

## Effect of Pricing on Consumer Purchasing Behaviour with Reference to Smartphones

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### Abstract

The study finds out how the brand image and quality or performances of the smartphones influence its price. This paper also analyses the elements of the consumer attributes influencing the purchasing decision. The study has used the primary data where a structured questionnaire was given to the respondents and the sample size is 100. The study shows the result that the smartphone users prefer the quality and it has the greater impact on pricing and they accepted that brand image influence the price and element to identify the best quality smartphones. The study has used the tools like correlation analysis, ANOVA to analyse the data.

**Keywords:** Consumer Behaviour, Pricing, Brand, Smartphones, Quality.

### 1. INTRODUCTION

Analysing consumer buying behaviour is very difficult task. It varies from consumer to consumer so it is difficult to compare their behaviour. The study mainly focus on the consumer perception about the pricing and what were the factors that actually convince the customers to purchase the smartphone. Most of the Smartphone companies will have their own pricing policies and strategies. These companies will position their smartphone and fix the price in relation to its competitors. Generally they produce smartphones on two categories in pricing; one is budgeted smartphone and a premium smartphone.

The consumer decides to buy or not to buy. The steps involved in consumer buying decisions such as recognition of needs and wants, information search, evaluation of choice, purchase, and post purchase evaluation(Blackwell et Al, 2006). When the consumer is extremely satisfied with the offer then he would purchase the offer.

#### *1.1. Factors influencing buying behaviour of the consumers.*

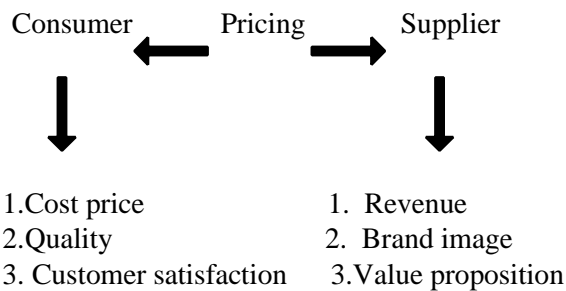
The Consumer Behaviour is the study of how individuals, groups and organisation selects, buy, use and dispose the goods and services, ideas or experiences to satisfy their needs and wants(Kotler & Keller, 2012). Customer buying behaviour is influenced by various factors such factors are cultural factors, social factors and personal factors. Such cultural factors include subcultures like nationalities, religion, racial groups and geographical groups. And social factors include reference groups, family and social roles and statuses. And personal factors like age, personality, occupation, economic conditions, lifestyle etc.

#### *1.2. Customer value and pricing*

A rational customer always expects a quality product at a reasonable price and he tries to get maximum benefit at low cost. This value is what the customer gets an exchange for the price he pays. Increasing the price does not change the value of such offering provided to the customer. Rather it changes the customer's intention to purchase those market offerings. Finally the consumer decides to buy the alternatives that induce him more to purchase. The reference points depend upon two factors: external or internal. The internal aspect comes from the consumer estimation of price in his minds. He may anticipate the price based on the same category or based on his past experiences of the customer's purchase. There might be a situation where the customer receives information about pricing from external sources. The main aim of external reference points is to increase the internal reference price so that the customers think existing price as attractive and buy the product.

### 1.3. Consumer psychology towards pricing.

Consumer considers pricing as the dominating factor that influences their purchasing behaviour. We can assume a majority of the consumers are price sensitive. Psychology of the consumer is to get a quality product at a reasonable price and it is the responsibility of the marketer to make the prices of the product more attractive. This price is the key elements as it is the income and also the cost to the customer. Hence the marketer tries to hike the price to earn the profit while the consumer reaches the best suitable price for the product in the market. Generally consumer assumes that a high priced product will have a high quality while a low price product will have poor quality. So the pricing of the product influence the perception about the quality in the mind of the customers.



### 1.4. Brand image and pricing.

Most of the smartphone users choose smartphones based on brand. Every brand is a promise to the customer and they will produce a peculiar product. When a customer is extremely satisfied with quality or performance then the particular brand gains more reputation. Then demand for such brand increases and thus the price increases. When a company has gained more brand value, it stays out of the competition i.e., the change in their prices of the product will not affect its business.

## 2. REVIEW OF LITERATURE

Many researchers have studied the pricing effect on consumer behaviour such as V. Vasikar (2019) his study focuses on the impact of pricing element in consumers switching behaviour on smart phone in the Chennai city. He concluded that the scholars are having extra significance towards the rate in purchase of smartphone that is the college student's preferred excessive price with high-fi smartphones. Bariş Batuhan Geçit and Dr. Murad Kayacan (2017) they have stated that price and brand as independent variables while consumer decision as dependent variable and have statistically analysed to find that the brand and price has a significant effect on consumer purchase decision. Hussain Al-Salamin and Eman Al-Hassan (2016), their study measures the impact of pricing strategy on consumer psychology and on their buying behaviour. They also studied the consumer psychology of buying intention towards the odd even pricing, bundle pricing and discount pricing. Finally he has concluded that there is a positive relationship between prices and consumer buying behaviour. Dr. R. Jagannathan and Dr.P. Ravichandran (2019) they have studied various factors like price, quality, brand and design and its impact on the consumer buying decision. They have found that there is a positive relationship between the price and the consumer buying behaviour. Dr. Shakil Anwar Siddique (2020), He has argued that the impact of pricing plays a significant role in consumer purchase decision and the consumer's expectation change when the retailers change the price and adopt the pricing methodology and strategies were laid to attract new customers as well as the existing customers.

Azira Rahim, Siti Zaharah Safin, Law Kuan Kheng, Nurliyana Abas, Siti Meriam Ali (2015), in this study they has investigated that how the product features, brand name, social factors and product sacrifice influence the purchasing intention. They have found out that there is a significant and positive relationship between the all the dependent variables and independent variables. Nguyen Thi Huong LY and Phuong Viet LE-HOANG (2020) have explored and measured the factors that affect the intention to purchase the smartphone in Ho Chi Minh City. They have found out that the aesthetics price, brand, product features, social influence and electronic word-of-mouth has positive effect on the intention to purchase a smartphone. Electronic word-of-mouth has most significant impact on buying intention while price has the least impact. Kekhrietshunuo Kire (2017) has found out that price is one of the

most important factors that attract the consumers to purchase the product and the price perceptions can directly influence the satisfaction judgements of the product and service.

## 2.2. Objective of the study.

- ❖ To analyse that pricing is a dominant factor that influence the customer purchase decision.
- ❖ To find how branding of smart phone influence the purchase intention.
- ❖ To identify the impact of pricing on quality of Smartphones

## 2.3. Problem Statement.

The purpose of this study is to find out the impact of brand and quality on the pricing of the smartphones and the consumer satisfaction towards pricing. This study also focuses on the consumer attributes that affect their purchase intention.

## 3. RESEARCH METHODOLOGY

A structured questionnaire was prepared to collect the quantitative data. The sample size(n) of the study is 100. The respondents have answered the questionnaire to the best of their knowledge. The statistical tools like simple percentage analysis, correlation analysis and ANOVA were used to analyse the data.

**Table 3.1 Consumer attributes that influence the respondents to buy the smartphones**

SOURCES	NO. OF RESPONDENTS	PERCENTAGE
Budget friendly	43	43%
Family circumstances	37	37%
Occasion of purchase	20	20%
<b>TOTAL</b>	<b>100</b>	<b>100%</b>

(Source: primary data-computed)

This table shows the consumer attributes that influence the respondents to buy the smartphones. Nearly 43% of the respondents have answered it as budget friendly and 37% respondents have answered family circumstance. From this we can conclude that the respondents are much interested in the budgeted smartphones and they prefer them that are their budget. And 37 respondents have agreed that family circumstances such as their economic situation, educational purpose, etc., make them to purchase smartphones.

**Table 3.2 Correlation between the brand and the quality preference by the respondents**

Brand(x)	Quality (y)
0	0
5	6
32	37
11	12
2	4
1	1

(Source: primary data)

Calculated values:

$$r = 0.9984$$

The above table represent the preference towards brand and quality by the respondents. These observations belong to the different ranges of the age group of the respondents. Now let us identify the correlation between the brand and quality preference. From the above result we can understand that there is a strong correlation between the brand and the Quality of the smartphone. We have attained a positive R value by using the Karl Pearson correlation

coefficient, which implies that the both the variables are **positively correlated**. The R value is 0.998 and this means that there is a strong correlation between the brand and the quality preference of the respondents. The result can be interpreted that the respondents will consider both brand and the quality factor while purchasing their smartphone.

**Table 3.3 Relationship between the gender and the brand switching behaviour of the respondents**

Age	Brand preference of the respondents		Total
	Respondents who likes to stay in same brand.	Respondents who are likely to switch over brands	
Below 20	3	3	6
21-40	35	37	72
Above 40	4	1	5
	42	41	83

(Source: primary data)

**H0:** There is no evidence for a significant association between the age and the brand preference of the respondents.

**H1:** There is evidence for a significant association between the age and the brand preference of the respondents.

E	O	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
3.036145	3	-0.03614	0.001306	0.00043
36.43373	35	-1.43373	2.055596	0.05642
2.53012	4	1.46988	2.160546	0.85393
2.963855	3	0.036145	0.001306	0.000441
35.56627	37	1.433735	2.055596	0.057796
2.46988	1	-1.46988	2.160546	0.874758

(Source: Computed)

$$\chi^2 = \sum (O - E)^2 / E = 1.8437 \text{ Ndf} = (r-1) (c-1) = (3-1) (2-1) = 2$$

Table value for 1 at 5% level of significance is **5.991**

The calculated chi square value is **1.8437**

$$1.8437 < 5.991$$

The calculated value is lesser than the table value. Therefore Null Hypothesis is accepted and alternative hypothesis is rejected. We can now conclude there is no evidence for a significant association between the age and the brand preference by the respondents. It's interpreted as that the brand preference does not have any relationship with the age of the respondents.

**Table 3.4 Relationship between the means of the factors influencing the purchase of the smartphones**

Age	Factors influencing purchase of smartphone		
	brand	quality	price
0- 20	3	5	3
21-40	20	41	13
Above 40	3	4	0

(Source: primary data)

**H0:** There is no significant difference between the means of the factors influencing the purchase of smartphone.

**H1:** There is a significant difference between the means of the factors influencing the purchase of the smartphone.

SUMMARY				
Groups		Sum		Variance
	Count		Average	
Column 1	3	26	8.6	96.3
Column 2	3	50	16.67	444.3
Column 3	3	16	5.3	46.3

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	203.556	2	101.7778	0.52015	0.6189	5.1432
Within Groups	1174	6	195.6667			
Total	1377.556	8				

(Source: Computed)

The test statistic is  $F = \text{MSE}/\text{MSC} = 195.6667/101.7778$   
= 1.922

**Ndf:** (6, 2) Table value at 5% level of significance is **5.1432**.  
**1.922 < 5.1432**

Therefore the calculated value is less than the table value so the table value is greater than the Calculator value. Thus, Null Hypothesis is accepted and alternative hypothesis is rejected. From this it is clearly interpreted that there is no difference between the means of the factors influencing the purchase of smartphone. Thus respondents consider the brand, quality and price equally while purchasing their smartphone. The respondents constantly choose and purchase the smartphones based on the brand, quality and price in the study. From the three factor they might choose the impacting factors which would have induced them more to purchase the smartphones.

**Table 3.5 Factor influencing the buying intention of the respondents**

Factors	Strongly agree	Some what Agree	Some What disagree	Strongly disagree	Mean	S.D.
Attractive prices influence me to buy smartphones	22	53	20	5	2.92	2.49
I compare the price before I buy	39	46	9	6	3.18	2.76
I consider brand before buying the premium smartphones	32	51	11	6	3.09	2.66
I think brand image influence the price	42	45	8	5	3.24	2.81
I think the brand influence the quality.	32	47	15	6	3.05	2.64

(Source: primary data-computed)

The above table shows the factors that influence the respondents while buying the smartphones. The table shows that the lowest value of 2.92 which is implied as that the respondents have moderately disagree the statement that the attractive prices influence them while buying. And the respondents have strongly agreed (3.24) that the brand image influences its price. So this table shows the degree of agreement of the respondents towards the various factors influencing the price of the smartphones. This table clearly shows the preferences of the consumer while buying the smartphones.

#### 4. FINDINGS AND DISCUSSIONS

Most of the consumers prefer a budget smartphones based on the brands. Customers estimate the quality and performance of the smartphones based on the brands which the customer generally chooses. The consumer looks alternatives for smartphones based on price options under same brand. They look for smart phone features under such alternatives. Customer look for additional features if it is a premium smartphone for additional features additional price will be paid. The smartphone company introduces new features to the smartphones and position their price for the new smartphone.

From this analysis we can conclude that smartphone users consider its performance and quality before buying it and they identify the smartphone by its brand while they have agreed that quality of the smartphones has great impact in its pricing which means higher quality smartphones will be placed at high price.

In this study most of the respondents preferred iPhones as their 1st choice. This is because of the brand image of the iPhones and its quality. And it is found the respondents buying intention is also influenced by its brand image while purchasing a smartphone.

Most of the consumers are influenced by the attractive prices such as discount offers Exeter to purchase the smartphone. Most of the respondents would compare the prices of the substitutes before they purchase. It is found out that brand reputation is created by the quality of the product so this gets into the people's mind that this brand will produce this particular quality product.

From the study we can understand that every consumer will have their own principles or conditions when they are looking to buying the smartphones. In general, we can specify certain factors that they take into account while buying the smartphones.

## 5. CONCLUSION AND RECOMMENDATIONS

The main focus of this study is to find how price influence the purchasing decision of the consumer in buying a smartphones. It is found that most of the consumers prefer high quality smartphone and ready to pay the price that worth for it. And they choose the quality based on the brands and their promise. The consumers believe that a particular brand is promising in its quality and in its performances. They estimate the quality of the smartphone based on the brand. And the smartphone company which has the high brand value will charge the price that worth for its brand.

Based on this study we conclude that majority of the consumers have chosen quality as their first preference. And they believe that a high priced product has a high quality. And they maintain a high brand loyalty towards their brands. It is recommended that as there is a heavy competition in smartphone industries, the smartphone brands should focus on improving the brand loyalty among the consumers. Smartphone industries should focus on pricing strategy which attracts the consumers. Smartphone companies should focus on implementing the attractive prices like offers cash backs etc. The smartphone Companies has to focus on the quality and the performance in the premium smartphones. Every smartphones should design their pricing policy that attracts the smart phones users.

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