



SHOPPER PERCEPTION VIS-A-VIS MAGICAL NUMBERS IN PRICE- A STUDY ON FOOD RETAIL STORES IN TELANGANA STATE

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ABSTRACT

Price ending is an important pricing strategy that has been used by retailers over the years. The trend seems to be elective considering how consumers react especially to products with odd price endings. This review is aimed at providing an understanding of the psychological influences of price ending on buyers, using the theory of perception. It analysis theories and existing literature on the topic and brings out augmentative pricing strategies that retailers can adopt in consumer markets..

Keywords : price ending, consumer behaviour, perception, psychology, price

Introduction

Perception is one of the objects studied by the science of consumer behaviour. Analyzing the works of scientists studying consumer behaviour, it is possible to make a conclusion that perception is presented as one of personal factors, determining consumer behaviour. Personal factors mean the closest environment of a human, including everything what is inside the person, his head and soul, characterizing him as a personality. Using this sensory receptor and being influenced by external factors, the person receives information, accepts and adapts it, forms his personal attitude, opinion, and motive, which can be defined as factors that will influence his further activity and behaviour. Perception within this context is

considered as one of the principal personal factors, conditioning the nature and direction of remaining variables.

Perception – price – consumer connections

According to Lindsay and Norman (1997), perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world. Perception is distinguished from sensation because whereas sensation involves a relatively unprocessed result of stimulation of sensory receptors in the eyes, ears, nose, tongue, or skin, perception goes further to describe a person's experience of external stimulus in the environment and processes input from the senses (Lindsay and Norman, 1997). However, in practical terms, sensation and perception are impossible to separate, because they complement each other and form part of a continuous process. For example, the ways an individual perceives and react to prices and advertising information in general largely depends on how they perceive them through the senses and how it is interpreted through the mind.

A major theoretical issue on which psychologists are divided is the extent to which perception relies directly on the information present in the stimulus. Some argue that perceptual processes are not direct, but depend on the perceiver's expectations and previous knowledge as well as the information available in the stimulus itself. Relating perceptual process to pricing in this study, buyers' sensory experience of the price of a product involves both the recognition and the effect it has on them, and their willingness to buy the product. A buyer's expectation depends largely on their previous experiences and current perception of prices. Hence, the perceptual process is a sequence of steps that begins with the environment and leads to perception of a stimulus and an action in response to the stimulus. Through the perceptual process, an individual gains information about properties and elements of the environment.

Perception does not only create peoples experience of the world; it allows individuals to act within their environment. Individuals obtain information from the external world from the senses: taste, hearing, smell, touch, sight. Such information received is integrated and analyzed to make decisions. Decision is an outcome of mental processes (cognitive process) leading to the selection of a course of action among several alternatives. When a person enters a shop, he or she perceives the price tags on products and determine what action to take or how to relate to it. The price sensitive shopper will either perceive it as cheap or expensive and that subjective perception and interpretation will determine whether they will buy or not buy the product. The perception of price also causes consumers to buy on impulse.

Human behaviour is such that people strive to maximize value while minimizing cost. When a buyer perceives that the utility derived from a product far exceeds the cost or price of it, there is a higher probability of them shelling out their money to buy it even if it is not in their plan.

Literature Review

Marketing researchers, as far back as the 1930s, have examined the extent to which the odd-even psychological pricing strategy has been used in the marketplace (Stiving, 2000; Stiving and Winer, 1997; Schindler and Kirby, 1997; Kreul, 1982; Friedman, 1967; Rudolph, 1954). These studies have identified a number digit combination like 95, 99 and 00 to be the predominant price endings used by firms, apparently depending on price level, market segment, and product category. Specifically, 00 is used by high-priced, high-quality, or upscale firms; whereas 95 is used by mid-priced or average quality firms; and 99 tends to be used extensively by low-priced, low-end firms or firms promoting a high-value image (Naipaul and Parsa, 2001; Stiving, 2000; Stiving and Winer, 1997; Friedman, 1967).. In a study by Suri, Manchanda and Lee (2004) it was found that prices ending with number 9 were less common and less accepted as a fair price in retail shops in Poland's compared to countries like the USA.

Also Rudolph (1954) found that out of 3025 retail store advertisements in newspapers 64% of prices ended in odd digits. In another exploratory study of retail food prices it was revealed that prices ending in 9 were most popular, while prices ending in 5 being second in terms of popularity (Twedt, 1965). Also, Friedman (1967) found that, about 80% of retail prices ended with 9s and 5s. Location, merchandise price, income of the consumers & culture also had some impact on the failure cause of malls Ambale (2013). Differed levels of product assortment affect consumer purchasing behaviour more than prices (Fox et al., 2002). Babin and Babin (2001) found that in stores consumer's purchasing intentions and spending can largely depend upon the features of the items, customer self interest, consumer's gauge of evaluating items and the importance they give to their purchasing at a store. Great product assortment is significant in attracting consumers and also to influence them on buying decision while in the mall (Skalledrud et al., 2009; Manana, 2009). Brennan & Lundsten (2000), in their study on the consumer shopping habits identified that consumers shop at discounts for low prices and large variety and stores for the unique items they cannot find elsewhere. Obeja and Bedia (2012) find that customers are conscious about extra facilities & service provided by personal selling in shopping malls. They want

hygiene and clean atmosphere in malls. Young customers are most recreational in their shopping. Female are not conscious about price while shopping in malls. Number of the studies has been done relating to factor affecting or key factor affecting towards retail store and shopping mall attributes. Based on the literature review this study has made attempts to investigate affecting factors of customer satisfaction towards mall and relationships between customer satisfactions.

Objectives of the study

- 1.To analyse the factors effecting the shopping malls which effect the price change for shoppers.
- 2.To know the perception of shoppers regarding price with different end values(decimals)
- 3.To extract values or aspects relating to consumer perception on service of shopping malls.

Research Methodology

Exploratory method research design is used to perform the study.The random sampling method used to collect the primary data from the consumers in Hyderabad metro city. A questionnaire was prepared for consumer's survey. Introductory question included all multiple choice/ multiple response type of questions. Main body of consumer questionnaire included objective of the research study which was drafted in English containing Likert-scaled items scoring from 1(strongly disagree) to 5 (strongly agree) to measure various mall shopping factors. Also, an exploratory study was conducted to identify the prevalence of odd prices in the retail sector. The exploratory study was based on 16 different home-drop advertising material, short magazines and leaflets by retails shops in the HYDERABAD METRO region. These leaflets, short magazines and home-drop advertising material were collected and analyzed over 3 month period to identify the dominance of odd and even pricing strategy . Also, in order to have a comprehensive coverage of the odd-even pricing phenomenon, opinions of some buyers were sought on their perception of odd-pricing and how the odd-pricing influence their buying decisions. Opinions of a total of 173 shoppers were sampled. The study found clear evidence of the predominant use and preference by shoppers for odd prices compared to even prices in different product categories, especially fast moving consumer goods. The paper concludes by providing the marketing implications and suggestions on when odd and even price ending strategies should be used and for what category of products this strategy can be used. Also, the implications of price endings on marketing communication are highlighted EFA with principal components axis factoring and

varimax rotation with screen test criterion and Eigen values used to confirm the no of factors to extract (Hair et al. 1998).

Table: 1 Chi-Square hypothesis is tested to find out the relationship between factors affecting shopping malls

S.No	Particulars	Chi-square cal	Chi-square tab	DF	P-val
1	Variety of products	60.84	3.841	1	.05
2	Brand	84.56	7.805	3	.05
3	Quality	112.80	7.784	3	.05
4	New arrivals	53.44	7.821	3	.05
5	Good place	56.60	9.584	4	.05
6	Secure	35.29	9.860	4	.05
7	Easy to identify	49.50	9.354	4	.05

source: data analysis

Graph:1



Table: 2 Price Perception Analysis

Price particulars	Visiting	%
Values ending with decimals	597	64.7
Values without decimals	325	35.3
Odd prices	691	75
Even prices	230	25

Source: data analysis

Graph:2

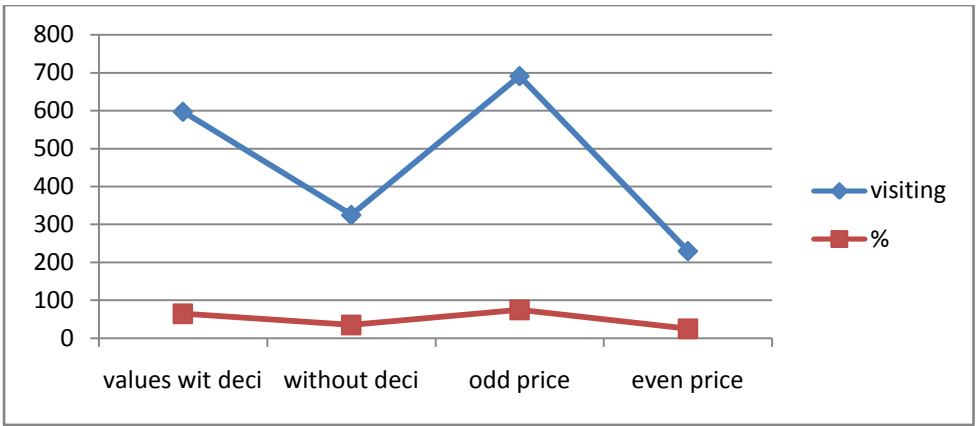
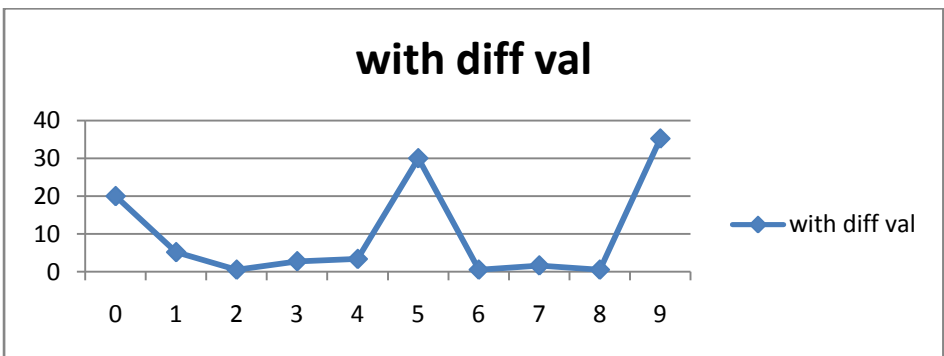


Table: 3 Prices ending with decimal values

Price ending values	%
0	20
1	5.2
2	.57
3	2.8
4	3.4
5	30
6	.57
7	1.69
8	.57
9	35.2

source:data analysis

Graph:3



Although it will sounds sensible to assume that randomness would result from any pricing

model in a retail market to make sure that, each of the 10 digits in the number system would arise roughly equally in retail pricing, that is, to say, each of the price endings would be equally distributed from numbers 0 to 9. Nevertheless, as shown in figure 1, number of price ending observation (in percentage) and table II, end number preference by customers, the frequency with which each digit occurs in retail pricing is far from equally distributed. This analysis disclosed that prices ending in the digit 9 (39%) clearly outnumbered all other price endings . 13% of prices ended in the digit 0, with a further 15% of prices ending in the digit 5. That is to say that, 67% of prices ended in 0, 5 or 9. The remaining eight digits accounted for only 33%. It is hence concluded that, in the retail sector , whatever pricing methods retailers use, there is a explicit bias to favour odd price endings thus 0, 5 and 9 as end numbers compared to other odd numbers and even numbers.

It was found that, customers interviewed have the perception that odd prices are much cheaper than even prices. The perception was stronger for food items and fast moving consumer goods for every day usage such as detergents and cloths among others. This is an indication of the influence retail advertising have had on shoppers.

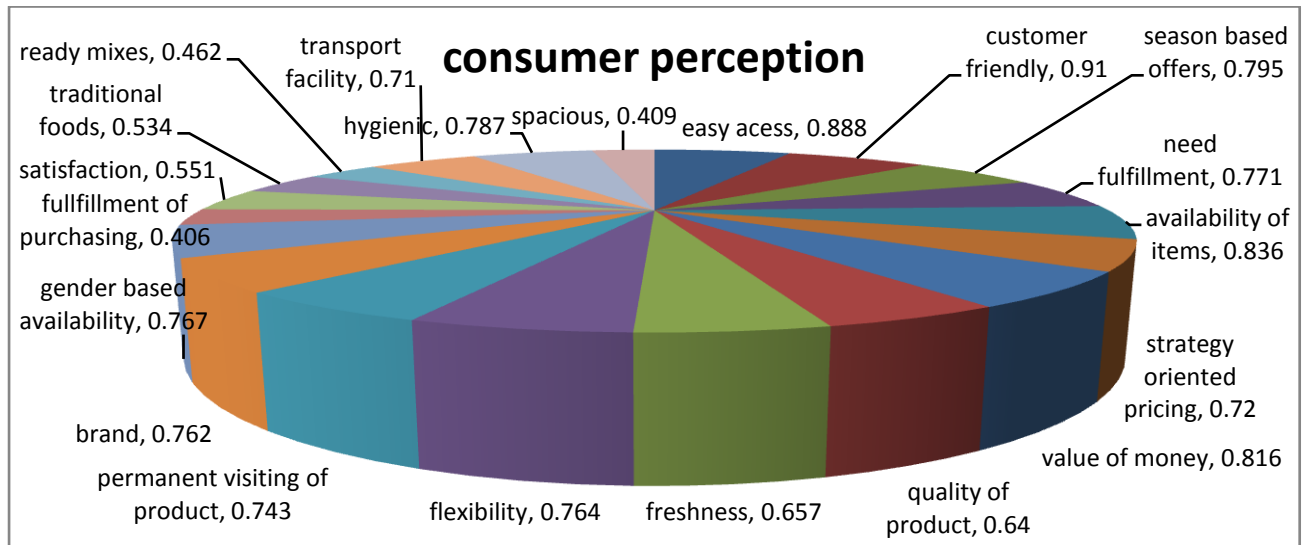
Table: 4 Extraction values: aspects relating to consumer perception on service of shopping malls

Aspects	Extraction Values
Easy access	0.888
Customer friendly	0.910
Season based offers	0.795
Need fulfilment	0.771
Availability of items at one place	0.836
Strategy oriented pricing	0.720
Value of money	0.816
Quality of product	0.640
Freshness	0.657
Flexibility	0.764
Permanent visiting of product	0.743
Brand	0.762
Gender based availability of product	0.767
Income based retail	0.409
Fullfillment of purchasing	0.551

Satisfaction	0.574
Traditional foods	0.534
Ready mixes	0.462
Transport facility	0.710
Hygienic	0.787
Spacious	0.409

source: data analysis

Graph:4



Customer perception towards public and private sector banks 14 aspects are considered as more important than other aspects because of their expectation value more than 0.7. Further it can be deduced that “easy access” is considered as very important because of its high extraction value 0.910 followed by “customer friendly” (0.888); “availability of items” (0.836); “value of money” (0.816); “season based offers” (0.795) and so on. It is concluded that among the various aspects relating to perception of customers “easy access” is considered as more important than the other factors.

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