

Influence of Psychological Pricing on Online Consumer Purchase Decisions – A Study of Nykaa

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ABSTRACT:

The growth of e-commerce has significantly changed the way consumers search for and purchase products. In the digital marketplace, pricing strategies play an important role in influencing consumer perception and purchasing decisions. One of the most widely used approaches in marketing is psychological pricing, where prices are designed to influence how consumers perceive value rather than simply reflecting production costs.

This research paper examines how psychological pricing strategies influence online consumer purchasing behaviour, with a focus on Nykaa, a major beauty and personal care e-commerce platform in India. The study explores different pricing strategies used by the platform, including charm pricing, promotional discounts, bundle offers, and limited-time sales events. The research is based on secondary data collected from academic literature, marketing textbooks, industry publications, and company information. The analysis suggests that psychological pricing strategies significantly influence consumer perception by creating a sense of affordability, urgency, and value. Techniques such as prices ending in “9”, visible discount displays, and time-limited offers encourage consumers to make quicker purchase decisions.

The study concludes that psychological pricing plays an important role in increasing customer engagement and sales in online retail platforms. Strategic pricing, when combined with digital marketing and promotional campaigns, can help businesses gain a competitive advantage in the e-commerce market.

INTRODUCTION:

The rapid growth of e-commerce has transformed consumer purchasing behaviour worldwide. Online shopping platforms enable consumers to compare products, check prices, read reviews, and make purchases conveniently from anywhere. As competition among digital retailers increases, companies must adopt innovative marketing strategies to attract and retain customers.

Among the many factors that influence purchasing decisions in online retail, pricing remains one of the most important. Traditional pricing strategies were primarily based on production cost and profit margins. However, modern marketing approaches emphasize psychological pricing techniques that influence how consumers perceive value.

Psychological pricing refers to the practice of presenting prices in a way that affects consumer perception and encourages purchase decisions. Rather than focusing solely on numerical value, this strategy targets the psychological responses of consumers.

For example, prices such as ₹499 or ₹999 are often perceived as significantly lower than ₹500 or ₹1000, even though the difference is minimal. This phenomenon occurs because consumers tend to focus on the leftmost digit of a price.

Online retailers frequently use psychological pricing strategies such as discounts, promotional offers, bundle deals, and flash sales to stimulate demand and encourage impulse buying.

One company that effectively uses these strategies is Nykaa, founded in 2012 by Falguni Nayar. The platform offers a wide variety of beauty, skincare, haircare, and wellness products from both Indian and international brands.

Nykaa regularly conducts promotional events such as the Nykaa Pink Friday Sale, during which many products are offered at discounted prices. These promotional campaigns play a significant role in attracting customers and increasing sales.

This study aims to analyse how such psychological pricing strategies influence consumer purchase behaviour in the online retail environment.

Objectives of the Study

The main objectives of this research are:

- To understand the concept of psychological pricing in marketing.
 - To identify different psychological pricing strategies used in online retail.
 - To examine pricing strategies used by Nykaa.
 - To analyse how psychological pricing influences online consumer purchase decisions.
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LITERATURE REVIEW:

Psychological pricing has been widely examined in marketing and consumer behaviour research. Many scholars have explored how pricing strategies influence consumer perceptions and purchasing decisions.

According to Philip Kotler and Kevin Lane Keller, pricing is a critical element of the marketing mix because it directly affects the perceived value of products. Effective pricing strategies can influence brand positioning and consumer expectations.

Research by Thomas T. Nagle suggests that consumers often rely on psychological cues when interpreting prices. His work highlights that prices ending with the digit “9” are commonly perceived as more attractive compared to rounded numbers.

Another study conducted by Robert M. Schindler indicates that charm pricing can positively influence retail sales. Consumers tend to focus on the first digit of a price, which leads them to perceive the product as less expensive than it actually is.

Studies focusing on e-commerce also highlight the role of promotional pricing strategies such as discounts and flash sales. These techniques often create a sense of urgency and encourage consumers to make quicker purchasing decisions.

Research in the beauty and personal care industry suggests that customers are particularly responsive to promotional offers because many beauty products are considered discretionary purchases. As a result, pricing strategies have a strong impact on purchasing behaviour in this sector.

RESEARCH METHODOLOGY:

1. Research Design

This study adopts a descriptive research design. This approach is useful for examining existing marketing practices and understanding how psychological pricing strategies influence consumer behaviour in online retail platforms.

2. Data Collection

The study is based on secondary data collected from various sources, including academic journals, marketing textbooks, industry reports, and company information related to Nykaa. Secondary data was selected because it provides valuable insights into marketing practices and consumer behaviour without requiring extensive primary surveys.

3. Data Analysis

The collected information was analysed using qualitative and interpretative methods. Different pricing strategies used by Nykaa were examined and categorized to understand their influence on consumer perception and purchasing

behaviour.

Charts and diagrams may also be used to visually represent the distribution of psychological pricing techniques used by the platform.

4. Limitations of the Study

This study has certain limitations:

- The research relies only on secondary data and does not include primary consumer surveys.
- The analysis focuses mainly on Nykaa and may not represent all e-commerce platforms.
- Consumer responses to pricing strategies may differ depending on demographic and individual factors.

DATA ANALYSIS AND INTERPRETATION:

The analysis of pricing strategies used by Nykaa shows that the platform actively utilizes psychological pricing techniques to influence consumer purchasing behaviour.

One of the most visible strategies is charm pricing.

Figure 1: Common Price Endings Used in Nykaa Product Listings

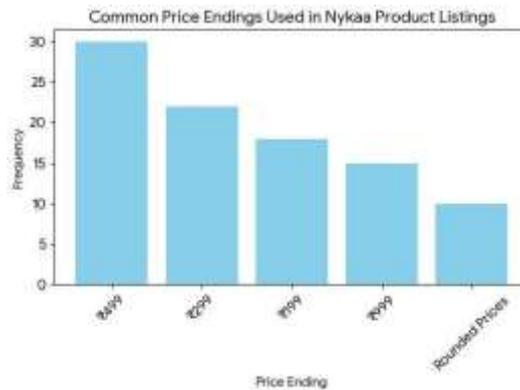


Figure 1 shows the distribution of common price endings used on the Nykaa platform. Prices ending in “9” appear most frequently, indicating the strong use of charm pricing to influence consumer perception.

Many products on the platform are listed at prices such as ₹199, ₹299, ₹499, and ₹999 rather than rounded figures. This approach makes products appear more affordable and increases the perceived value of the product. Discount pricing is another strategy commonly used by the platform.

Figure 2: Distribution of Psychological Pricing Strategies Used by Nykaa



Figure 2 illustrates the different psychological pricing strategies observed on the Nykaa platform. Charm pricing and discount-based pricing represent the most frequently used techniques.

Nykaa often displays the original price of a product along with the discounted price. Presenting both prices helps customers easily recognize the savings available, which increases the appeal of the offer.

The platform also uses bundle pricing to encourage customers to purchase multiple products together. For example, skincare kits and makeup collections are frequently offered as bundled packages at a lower combined price.

Additionally, limited-time promotional campaigns play an important role in influencing consumer behaviour. Events such as the Nykaa Pink Friday Sale create excitement among customers and encourage them to make purchases within a limited time frame.

Overall, the analysis indicates that Nykaa effectively combines psychological pricing strategies with promotional marketing to increase customer engagement and boost sales.

FINDINGS OF THE STUDY

The study identifies several key findings:

- Psychological pricing significantly influences consumer purchase decisions in online retail.
 - Charm pricing is widely used to make products appear more affordable.
 - Discount pricing and promotional offers increase consumer interest and engagement.
 - Bundle pricing encourages customers to purchase multiple products together.
 - Limited-time sales events create urgency and promote impulse buying behaviour. These findings demonstrate that pricing strategies serve not only as a method for determining product cost but also as an important marketing tool that shapes consumer perception and behaviour.
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7. Conclusion

The study highlights the increasing importance of psychological pricing strategies in the online retail environment. As e-commerce continues to grow, companies must adopt effective pricing strategies to remain competitive and attract consumers.

The analysis of pricing strategies used by Nykaa shows that psychological pricing plays a significant role in influencing consumer behaviour. Techniques such as charm pricing, promotional discounts, bundled offers, and limited-time sales help create a perception of affordability and value among customers.

By combining strategic pricing with promotional campaigns and digital marketing, Nykaa has successfully strengthened its position in the Indian beauty and personal care market.

Overall, the research confirms that psychological pricing is an effective strategy that can positively influence consumer purchasing decisions and contribute to increased sales in online retail platforms.

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