010). It involves setting price that attracts customers instantly through a psychological approach ultimately leading them to make purchasing decisions in favour of the business. This pricing takes advantage of the fact that consumers are not always rational decision-makers and can be easily taken away by various pricing cues. Psychological pricing leverages on the fact that most customers tend to make their purchase decisions unconsciously. Hence understanding how the perception of a shopping environment and the associated images stimulate the senses and affects the consumer buying decision is important in designing pricing strategies. Thus the aim of psychological pricing strategies is to influence consumers' perception of the value of a product using specific price points.

Depending upon these price points and price presentation, there are different types of psychological pricing. Charm pricing, for instance, capitalizes on consumers' tendency to perceive prices ending in 9 as more affordable, thereby stimulating purchase intentions and fostering a sense of value. Consumers may perceive products with 9-ending prices as more affordable, popular, or high-quality, enhancing their overall appeal. Furthermore, the concept of loss aversion sheds light on consumers' aversion to losses, suggesting that they are more sensitive to potential savings or avoided losses associated with prices ending in 9. When the prices are set with a 9 at the end, they tend to lead the customer to an easier decision for buying, Willaim & Ferrel, (2011). This anchoring method creates an illusion that the product or the service is cheaper and is also called price anchoring. Thus charm pricing or 9-ending pricing and price anchoring leverage the psychological biases to make prices appear more appealing or reasonable to consumers.

Conversely, prestige pricing strategically positions products or services at higher price points, imbuing them with an aura of luxury, exclusivity, and superior quality. As stated by (Okonkwo, 2007) the brands adopting prestige pricing strategies use symbols and motifs to evoke a sense of heritage and tradition in the minds of the consumers. Most luxury brands use this pricing strategy to position their products as exclusive and desirable because the customers often perceive highly priced products as of high quality which in turn influences their purchasing decisions. Thus while implementing psychological pricing techniques, it is very important for businesses to consider their target audience and product positioning, Nagle & Muller (2018). Another strategy that retailers use to lure the customers is the promotional pricing which offers temporary discounts, sales, or special offers to stimulate sales and attract customers. Here the promotions are mostly tied to specific events, holidays, seasons, or product launches.

In an increasingly competitive consumer market, firms rely on pricing strategies to influence consumer behaviour and enhance profitability, with psychological pricing emerging as a widely used approach. Psychological pricing leverages consumers' cognitive and emotional biases, recognizing that purchase decisions are often unconscious and influenced by price cues rather than pure rationality.

Understanding how different psychological pricing techniques shape value perception is therefore essential for designing effective pricing strategies aligned with target markets and product positioning.

Brief theoretical construct related to the problem

The theoretical construct surrounding psychological pricing strategies, notably the utilization of 9-ending pricing, delves into the intricate realm of behavioral economics and consumer psychology, illuminating the multifaceted nature of consumer decision-making processes. Neuromarketing also studies how the perception of our environment affects our purchasing decisions, seeking to stimulate our senses to buy more. Within this theoretical framework, several fundamental concepts emerge, each offering profound insights into the mechanisms that govern consumer behaviour and perceptions. The anchoring effect, a cornerstone principle, underscores how consumers tend to make their judgments based on the initial information they receive, thereby shaping their perceptions of value and price which significantly influences the consumer's decision-making process (Petkovski & Mirchevska, 2013). This phenomenon suggests that the leftmost digit of a price serves as a psychological anchor, influencing consumers to perceive prices ending in 9 as lower or more appealing.

Moreover, the theory of perceived value plays a pivotal role, positing that consumers assess products based on their perceived benefits relative to their perceived costs. In the context of 9-ending pricing, this theory suggests that such pricing strategies create a perception of value or savings, enticing consumers with the allure of bargains or discounts. Additionally, the halo effect, another cognitive bias, further amplifies the impact of 9-ending pricing by associating positive attributes with products bearing such price points. Asamoah and Chovancová (2011) identified two key effects of psychological pricing on consumer behavior. The "Level effects" which lead buyers to underestimate prices, such as perceiving \$28.99 as significantly lower than \$30.00, while

the "Image effects" which influence buyers' perceptions of the product, store, or competition based on the digits at the end of the price. Lee et. al (2014) stated that almost all pricing research is behavioural in nature, and are based on assumptions on how individuals process pricing information. This has led to the concept of neuroimaging research which explores the way in which customers process the price information. Neuroimaging offers deeper insights into why prices like "\$4.99" are perceived as cheaper than "\$5.00," how different types of prices are processed, and whether factors like time pressure affects these perceptions. It also reveals whether prices are processed purely rationally or if they carry emotional or reward-based associations, varying by product type. This neuro imaging is used in psychological pricing which attempts to influence the emotional behaviour of customers, encouraging them to make purchasing decisions based on their emotions rather than rational responses.

Thus, Psychological pricing is a strategy that manipulates the perception of price through techniques such as charm pricing and prestige pricing and aims to evoke specific psychological responses and influence purchasing decisions. By understanding and leveraging these psychological mechanisms, businesses can craft effective pricing strategies that resonate with consumer preferences and drive purchasing decisions. Despite its widespread use, there remains a gap in understanding the precise impact of psychological pricing on consumer buying behaviour and brand perception.

This study seeks to address the following research questions:

1. How does psychological pricing influence consumer behaviour across different demographic categories?
2. What are the psychological mechanisms underlying the effectiveness of various psychological pricing techniques?
3. How does psychological pricing impact consumers' perception of brand value?

By addressing these questions, this research aims to provide insights into the efficacy of psychological pricing strategies and their implications for businesses seeking to optimize pricing strategies and enhance brand equity in the marketplace.

Objectives of the study

The objectives of the study are as follows:

1. To study the effect of psychological pricing strategies on consumer behaviour.
2. To study the effect of psychological pricing strategies on brand perception.
3. To examine the relationship between brand perception and consumer behaviour in the context of psychological pricing.
4. To examine the influence of demographic factors on psychological pricing, brand perception and consumer behaviour.

II. Literature Review

A number of research studies associated with psychological pricing strategies are available in the extant literature. An attempt has been made to review the studies related to the effect of psychological pricing strategies on brand perception and consumer behaviour across different industries.

Kumar & Pandey (2017) in a qualitative study on the impact of psychological pricing strategy on consumers' buying behaviour found that the customers preferring nine-ending pricing are more price-cognizant, low involved people with a small hedonic and symbolic attachment profile. Analysing the socio-demographic factors of the customers it was found that, low educated, low income and younger customers are prone to select the nine-ending priced products and services. Although the study discussed the implications of psychological pricing strategies on store quality image theory and consumers' price perceptions, it emphasized the importance of understanding the behavioral and operational theories behind nine-ending prices to comprehend their effects on consumer behavior more comprehensively by conducting empirical studies. Bognar et.al (2017) also investigated the impact of psychological pricing on consumer behavior through empirical research and analyzed the effectiveness of non-rounded number or 9-ending pricing in shaping consumer perceptions and purchasing decisions. But the study did not consider other psychological pricing strategies and focused only on 9-ending pricing.

Conversely, a study conducted by Ahmetoglu et.al (2014) focused on different aspects of psychological pricing and stated that the way in which the prices are displayed has a significant influence on consumer perceptions and behaviours. The effectiveness of six pricing strategies like drip pricing, reference pricing, the use of the word 'free', bait pricing, bundling and time limited offers on consumer perceptions and behaviours were studied and concluded that all are capable of influencing consumers' choices. Another observation was that even in high-consequence decisions, heuristics has an influence on consumer choices a variety of situational factors like time, motivation and available information also moderate the effect of psychological pricing on consumer purchase decisions.

Petkovski and Mirchevska (2013) delved into the concept of anchoring and its connection to psychological pricing within the context of the customer's decision-making process. By examining how consumers anchor their perceptions of value based on pricing cues, the authors shed light on the intricate mechanisms underlying consumer behavior and pricing strategies employed by businesses. Their study provides valuable insights into the role of psychological factors in shaping consumer decisions and preferences. A similar study conducted by Asamoah and Chovancová (2011) also applied the psychology of perception while studying the influence of price endings on consumer behaviour and highlighted the implication of price endings on marketing communication. By analysing advertisements from 16 different sources and gathering opinions from 173 shoppers to understand their perceptions of odd pricing and its influence on their buying decision, the study concluded that price endings influence the customer perceptions which in turn determines their purchasing habits. Another observation was that these relationships are moderated by variables or factors such as branding, advertisement, sales promotion, personal involvement and buyers' price interest.

The influence of prestige pricing strategies on brand perception and consumer behaviour was also studied by a lot of researchers. Jedidi and Heil (2020) researched on the pricing strategies in markets for luxury and premium products and identified latent structures between brands and categories. The results showed a positive correlation between brand value and prestige pricing with an interesting observation that men's luxury items are significantly more expensive than female products of the same kind and that there is a primary effect of both gender and price in defining luxury categories. Fraccaro et.al (2021) also studied odd pricing in a luxury context and highlighted the relevance of value and guilt reduction strategies in luxury brand management. The study indicated that the luxury consumers exhibit a preference for odd-priced products, attributing this behavior to the Odd Pricing Justification Effect (OPJE) that reduces anticipated guilt associated with hedonic purchases. Another observation was that the managers in the luxury industry rely more on the meaning mechanism rather than the drop-off mechanism when setting odd prices, indicating a strategic approach to pricing strategies for luxury products. By providing valuable insights into the psychological aspects of pricing strategies in the luxury industry, the study emphasized the importance of understanding consumer behavior and decision-making processes in price-setting practices.

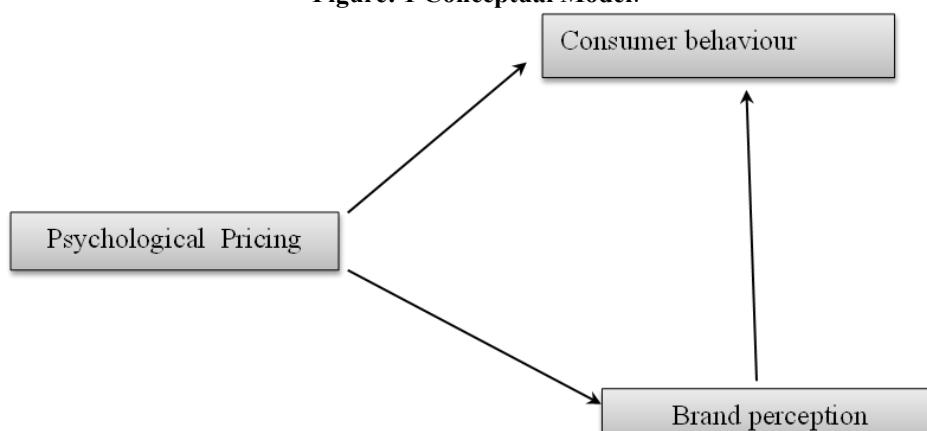
Another research in the area of prestige pricing was done by Subawa (2021) who investigated the use of prestige pricing as a symbol of social class in the context of perfume products. By examining how consumers perceive and respond to prestige pricing strategies, the author elucidated the role of price as a symbolic marker of status and identity. The findings offer valuable insights for marketers seeking to leverage pricing as a means of positioning products and appealing to consumers' social aspirations and affiliations. Ahmed et.al (2020) also explored the influence of psychological pricing strategies on consumer buying behavior in the Kurdistan region through empirical research. The study mined the extent to which pricing tactics such as odd pricing and charm pricing affect consumers' perceptions and purchasing decisions and found that nine ending pricing is a major factor influencing consumer behaviour along with other factors like advertisement for the products and shopping environment of the malls. Their study contributes to the understanding of consumer behavior in a specific cultural context and provides practical implications for businesses operating in the region.

Based on the literature review, two major types of psychological pricing namely Charm pricing and Prestige pricing are identified for the study and its effect on brand perception and consumer behaviour are studied.

Dependent variable: Psychological pricing (Charm pricing and Prestige pricing)

Independent variables: Brand perception, Consumer behaviour.

Figure: 1 Conceptual Model:



III. Material And Methods

The research approach used in the study involves a combination of quantitative, descriptive and cross sectional to gain a comprehensive understanding of the phenomenon. The research is quantitative as it involves collecting numerical data through surveys to analyze the relationships between pricing strategies and consumer behaviour. Survey encompasses questions about brand perceptions, pricing attitudes, and past purchasing behavior. Statistical analysis techniques, such as correlation and regression analysis and hypothesis testing, are then applied to quantify the effects of psychological pricing tactics on brand perception and purchasing decisions. Also the research is descriptive, as it focuses on documenting and describing phenomena as they naturally occur, without manipulating variables. This study seeks to provide a detailed account of how consumers perceive brands and make purchasing decisions in response to various pricing strategies. As the study involves collecting data from a diverse group of participants at a single point in time, it is cross-sectional in nature.

The population of interest in this study were people who shop in various retail outlets in Kerala. The sample size for this study is 253 respondents from a target population of people belonging to different age groups, gender and socio-economic backgrounds. The primary data was gathered from the respondents by distributing a questionnaire made with Google Forms and Direct survey during April-May 2024. There were questions relating to the demographics of the respondent, their perceptions of brands, attitudes towards pricing, and their buying behavior. The survey items used a five-point Likert scale for variables like psychological pricing, brand perception and consumer behaviour. As the study involves the measurement of attitudes and beliefs, the Likert scale was chosen. The internal consistency validity of the scales was assessed using Cronbach's alpha. The hypothesis testing was done using regression analysis and the significance was accepted at $p < 0.05$.

IV. Data Analysis And Results

Two statistical tools are used for data analysis, first one is MS Excel for entering data and second one is JAMOVI.2.3.28. for analysing the data. Descriptive statistics was used to summarize the characteristics of the sample and the variables of interest. Tools such as correlation analysis, regression analysis, T-test and analysis of variance (ANOVA) were used to examine the relationships between variables and test the hypothesis.

Demographics, Pricing attitudes, Brand perception and Buying behaviour.

Demographics

The majority of respondents belonged to younger age groups, between 19 and 30 years old, with 173 people, representing 68.4% of the total. Also, majority of respondents belong to female category, comprises 132 individuals, making up 52.2% of the total sample most of the respondents were students, with 108 people, representing 42.7% of the total.

Pricing attitudes

Table 1: Frequency of respondents noticing the 99-payment strategy

How do you notice that prices are displayed using the 99-payment strategy	Counts	% of Total	Cumulative %
Always	130	51.4 %	51.4 %
Often	75	29.6 %	81.0 %
Rarely	46	18.2 %	99.2 %
Never	2	0.8 %	100.0 %

Table 1 indicates that, out of the total responses, 130 individuals (51.4%) always notice prices displayed using 99-payment strategy.

Table 2: Frequency of respondents inclined to buy products priced at Rs.99 compared to Rs.100

Do you feel more inclined to buy products priced at Rs.99 compared to Rs.100?	Counts	% of Total	Cumulative %
Yes	148	58.5 %	58.5 %
No	53	20.9 %	79.4 %
Maybe	52	20.6 %	100.0 %

Table 2 indicates that majority of the respondents feel inclined to buy products priced at Rs.99 compared to Rs.100 has the highest frequency, with 148 respondents, accounting for 56.5% of the total.

Table 3: Frequency of respondents making an impulsive buying due to psychological pricing

Have you ever made an unplanned purchase because of the psychological pricing	Counts	% of Total	Cumulative %
Yes	205	81.0 %	81.0 %
No	48	19.0 %	100.0 %

Table 3 indicates that out of the total responses, 205 individuals (81.0%) admit to having made unplanned purchases due to psychological pricing strategies.

Table 4: Frequency of charm pricing regrets

Do you ever feel regret after purchasing a product with charm pricing (9 ending pricing strategy)?	Counts	% of Total	Cumulative %
Yes	119	47.0 %	47.0 %
No	134	53.0 %	100.0 %

Table 4 shows that the majority of respondents, comprising 134 individuals, making up 53% of the total sample didn't feel regret after purchasing a product with charm pricing. This suggests that charm pricing may attract buyers which in turn leads to spending more.

Brand perception and Buying behaviour

Table 5: Frequency of brand loyalty influence

Have you ever purchased a product solely because of its brand?	Counts	% of Total	Cumulative %
Yes	205	81.0 %	81.0 %
No	48	19.0 %	100.0 %

Table 5 shows that the majority of respondents comprising 205 individuals, making up 81% of the total sample tend to buy a product solely because of its brand.

Table 6: Frequency of premium purchases

How do you purchase products/services in the premium price range?	Counts	% of Total	Cumulative %
Always	73	28.9 %	28.9 %
Frequently	85	33.6 %	62.5 %
Rarely	91	36.0 %	98.4 %
Never	4	1.6 %	100.0 %

From table 6, it is clear that the majority of respondents with 91 people, representing 36.0% of the total mentioned that they rarely buy premium-priced items. This suggests that a significant portion of people do purchase premium products or services, either regularly or occasionally, indicating a demand for higher-end offerings.

Table 7: Frequency of respondents setting a budget for luxury

How much are you willing to spend on product of premium price?	Counts	% of Total	Cumulative %
Below 5,000	109	43.1 %	43.1 %
5,000 - 10,000	66	26.1 %	69.2 %
10,000 - 15,000	65	25.7 %	94.9 %
Above 15,000	13	5.1 %	100.0 %

Table 7 shows that 43.1% of respondents said they'd pay below 5,000 for a product of premium price. This shows that most people are willing to pay varying amounts for premium products.

Table 8: Frequency of respondents switching from budget to prestige brands

Have you ever switched from a lower-priced brand to a higher-priced brand for the prestige associated with it?	Counts	% of Total	Cumulative %
Yes	155	61.3 %	61.3 %
No	98	38.7 %	100.0 %

Table 8 shows that the majority of respondents comprises 61.3% of respondents admitted to switching from a lower-priced brand to a higher-priced one because of the prestige linked with the latter. This suggests that a significant portion of consumers are swayed by the prestige associated with higher-priced brands when making purchasing decisions.

Table 9: Frequency of respondents evaluating premium vs. lower-priced products

After purchasing a premium-priced product/service, do you evaluate its performance differently compared to a lower-priced alternative?	Counts	% of Total	Cumulative %
Yes	198	78.3 %	78.3 %
No	55	21.7 %	100.0 %

Table 9 shows that the majority of respondents comprises 78.3% of respondents said that they do evaluate the performance of a premium-priced product or service differently compared to a lower-priced alternative after making a purchase.

Reliability Analysis

Table 10: Scale Reliability Statistics

Scale Reliability Statistics	
	Cronbach's α
Scale	0.876

From table 10, a Cronbach's α value of 0.876 indicates a high level of internal consistency reliability for the scale used in the study. This suggests that the items included in the scale are highly correlated with each other, indicating that they measure the same underlying construct effectively.

Descriptives Analysis of the Variables under Study

Table 11: Descriptive statistics of psychological pricing, brand perception and consumer behaviour.

Descriptives				
	Psychological pricing	Brand perception	Consumer buying behaviour	
N	253	253	253	
Missing	0	0	0	
Mean	1.96	1.86	1.88	
Median	2.00	2.00	2.00	
Mode	1.00	1.00	1.00	
Standard deviation	0.769	0.746	0.757	
Variance	0.591	0.557	0.573	
Minimum	1.00	1.00	1.00	
Maximum	4.50	4.67	5.00	

From table 11, Psychological Pricing values indicate how businesses set prices to influence consumer perception and behavior. The mean, which is around 1.96, suggests that on average, the pricing strategies employed are moderately aligned with psychological pricing tactics. The median, at 2.00, implies that the majority of responses fall around this value, indicating a central tendency. The mode of 1.00 indicates that a significant number of respondents reported lower levels of psychological pricing. Brand Perception values refer to how consumers perceive a brand, which can influence their purchasing decisions. The mean, at 1.86, indicates that, on average, consumers perceive brands positively, but not overwhelmingly so. The median and mode both at 2.00, suggest that most responses cluster around this value, indicating a relatively consistent perception among respondents. Consumer Buying Behavior values indicate how consumers behave when making purchasing decisions. The mean, at 1.88, suggests that, on average, consumers exhibit behavior that is moderately influenced by various factors. The median and mode, both at 2.00, indicate that most responses center around this value, suggesting a typical or common buying behavior among respondents.

Inferential Analysis of the Variables under Study

The following analysis were done as a part of inferential statistics to examine the relationships between variables and the strength of the relationship using hypothesis testing.

Correlation Analysis

Table 12: Correlation matrix showing relationship with psychological pricing, brand perception and consumer buying behaviour

Correlation Matrix				
		Psychological pricing	Brand perception	Consumer behaviour
Psychological pricing	Pearson's r	—		
	Df	—		
	p-value	—		
Brand perception	Pearson's r	0.760	—	
	Df	251	—	
	p-value	<.001	—	
Consumer behaviour	Pearson's r	0.761	0.737	—
	Df	251	251	—
	p-value	<.001	<.001	—

The analysis in table 12 reveals a strong positive correlation between Psychological Pricing and Brand Perception, with a Pearson's r coefficient of 0.760. This implies that as Psychological Pricing strategies are employed more prominently, there tends to be a higher perception of brands by consumers, and vice versa. Similarly, a strong positive correlation is observed between Brand Perception and Consumer Buying Behavior, with a Pearson's r coefficient of 0.737. This indicates that as consumers have a higher perception of brands, they tend to exhibit certain buying behaviors more frequently. The correlation between Psychological Pricing and

Consumer Buying Behavior is also strong, with a Pearson's r coefficient of 0.761. This suggests that as Psychological Pricing strategies become more prevalent, there tends to be a higher tendency for consumers to exhibit certain buying behaviors.

Linear Regression

Objective 1: To study the effect of psychological pricing strategies on brand perception.

Hypothesis:

H0 = There is no significant relationship between psychological pricing and brand perception
 H1 = There is a significant relationship between psychological pricing and brand perception

Table 13: Regression analysis -Psychological pricing and brand perception

Model Fit Measures		
Model	R	R ²
1	0.760	0.577

Table 14: Model Coefficients – Psychological pricing and brand perception

Model Coefficients - Brand perception				
Predictor	Estimate	SE	T	P
Intercept	0.417	0.0839	4.96	<.001
Psychological pricing	0.737	0.0399	18.50	<.001

From table 13, the coefficient of determination (R²) at 0.577 implies that approximately 57.7% of the variance in Brand Perception can be explained by the variance in Psychological Pricing, underscoring the significance of Psychological Pricing in shaping consumers' perceptions. From table 14, the model coefficient of 0.737 for psychological pricing indicates that for each unit increase in psychological pricing, the estimated brand perception increases by 0.737 units. As the p value is less than 0.05 (<0.001), the hypothesis is accepted. This suggests psychological pricing has a significant positive effect on brand perception. An increase in psychological pricing practices leads to a significant increase in Brand perception.

Objective 2: To study the effect of psychological pricing strategies on consumer behaviour.

Hypothesis:

H0 = There is no significant relationship between psychological pricing and consumer behaviour
 H1 = There is a significant relationship between psychological pricing and consumer behaviour

Table 15: Regression analysis -Psychological pricing and consumer behaviour

Model Fit Measures		
Model	R	R ²
1	0.761	0.579

Table 16: Model Coefficients -Psychological pricing and consumer behaviour

Model Coefficients - Consumer behaviour				
Predictor	Estimate	SE	T	P
Intercept	0.415	0.0850	4.89	<.001
Psychological pricing	0.749	0.0403	18.56	<.001

From table 15, the coefficient of determination (R²) at 0.579 indicates that approximately 57.9% of the variance in Consumer Buying Behavior can be attributed to variations in Psychological Pricing underscoring the influence of psychological pricing on consumer behaviour. From table 16, the model coefficient of 0.737 for psychological pricing indicates that for each unit increase in psychological pricing, the estimated brand perception increases by 0.737 units. As the p value is less than 0.05 (<0.001), the hypothesis is accepted. This suggests psychological pricing has a significant positive effect on brand perception. An increase in psychological pricing practices leads to a significant increase in Brand perception.

Objective 3- To examine the relationship between brand perception and consumer behaviour in the context of psychological pricing

Hypothesis:

H0 = There is no significant relationship between brand perception and consumer behaviour
 H1 = There is a significant relationship between brand perception and consumer behaviour

Table 17: Regression analysis -Brand perception and consumer behaviour

Model Fit Measures		
Model	R	R ²
1	0.737	0.543

Table 18: Model coefficients -Brand perception and consumer behaviour

Model Coefficients - Consumer behaviour				
Predictor	Estimate	SE	T	P
Intercept	0.494	0.0854	5.79	<.001
Brand perception	0.726	0.0421	17.26	<.001

From table 17, the coefficient of determination (R²) at 0.543 indicates that approximately 54.3% of the variance in consumer behavior can be attributed to variations in brand perception emphasizing the influence of brand perception on consumer behaviour. From table 18, the model coefficient for brand perception is 0.726. This indicates that for every unit increase in brand perception, the consumer behavior favourable to the product is estimated to increase by 0.726 units. As the p value is less than 0.05 (<0.001), the hypothesis is accepted. This suggests brand perception has a significant positive effect on consumer behaviour.

Objective –4 To examine the influence of demographic factors (age, education and gender) on psychological pricing, brand perception and consumer behaviour.

One-Way ANOVA – Age

Table 19: One-Way ANOVA (Welch's) - Age

One-Way ANOVA (Welch's) – Age				
	F	df1	df2	P
Psychological pricing	80.1	3	14.0	<.001
Brand perception	94.1	3	13.9	<.001
Consumer buying behaviour	69.3	3	13.9	<.001

From table 19, the One-Way ANOVA results reveal a significant relationship between age and psychological pricing, brand perception, and consumer buying behavior. In essence, age influences how people view prices, brands, and make purchases. Different age groups show distinct responses to pricing strategies, brand perceptions, and purchasing habits. Understanding these age-related differences is crucial for tailoring marketing strategies to effectively target various age demographics and enhance marketing success.

One-Way ANOVA (Welch's) - Education

Table 20: One-Way ANOVA (Welch's) - Education

One-Way ANOVA (Welch's) – Education				
	F	df1	df2	P
Psychological pricing	81.4	3	28.3	<.001
Brand perception	91.8	3	27.8	<.001
Consumer buying behaviour	84.8	3	27.9	<.001

From table 20, the results show significant differences across education levels for all three factors, as indicated by the p-values being less than 0.001. For instance, when it comes to psychological pricing, there's a notable variation among different education groups. Similarly, perceptions of brands and how they influence consumer behavior vary significantly based on education levels.

Independent Samples T-Test – Gender

Table 21: Independent Samples T-Test - Gender

		Statistic	df	p
Psychological pricing	Student's t	-4.38 a	251	<.001
Brand perception	Student's t	-4.89 a	251	<.001
Consumer behaviour	Student's t	-4.29 a	251	<.001
Note. $H_a \mu_1 \neq \mu_2$				
^a Levene's test is significant ($p < .05$), suggesting a violation of the assumption of equal variances				

From table 21, the results of the independent samples t-tests comparing genders on psychological pricing, brand perception, and consumer buying behavior all showed significant differences. In simpler terms, men and women have different views on pricing, brand image, and how they buy things. These differences are supported by strong evidence from the statistics, suggesting that gender influences consumer behavior.

V. Discussion

The current research provides a critical review of the effects of psychological pricing strategies on brand perception and consumer behaviour in retail sector. The study is highly pertinent in the ever-evolving retail landscape of India, where pricing strategies wield significant influence over brand perception and consumer behaviour. The study attempts to delve into the psychological mechanisms underlying consumer responses to pricing cues to reveal fascinating insights into the brand perception and complexities of consumer decision-making. Also an attempt is made to examine the role of product category and consumer demographics in influencing the effectiveness of pricing strategies. On analysing the results of the empirical study, the following observations are made:

Firstly, demographic factors such as age, gender, and education level exhibit significant associations with psychological pricing, brand perception, and consumer buying behavior. Younger individuals tend to dominate the sample, while females and students represent the majority. Secondly, descriptive statistics shed light on consumer attitudes and behaviors related to psychological pricing. A substantial proportion of respondents notice and feel inclined to purchase products priced at Rs.99, while a majority admit to making unplanned purchases due to psychological pricing strategies. Additionally, many respondents tend to evaluate premium-priced products differently and may switch to higher-priced brands for prestige. Thirdly, correlations and regression analysis confirm the significant impact of psychological pricing strategies on brand perception and consumer buying behavior.

Even though these psychological pricing are effective ways to attract customers and drive sales, care must be taken while implementing it strategically. Understanding the target customers is very important as if used inappropriately, it may lead to adverse effects as the customers may begin to see through them and lose the trust in the business. For example, charm pricing conveys affordability and appeals to the consumer's desire to get a deal, however, overuse of charm pricing may weaken brand perception, as consumers might view the brand as being focused solely on cost-competitiveness rather than quality. For premium or high-end brands, this strategy can dilute brand equity, making them appear less luxurious or exclusive. Similarly prestige -pricing enhances brand perception by associating the product with a higher level of sophistication and exclusivity and fostering emotional attachment to the brand. However, this strategy might alienate cost-sensitive customers, limiting the brand's appeal to only the affluent segment.

The implications for marketers are to utilize psychological pricing techniques to stimulate unplanned purchases, especially among younger demographics. Businesses must employ pricing strategies that end in odd numbers to exploit the psychological effect of perceived affordability and emphasize on brand prestige to entice consumers to switch from lower-priced brands to higher-priced ones. Also, integrate pricing psychology into promotional campaigns to influence consumer perceptions of value and affordability is an effective strategy to influence purchase decision. Tailoring marketing strategies to resonate with diverse age groups, considering their unique reactions to pricing tactics and brand perceptions will be helpful in making the campaigns effective in bringing results. Considering the influence of education and gender on purchasing decisions, businesses can develop educational marketing materials to appeal to consumers across different education levels and design gender-specific marketing campaigns to cater to the distinct perspectives of men and women on pricing and brand image.

VI. Conclusion

The results of the study confirm a significant impact of psychological pricing strategies on brand perception and consumer buying behavior. The two pricing strategies identified exploit various cognitive biases and psychological factors to create perceptions of value, affordability and prestige in the minds of the customers. Charm pricing effectively drives impulse purchases and appeals to price-conscious consumers, but may risk brand dilution if perceived as cheap. Prestige pricing, conversely, reinforces an image of exclusivity and quality but limits market reach. Brands must align their pricing strategy with their target market and overall brand positioning to effectively manage consumer perception and behavior. The study adds to the extant literature of psychological pricing as it provides empirical evidence through a real time survey. Unravelling the customer behavioural patterns related to pricing and investigating on the demographic moderators can provide marketers with a nuanced understanding of when and for whom certain pricing tactics are most effective.

This study is not free from limitations. The study examines only charm pricing and prestige pricing, which may limit the scope of understanding psychological pricing as a whole. The future researchers can consider other important pricing tactics which are not addressed, such as bundling, anchor pricing, or dynamic pricing, as these could offer additional insights into consumer behavior and brand perception. Also, a limited sample-size could restrict the generalizability of the findings to the broader consumer market. Qualitative approaches, such as in-depth interviews or focus groups, might have provided richer insights into consumer motivations to cover the underlying psychological mechanisms behind consumer responses in addition to the use of survey data. The statistical tools used in this study might oversimplify the complex interplay of factors that influence brand

perception and consumer buying behavior and hence future studies can be made using more sophisticated models or mixed-methods approaches to capture effectively. These limitations should be considered while applying the study's conclusions to real-world pricing strategy development.

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