

Impact of Pricing Strategies on Consumer Buying Behavior with Reference to Organized Retail in Ranchi

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ABSTRACT - The study aimed to explore the impact of pricing strategies on consumer buying behavior with reference to organized retail. Three organized retail stores were considered for the study. 150 respondents were considered for the survey. Ranchi was chosen as the study location where stratified random sampling was done to know the buying behavioral aspect of the consumer with reference to pricing. The consumer were interviewed, so that a quality outcome can be received. Initially the retailers were approached and personal interview were conducted to know about what pricing methodology they adopt to promote their product and what is the output. Then the consumers were interviewed about the effect of pricing strategy on their buying behavior. A study was conducted with a sample of 150 respondents from Ranchi out of which 144 were answered. The purpose of this research paper is to identify the impact of pricing strategy and the attitude of customer towards buying. The result indicates that the retailer's designs the pricing methodology that affect the buying tendency of the consumers and this also attract the customer that creates value and loyalty. Retailers have made the pricing as their tool to promote their product, by offering seasonal, festival discounts, on their products.

Keywords: *Buying Behavior, Consumer, Organized Retail, Pricing.*

I. INTRODUCTION

Organized retail is growing rapidly and due to changes in the trading methodology the consumers are shifting in this sector. Since this sector provides all the merchandise in single roof, so it is easy for the customer to shop at one place and get their necessities which fulfills their needs and demand. In the current generation apparel are in fashion, every customer tries to update their lifestyle according to the current scenario. Super markets, shopping malls or we can say hypermarkets are providing the merchandise to fulfill the needs, wants and demand of the customer. The customer move towards these outlets because of a wide collection of merchandise and their price. The retailers design the pricing in such a manner that attract the customer. These pricing & sales promotion strategies in turn affect the existing small retailers & customer buying behavior. The pricing methodology and pricing strategy of organized retail affect the unorganized retail. Most retailers try to have an image that can differentiate them in the marketplace. There are retailers who want to have an image of having a discount orientation wherein they are focusing on creating a price advantage with the customer wherein they will be the cheapest person to buy a certain product or a certain product category in the entire market. By doing so, they are now going to draw in a lot of traffic of people who are looking for products which are cheaper in nature. On

the other hand, they will also have people who are looking to beat the market orientation wherein they are trying to compete with everybody else in the market and trying to have a fair price policy wherein their price is going to be comparable to the competitor's price. There are various pricing strategies that the retailers adopt to attract the customer which ultimately affect the buying behavior of the customers.

Price is the only element of the marketing mix that generates revenue for the stores. Price is the cost of the merchandise paid by the customer. In order to generate revenue and maximize profit, the top level must consider both the factors, i.e. internal and external factors of an organization. Internal factors of an organization include the objectives of marketing, the strategy regarding marketing mix and the cost of production. External factors include the target market, demand of the product, competition exist in the market, economic conditions and government laws and regulations.

There are various pricing strategies designed and developed by the organized retail store that attract the customer and change their buying activity.

Skimming Pricing, Penetration Pricing, Price Bundling, Psychological Pricing, Every Day Low Pricing (EDLP), Odd and Even Pricing, Flexible Pricing, Contingent Pricing

etc. With a skimming pricing is the price that is initially set high, allowing firms to generate maximum profits from customers willing to pay the high prices. Prices are gradually lowered until maximum profit is received from each level of consumer. Penetration pricing is used when firms set low prices in order to capture a large share of a market quickly. A quantity-pricing strategy provides lower prices to consumers who purchase larger quantities of a product. Psychological pricing tends to focus on consumer perceptions. One of the most crucial areas of decision making for retailers is pricing. Flexible pricing basically is where the buyer has the ability to negotiate the price and the price advantage that the buyer gets depends on the ability that the buyer has with respect to negotiating on price. So bargaining becomes very critical when it comes to flexible pricing. Contingency pricing is where the entire price of the product is not paid up front, but it is paid as parts based on the kind of services that are offered. Say for example, if a customer is buying some kind of heavy equipment, then he might want to buy this product once and then the price of the product will include the kind of installation, the kind of after sales, warranty, the kind of annual maintenance contracts, etc. So the prices are going to be contingent on a lot of activities that the retailer does and not just on how the sale happens or how the transaction is closed. Price bundling is also known as a multiple unit pricing where if the customers are going to buy in bulk, they are going to have a different price as compared to buying in a single point. So if they are going to buy one unit, they might be charged 100 rupees. But if they are going to buy two items, then they are going to be charged only 140 rupees or 70 rupees per unit. So they get a different price when they buy different quantities.

Retailers are in business to earn a profit. While there are many factors that affect the profitability of retail business is setting the right price for the right customer is a major step toward making that profit. The first step in determining which retail pricing strategies to use is to understand the costs associated with your products. The cost of goods includes the amount paid for the product plus any shipping costs. The cost of operating the business, or operating expense, includes overhead, payroll, marketing and office supplies.

Consumer Behavior refers to decision processes and acts of people involved in buying and using products. The price of the product directly influences the consumer buying behavior pattern.

According to Manali Khaniwale (2015) Consumer behavior involves the study of individuals and the method they chose to employ, utilize, and set out products and services to fulfill their wants and the effect that these methods have on the consumer and the society as a whole. Consumer behavior refers to all the thought, feelings and actions that an individual has or takes before or while buying any

product, service or idea. Buyer behavior is the concept which answers, i.e. 5W&1H what, why, how, when, and where an individual makes a purchase. As a result, the outcome of buyer behavior is the buyer's decision. According to Kotler & Keller (2012) consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.

One of the common models of consumer decision making process has been offered by Blackwell et al (2006), According to him, the five stages of the consumer decision making process are the followings: problem/need recognition, information search, evaluation of alternatives, purchase decision made and post purchase evaluation

II. REVIEW OF LITERATURE

According to Rigges (2008), pricing is the process of determining and applying prices to goods and services. It is one of the four Ps of marketing (Product, Place, Price and Promotion) and it is perhaps the most important one because it is the only factor that generates revenue to the company. Prices are determined by the balance of supply and demand and set with a certain degree of confidence that consumers will pay it.

Kotler & Keller (2012) stated that price is the one element of the marketing mix that produces revenue; the other elements produce costs. They also stated that purchase decisions are based on how consumers perceive prices and what they consider the current actual price to be. Understanding how consumers arrive at their perceptions of prices is an important marketing priority.

Ancarani (2002) described and analyzed the role of internet to present bundles of information goods using online tools. Furthermore, Simon and Butscher (2001) demonstrated that profitability could increase 10% to 40% using bundle pricing. Gedenk (2002), has explained the short term and long term effects of promotional pricing to a firm. According to his view, in the short run the consumers are switching to the particular store which offers promotional prices. And also, the consumers are switching to the brands which are engaged in promotional pricing frequently. And new customers are generated through this strategy. And promotional pricing accelerate the purchases and ultimately it contributes to the firm to generate higher profits.

To understand the retailer's price methodology three aspects need to be considered. Firstly, approaching price decisions from the perspective of the manager implies that the topic covers the issue of how the manager strategically manages price decisions (Leone et al. 2012). This means that assumptions of the retailer's goals and purpose for making the decisions need to be considered. Secondly, the approach needs to include the management of various decisions surrounding price determination within the organization (Diamantopoulos 1991). However, the set

price, i.e. the price level, is according to Carricano (2014) a consequence of price decisions and not in itself strategic and tactical. Instead, strategic and tactical decisions are made within an organization, which leads to the third aspect: the decisions that the retailer is in control over. Thirdly, the approach needs to include the assumptions and thoughts of which decisions over which the retailer has control, as well as the effects of these decisions (Gauri 2013). While Kopalle et al. (2009) argue that retail price strategies are affected by both internal and external influences, Gauri (2013) concludes that the external effects (that are market related exogenous inputs) are something that the retailer cannot control or determine. The retailer is instead assumed to have control over the internal inputs/influences. However, these inputs/influences have not been the object of focus in previous retail studies (Gauri 2013). Internal influences/effects are related to store specific aspects, aspects concerning in-channel competition within a store, and may not always be perceived as pure price decisions (Kopalle et al. 2009). The reason for the latter is due to the effects mentioned by Gauri (2013). These effects imply that aspects of promotion, complementary products, brands and the general assortment of the store

Kopalle et al. (2009) needs to be considered when looking at the assumption of rationality, especially in terms of which information one assumes that the retailer collects and uses in their decision making. These internal price determinants (e.g. market share, complementary and/or substitute products within the store premises)

Bhattacharya and Sen (2003) stated that consumer behavior referred to the mental and emotional process and the observable behavior of consumers during searching, purchasing and post consumption of a product or service. Consumer behaviour involved study of how people buy, what they buy, when they buy and why they buy. It blended the elements from psychology, sociology, socio-psychology, anthropology and economics, to assess the influence on the consumer from groups such as family, friends, reference groups and society in general.

Yue and George (2006) suggested the retail patronage idea such as the concepts of store choice and frequency of visit. In this study, meta-analysis suggested that various predictors (e.g. service, product selection, quality) were strongly related to shoppers' retail choice, whereas others (e.g. store attitude, store image) were important antecedents of shopping frequency. However, the relationships between the predictors and retail patronage vary according to the study characteristics (e.g. experimental vs other designs).

Wanninayake and Pradeep (2007) identified that design layout and product displays were highly considered in selecting a specific supermarket outlet. They also felt that most of the professionally qualified customers selected design, layout and product display as important variables in

selecting the supermarkets. They also further stated that most of the female customers gave priority to product display in supermarket selection.

Dineshkumar and Vikkraman (2012) noted that customer satisfaction was widely recognized as a key pressure in the formation of consumers' future purchase intentions. Satisfied customers were also likely to tell others about their favorable experiences and thus engage in positive word of mouth advertising.

Gomathi et al. (2013) studied the consumer attitude towards departmental stores of organized retail outlet in Erode city. The preferences of the consumers clearly indicate the importance of advertisement in influencing their purchase, the additional facilities expected, improvement expected in handling defective goods and many more. They analyzed the attitude of the consumer towards departmental stores. The results may help the management of departmental stores to understand the factors that influence the attitude of consumers towards departmental stores, so that they can implement the requirement of the consumers and be successful in the emerging retailing environment.

Brijesh and Ashish (2013) found out the factors affecting the customer satisfaction of organized retail stores.

OBJECTIVE OF THE STUDY

- To study the various pricing strategies as a promotional tool adopted by the organized retail.
- To know about the impact pricing on buying behavior of customers towards organized retail.

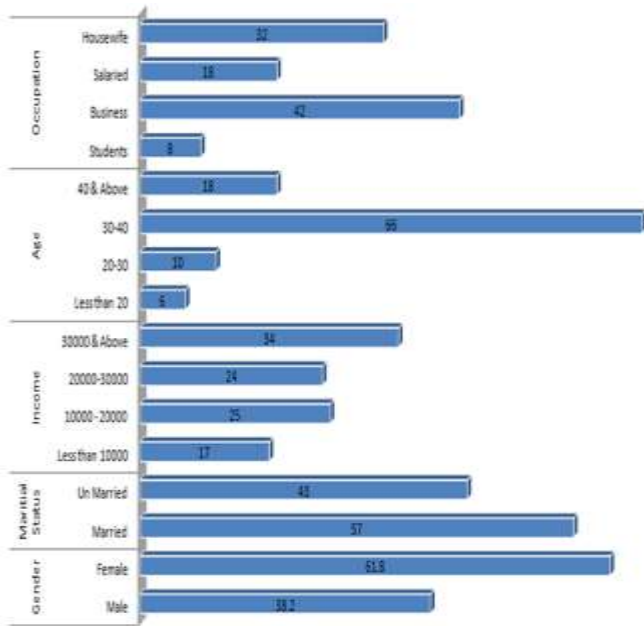
III. RESEARCH METHODOLOGY

The study aimed to explore the effect of pricing strategies as a promotional tool in organized retail and to find out its impact on buying behavior of consumers. A total of 150 respondents was considered for the study, Different areas of Ranchi was chosen as the study location, stratified random sampling was used to select the respondent. To investigate the significant effect of pricing on buying behavior, respondent was selected on a convenience sampling basis, which is a non-probability sampling technique. The questionnaire was administered in 150 but 144 customers responded.

All the data received in the survey are developed in the excel sheet for the analysis. A total of 150 customers were personally interviewed to know the impact and their attitude regarding buying behavior from organized stores. These variables are measured using 5 scale based ranging from Strongly Agree = 1, Agree = 2, Neutral = 3, Disagree = 4, Strongly Disagree = 5.

IV. DATA ANALYSIS AND INTERPRETATION

Figure 1 Demographic Profile of the Respondents.



Source: Field Data

Figure 1 shows the various demographic profiles of the respondents in different areas of Ranchi. Maximum females are there who shops when they get discounted price or other pricing techniques. The bachelors are also spends more those products which add more positivity to their lifestyle during the offer pricing. On the hand the age groups between 30 – 40 yrs want to save, so they wait for the offer or discounted price.

Table 1 Questions Showing Customer Response (Scale Based)

Particulars	Response of the Customers (Scale Based)				
	1	2	3	4	5
I prefer to purchase at discounted price offered by the organized retail stores	48	40	36	12	08
I prefer to purchase when the stores offer price bundling techniques (combo)	54	40	18	20	12
I prefer to purchase when the stores offer the product at different festive seasons or off seasons	64	36	20	16	08
I prefer to purchase when the stores offer exchange facilities of providing fairs	30	20	24	36	34
I prefer to buy when the stores provide skimming pricing	20	32	40	24	28
I prefer to purchase at discounted price offered by the organized retail stores	48	40	36	12	08

Source: Field Survey

Table 1 shows the response of the customer with different sets of questions that influence them and change their buying activities.

Table 2 Descriptive Statistic for customer buying decision with respect to Impact of pricing strategies in organized retail stores, Ranchi

Particulars	N	Min	Max	Mean	SD
I prefer to purchase at discounted price offered by the organized retail stores	144	1	2	2.25	1.16
I prefer to purchase when the stores offer price bundling techniques (combo)	144	1	2	3.17	1.47
I prefer to purchase when the stores offer the product at different festive seasons or off seasons	144	1	2	3.06	1.3
I prefer to purchase when the stores offer exchange facilities of providing fairs	144	1	2	2.28	1.3
I prefer to purchase at discounted price offered by the organized retail stores	144	1	2	2.08	1.23
I prefer to buy when the stores provide skimming pricing	144	1	2	2.23	1.16

The Table 2 indicates that the descriptive statistical analysis for customer buying decision with respect to pricing strategy adopted by the organized retail stores, Ranchi city. The mean score ranges from 2.08 to 3.17, and the standard deviation ranges from 1.16 to 1.47. The average standard deviation being closer to 1, it indicates that there is uniformity in the views expressed by the buyers.

V. FINDINGS

- From the analysis it was observed that there was maximum female who get directly affected by the pricing techniques.
- From the analysis it was observed that the majority of respondents belong to the age group around 40 and above category and therefore the demographic profile of the respondents is matching with the countries median age with the highest impact by pricing method on purchasing power.
- It was inferred that half of the sample respondents had the monthly average income of Rs. 25000 – 30000 and this justifies the rise of the middle class and their aspiration for branded merchandise when the retailers offer in various pricing.
- Maximum of the sample respondents expressed that, the pricing techniques of the store affect their buying decision also lead to buying.
- Most of the respondents are highly satisfied with the store’s pricing that allows them to purchase which leads to save their money and also add value to the products.
- Most of the respondents said that they wait for the offers and discounts then they made their purchase.
- In general majority of the respondents have expressed that they were part of impulsive buying and the main attributes of impulsive buying were attractive pricing during the festival seasons, off seasons and also special days like Independence Day, Republic Day, and Valentine’s Day etc.

VI. CONCLUSION

The paper shows that the impact of pricing plays a significant role in the consumer purchase decision. Customer's expectations change when the retailer changes the price and adopt pricing methodologies. These kinds of strategies attract new customers as well as the existing customers.

Based on the survey and the patterns right now it can be said that India is creating itself as a market loaded with open doors for the advertisers/Entrepreneurs and furthermore it will bring about specific advantages to the customers. In addition, what the organizations need to concentrate is on the needs of the consumers which can be as the advantages related to the items. Furthermore, the advantage remembers right product for the right customer and at the right price, and additionally what the organization can centers is around to assist the customers is by giving them legitimate data about the items and furthermore the new employments of the items and in addition the disposition of the merchant is likewise one of the most significant components which impacts the customer. The strategy regarding the pricing form the store side attract more people. Most of the time the people wait for the offer price to come, so that they can make their purchase. The customers also purchase without the need when the store offer price bundling method, this also promotes their product among the people. Thus, it can be said that most of the customers wait for the different product that can add much value to their money and lifestyle till the offers comes.

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