Magical Numbers: Psychological Aspects of Retail Pricing

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Abstract

This paper presents a review of psychological aspects of retail pricing. The retail prices are often odd-ending prices. The odd ending prices are also called psychological prices. The psychological pricing is a marketing or pricing strategy based on the assumptions that certain prices have a psychological impact on the consumers’ buying behavior. There are ten one-digit numbers (e.g., 0, 1, 2, 3, 4, 5, 6, 7, 8, and 9) from which one of them occurs at a time at the right end of a price. Like `99, `95, `90 etc., However, which digits ending prices are pervasive in use in the retail pricing and why? The consumers’ buying behavior is influenced by their attitude which is influenced by their price perception, demographic profile and psychographic profile. Finding shows that digits 9, 5, and 0 are frequently used to price the retail products and services. This study is a qualitative study, which theoretically explores the psychological aspects of retail pricing. This study has reviewed more than fifty research studies, books, working papers, research dissertations, theses, and online resources relating to the practice of psychological pricing strategies in the retail sector. The findings of the study show that psychological prices are assumed as magical numbers because these prices attract the customers and sometimes create impulsive purchase that augments the sales and the profitability of the retail stores. The findings of this study could have implications for the researchers, pricing managers, retail stores, academicians and customers.

Key Words: Magical numbers, Psychological pricing, consumers’ behavior, Price perception, Odd-pricing, Retail prices, Consumer psychology