

**THE EFFECTIVENESS OF PRICING STRATEGIES IN INFLUENCE
CONSUMER BEHAVIOR IN PSYCHOLOGICAL FACTOR**

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STUDENT'S DECLARATION

I hereby declare that the work in this thesis is my own except for quotations and summaries which have been duly acknowledged. The thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

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DEDICATION

I dedicate this thesis to my mother Hendon binti Masod and to family.

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ABSTRACT

Nowadays pricing strategy is an important to companies. This element is using in creating a marketing strategy of a company. the correct pricing strategy to attract consumers to buy products on offer. Therefore the aim of the study setup to see the effectiveness of pricing strategies to influence consumer behavior in terms of psychological. The variables used is a pricing strategy that is nowadays called skimming pricing, bundle pricing, penetration pricing and also psychological pricing. The objective of this research is to see the effectiveness of this pricing strategy in influencing consumer behavior in terms of pricing strategies psychological which will affect them in making a purchase. This study used quantitative methods to identify the effect of this pricing strategy in influencing consumer behavior. A series of questionnaires will be distributed to respondents to identify their perceptions of the effectiveness of this pricing strategy in influencing consumer behavior in terms of psychological. This questionnaire will be distributed to all residents of Kuantan are aged 17 years and older. The analysis was conducted using the Statistical Package for Social Sciences (SPSS) with a total of 384 respondents. Data were analyzed using Pearson correlation analysis and simple linear regression model. ANALYSIS therewith, this study shows that all variables affect consumer behavior in psychological terms. Therefore, the discussion explained that the objective of this study was achieved. Finally, some proposals have been suggestions will include expanding the study area and also conducted a survey of price strategies for online businesses in the future.

ABSTRAK

Pada masa kini syarikat strategi harga merupakan elemen penting dalam membuat strategi pemasaran sesebuah syarikat. Strategi harga yang betul mampu menarik perhatian pengguna untuk membeli produk yang di tawarkan. Oleh itu tujuan kajian dijalankan untuk melihat keberkesanan strategi harga dalam mempengaruhi gelagat pengguna ini dari segi psychological. pemboleh ubah yang digunakan adalah strategi harga yang ada pada masa kini iaitu “Skimming pricing”, ‘bundle pricing”, harga penembusan dan juga harga ganjil. Objektif penyelidikan ini adalah untuk melihat keberkesanan strategi harga ini dalam mempengaruhi gelagat pengguna dari segi psychological yang mana strategi harga ini akan mempengaruhi mereka dalam membuat pembelian. Kajian ini menggunakan kaedah kuantitatif bagi mengenal pasti kesan strategi harga ini dalam mempengaruhi gelagat pengguna. Satu siri soal selidik akan diagihkan kepada responden untuk mengenal persepsi mereka terhadap keberkesanan strategi harga ini dalam mempengaruhi gelagat pengguna dari segi psychological. soal selidik ini akan di edarkan kepada seluruh warga kuantan yang yang berumur 17 tahun dan keatas. Analisis dilaksanakan dengan menggunakan Statistical Package for Social Sciences (SPSS) dengan seramai 384 responden. Data dianalisis dengan menggunakan analisis korelasi pearson dan model regrasi linear mudah. Darihasil analisisdata, kajian ini menunjukkan bahawa kesemua pembolehubah mempengaruhi gelagat pengguna dari segi psikologi. Oleh itu, perbincangan menjelaskan bahawa objektif kajian ini telah tercapai. Akhir sekali, beberapa cadangan telah dicadangan kan antaranya meluaskan kawasan kajian dan juga menjalankan kajian strategi harga untuk perniagaan atas talian pada masa akan datang.

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CHAPTER 1

INTRODUCTION

1.1 Background Of The Study

Nowadays, with the latest advances in information technology and telecommunications in the business world have an impact on consumers in making purchasing decisions of products available in the market. Consumer is an important asset for an organization's business. The development of a business depends on the consumer because the user is the person who buys their products. Therefore, organizations are trying to meet the needs and requirements in order to maximize customer satisfaction.

In general, this research is to identify consumer perception of pricing strategy and it is in influencing consumer behavior in making decision. As we know, price plays an important role in influence buying a product or service. This is because consumers are very sensitive to issues of price. When viewed in terms of economics, price, value, and benefits (utility) are concepts that are very closely linked. Utility is an attribute of a product that can satisfy the needs. The value is a quantitative expression of the power of goods to be able to attract other goods in exchange. In our economy today to exchange or to measure the value of a product we are used money instead of barter system. The amount of money used in the exchange rate reflects the price of an item. So, price is

defined as the amount of money or something else with benefits that are required to obtain a product (Etzel, Walker, and Stanton, 1997, p. 274). In other words it is what price we pay for things. Customers change something that is worth it to get the desired satisfaction of a product. Prices are willing to pay depends on the satisfaction consumers that will be obtained with the product to be satisfied with the price. Consumer always wants that kind of price in each purchase of products and services. If the price does not reflect the value of a product, the customer may not be satisfied.

To make sure that a company is able to survive. Marketers must make an effective planning strategy. In formulate a marketing strategy, employers should understand consumer behavior in advance. Understanding consumer behavior is important in determining the strategies needed to achieve, expand and sustain the market. One such strategy is the pricing strategy, namely how to determine the price according to the conditions of the products offered. According to Kotler (1997) pricing strategies usually change over the lifespan of a product. The level of recognition gives the greatest obstacle which the company must decide where to position their products against rival products in terms of quality and price. Pricing is important because it leads to a goods or services received by users. Usually, profit-oriented marketing will put a price which can give maximum profits to producers and consumers will find products that are cheap and good quality. Prices will often be associated with quality. The general impression is that higher the price of a product, then the quality is also much better.

Pricing strategy is essential for any organization involved in the production of consumer goods and services as it gives clues about the company and its products, the company did not set a single price but more on the pricing structure covering different things in the queue (Kotler et al, 2001). According to Hinterhuber strategy (2008) prices vary across industries, countries and consumers and can be categorized into three groups: cost-based pricing, competition-based pricing, and customer value-based pricing. Given the diversity of these prices, to some extent will affect customers in decision making. The smart marketer will use the psychology of price to attract buyers.

1.2 Problem Statement

The study was to identify the effectiveness of pricing strategies can be influence consumer behavior in psychological perception. If we are looking now, many organizations or firm always looking at certain situation if they want do the marketing strategy. For the example during festival period or end of the year many firm used their marketing expertise in order to attract consumer to shopping at their store. Consumers who are interested in an offer that has been provided by organization or firm consist of multiple rage of age, gender and consumer level or class.

Consumer behavior is different for different people. Due to individual differences and the impact of outside forces on the different types of people, consumers have a variety of behaviors and these differences cause difficult to predict consumer behavior (Haghshenas et al 2013). Due to the difficulty in determining consumer behavior, It gave a a problem for marketers to develop marketing strategy. Other than that, value of ringgit nowadays was decrease it also will be effect to consumer buying power. Price for import item such as Laptop, and also other IT product will be increase.

Generally, businesses create a psychological price for their products to manipulate the consumer mindset in making purchasing decision. In addition, This research is to demonstrate that the study variables can influence consumer behavior on making purchasing decision. Moreover, researcher also want identify how the variables in this study can influence consumer perception about the quality of product that have a expensive price.

1.3 Research Question

According to Strauss and Corbin (1998), research question as the specific query to be addressed by this research, it is to be parameters of the project and it also determined methods will be use in this research. Researcher identify several research question that is used in this research is

- I. What is the pricing strategy affect toward consumer behavior in psychological factor?
- II. What is the effect of skimming pricing towards consumer behavior in psychological factor?
- III. What is the effect of penetration pricing towards consumer behavior in psychological factor?
- IV. What is the effect of bundle pricing towards consumer behavior in psychological factor?
- V. What is the effect of psychological pricing towards consumer behavior in psychological factor?

1.4 Research Objective

The purpose of the research are to determine the effectiveness of pricing strategy in influence consumer behavior in psychology factor. There are five objective arised in the study based on the problem statement above as follows:

1. To identify the effect of pricing strategy in influence consumer behavior in psychological factor.
2. To identify the effect of skimming pricing towards consumer behavior in psychological factor.

3. To identify the effect of penetration pricing towards consumer behavior in psychological factor.
4. To identify the effect of bundle pricing towards consumer behavior in psychological factor.
5. To identify the effect of psychological pricing towards consumer behavior in psychological factor.

1.5 Scope Of Study

The scope of the research was look into the how pricing strategy can influencing customer behavior in psychology factor and this research focus on consumer or people who a living at Kuantan Pahang.

1.6 Limitations of study

During the research the researcher runs into several obstacles that were:

This research only focuses at Kuantan and only use several pricing strategies in other to understand and to identify the effect of pricing strategies in influence consumer behavior.

Next is, even this research try to study about consumer behavior but this research just use one factor in consumer behavior so that have several factor also have to cover to make sure marketers able to understand about consumer behavior.

1.7 Hypothesis

There are four hypotheses for this study that is:-

Skimming Pricing

H₀ : Psychological factor of consumer behavior is not affected by skimming pricing.

H₁ : Psychological factor of consumer behavior is affected by skimming pricing.

Penetration Pricing

H₀ : Psychological factor of consumer behavior is not affected by penetration pricing.

H₁ : Psychological factor of consumer behavior is affected by penetration pricing.

Bundle Pricing

H₀ : Psychological factor of consumer behavior is not affected by bundle pricing.

H₁ : Psychological factor of consumer behavior is affected by bundle pricing.

Psychological Pricing

H₀ : Psychological factor of consumer behavior is not affected by psychological pricing.

H₁ : Psychological factor of consumer behavior is affected by psychological pricing.

1.8 Significance Of The Study

The significance of this study is can provide detailed information about how pricing strategies can affect the consumers behavior in psychology factor and help firm to understand the perception of consumer at the quality of product at certain price floor. It also to identify that price gave effect in influence consumer in making purchasing decision or not. With this all knowledge, marketer can identify and implement the specific strategic in order to bring their business to be success.

1.9 Research Contributions

This research gave effect on organization that involved with this study. They can used the information and sharing the knowledge through this research for the benefit of their business. In order to achieve the desired goal, every marketer have to understand the consumer behavior at least the basic factors of can affect are consumer behavior and this research also help organization to understand the perception of consumer about price issue and help them improve their marketing strategy especially at part pricing strategy .

1.9 Summary

In this chapter researcher try to discuss about the research problem, research question and research try to identify the research objectives of pricing strategy and the affect of it toward consumer behavior in psychological factor.

Other than that researcher also identify the significance of the study and also identify the hypothesis for this study to make sure this study can be achieve.