

EFFECT OF CHARM PRICING ON CONSUMER PERCEPTIONS AND PURCHASE DECISIONS: A STUDY OF SHOPRITE, ASABA

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ASBTRACT

This study investigated the effect of charm pricing on consumer perceptions and purchase decisions, using ShopRite Asaba as a case study. Charm pricing, a psychological strategy where prices end in .99 or .95, is widely used in retail to influence consumer behavior. The primary objective was to explore how this pricing technique affects perceived affordability, perceived product value, and purchasing decisions among consumers. A structured questionnaire was administered to 200 customers, and data were analyzed using both descriptive and inferential statistical methods, including regression analysis. The findings reveal that perceived affordability and perceived product value are the most significant predictors of consumer purchase decisions with a mean score of 4.04 and 3.94 respectively. Consumers tend to interpret prices ending in .99 as more affordable, even when the actual difference is minimal. This psychological cue creates a perception of better value, thereby increasing the likelihood of purchase. The study concludes that while consumers may not consciously recognize charm pricing tactics, these strategies effectively enhance the perceived affordability and value of products, thus driving sales. Based on these, the study recommended that retailers like ShopRite, Asaba continue to implement charm pricing, particularly for price-sensitive and value-driven consumers, and combine it with strategic visual marketing to maximize impact.

Keywords: *Charm pricing, consumer perceptions purchase decision.*

INTRODUCTION

Pricing has always been an integral component of marketing in the traditional marketing elements, only pricing creates revenue (Grewal et al, 2011; Mazumdar et al, 2005). From the most prime and basic decision for business, it is more critical decision that what would be the price of product and service they should ask with their customer (Kohli, and Rajneesh, 2011). Marketers use pricing strategies when making decisions about the four main parts of marketing (product, price, place, and promotion). Psychological pricing is one of those pricing strategies in which different psychological aspects are used by marketers to influence consumers mind positively (Homburg et al, 2005). Retail prices are often shown as "charm" or "odd" prices, meaning they are just below a round number. From all the tactics of listing prices, the tactic of psychological pricing is draft to get the attention of customers who react on emotional responses to pricing other than highly rational thinking (Zuroni et al, 2005).

The purpose of charm pricing is to make the customer think that the product is on sale or it has become cheaper than it was in. For instance, the price of a shampoo is written 99 naira instead of 100 naira. The customers are more likely to remember the odd ending prices of product rather than even ending prices (Javadi et al, 2012). Odd prices, also have other names such as charm prices, intuitive prices psychological prices, magic prices irrational prices (Nazir et al, 2012). And now the use of charm pricing is now taking place in many countries of the world. Buyers often react to things like the brand name, color, packaging, size, label, and price of a product (Seiler et al., 2012). How

people use this information to decide what to buy depends on how they see and understand the product (Larson et al., 2012).

Charm pricing is a strategy where prices end in odd numbers, like ₦999.99 instead of ₦1000, to make the price seem cheaper. Price is a complex issue. After making a product, the big question is: "What price should I set?" This isn't just a decision for manufacturers, but also for wholesalers and retailers. Another important question is: "How should I charge?" This includes things like whether to sell items separately or in bundles, or whether to show prices in parts. When customers have more information about a product's value or quality, price becomes an even more important factor in their decision. People think about prices in different ways, often without realizing it, and this can influence how they behave.

Traditional economics assumes that markets always work well and people always make rational choices. But in reality, consumers often act differently or even irrationally when influenced by certain factors. When setting prices, it's important to understand that how customers *see* the price affects their decision to buy. If a company uses the right pricing strategy for its product and market—and supports it with good advertising and distribution—it can boost sales and grow its business (Stivings, 1996). But using the wrong pricing strategy can lead to losses. There are many pricing strategies companies use. One of the most popular is the odd-even pricing strategy, where prices end in numbers like 9 or 99. This is common for consumer goods in stores and advertisements.

STATEMENT OF THE PROBLEM

Customers have increasingly become price conscious and dealers with competitive prices tend to attract more customers (Gupta, 2014). Today's companies face fierce competition in the market which is not only local but also global. There are many retailers in the market who all aim at attracting the same customer base and therefore for an organization to have a competitive advantage, it has to come up with good strategies that will ensure that it has a competitive advantage. One of the strategies that many organizations have to focus on is the pricing strategies. Many organizations do not understand how price influences consumer purchase decision. Understanding how pricing strategies affect consumer purchase decision is very important for retailers because it allows organizations to develop appropriate strategies (Hinterhuber & Liozu, 2020).

Since supermarkets act as the link between the manufacturer and the consumer they are expected to come up with pricing approaches that foremost reflect the manufacturer's recommended price, and then provide a margin for their profits or whatever is their pricing objective. The different prices seen in supermarkets show that they use different pricing strategies (Hellsten, Chu, Crump, Yu & Sutherland, 2016). So, this study aims to find out how charm pricing affects how consumers see products and decide what to buy.

OBJECTIVES OF THE STUDY

The specific objectives are to:

- i. examine the effect of charm pricing on consumers' perceived affordability of products.
- ii. assess how charm pricing affects consumers' perception of product value.

LITERATURE REVIEW

Consumer Perception

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. People's reactions to prices and advertisements often depend on how they sense and interpret the information in their minds. Psychologists disagree on whether perception is based only on what we see or also influenced by what we expect or already know. In terms of pricing, how a buyer experiences the price of a product involves both noticing the price and how it makes them feel, which affects their decision to buy. A buyer's expectations are shaped by their past experiences and current understanding of prices.

Odd-Even Pricing / Charm Pricing / Nine-Ending Pricing

Since the 1930s, marketing researchers have studied how odd-even pricing is used in the market (Stiving, 2000; Stiving & Winer, 1997). They found that prices often end in numbers like 95, 99, or 00, depending on the type of product, market, and brand image.

- Prices ending in **00** are mostly used by high-end or luxury brands.
- **95** is often used by average or mid-range brands.
- **99** is common among low-cost brands or those promoting value.

The reason many businesses use odd pricing is that customers often see a price like ₦999 as much cheaper than ₦1000, even though the difference is small. This trick in how we see prices can lead to stronger buying reactions (Boyd & Massy, 1972).

Charm pricing can influence how people remember prices. When customers compare a product's price to another, marketers can make the price *seem* lower by how it's presented (Collins et al., 2019). People usually don't remember exact prices but instead think in general terms like "cheap" or "expensive" (Hinterhuber et al., 2020). This makes the actual price easy to influence depending on how it's shown. One popular pricing trick is using odd numbers, like showing ₦99 instead of ₦100 (Javadi et al., 2017). This makes the price look lower and more appealing.

Why Prices Ending in 9 Works

Marketers often use prices that end in 9, 99, or 95 because these seem cheaper to customers. This strategy works best when it changes the *left-most digit*. For example, ₦3.79 and ₦3.80 feel about the same, but ₦2.99 feels much cheaper than ₦3.00, even though it's just one naira less (Cottes-Torres et al., 2012).

Why the Left Digit Matters

Our brains quickly read numbers from left to right. When we see ₦2.99, we notice the "2" first, so we think of it as closer to ₦2 than ₦3 (Kohli et al., 2014; Boyes et al., 2015). This makes the price *feel* much lower, even if it's only slightly cheaper.

Charm Pricing and Consumer Buying Behavior

Setting prices is called a pricing strategy (Anderson et al., 2003). Charm pricing is when prices are set just below a round number. For example, if something costs ₦4.99, customers tend to think of it as closer to ₦4 than ₦5 (Zhou et al., 2010). This psychological effect can strongly influence how people decide what to buy.

THEORITICAL REVIEW

Signaling Theory

Odd-ending pricing means using numbers like **9** or **95** at the end of prices. Studies show that prices ending in 9 often lead to more sales than slightly higher or lower prices (Schindler & Kibarian, 1996; Coulter, 2001). For cheaper items, ending in **.99** works better than **.95**, but for more expensive products (like \$50), **.95** can be more effective (Gendall et al., 1998). In real estate, pricing just below a round number (like \$499,000 instead of \$500,000) makes the price seem more carefully thought out and firm, which can increase buyers' willingness to pay (Allen & Dare, 2004; 2006).

Also, showing prices with **.99** on the left side of an ad or using positive words like "Save" or "Enjoy" instead of negative ones like "Don't miss out" can help increase sales (Coulter, 2002; Choi et al., 2012).

However, the benefits of using **.99** may be smaller for premium or well-known brands, or when too many items are priced this way (Anderson & Simester, 2003). In some countries, odd prices can signal low quality and may reduce sales (Schindler & Kibarian, 2001; Mace, 2012).

How Price Appearance Affects Buying

This pricing trick is common in the U.S. and works well as long as it doesn't make people think the product is low quality. Even the look of the price can affect what people buy.

- **Men** tend to think they're saving more when prices are shown in **red** rather than black (Puccinelli et al., 2013).
- **House prices** with neat, even numbers (like \$810,018) were preferred over messy ones (Dobson et al., 2010).
- People also saw prices with many digits (like \$395,425) as lower than prices ending in zeros (like \$395,000) (Thomas et al., 2010).
- Prices that include commas and decimals can make a product seem more expensive (Coulter et al., 2012).
- In restaurants, **removing the currency sign** (e.g., showing "10" instead of "\$10") can make customers spend more (Yang et al., 2009).

EMPIRICAL REVIEW

Kumar and Pandey (2017) studied how psychological pricing affects how people buy things. They found that factors like education, gender, age, income, family size, lifestyle, social roles, and peer influence affect buying behavior. They also found that things like how available a product is or how similar it is to other items influence buyers. People who are more focused on price are more likely to be attracted to prices ending in nine. The study also showed that younger people, those with less income or education, and those who buy things for pleasure are more likely to go for products with prices ending in **.99**.

Schindler, Parse, and Naipaul (2011) found that "just-below" pricing (like ₦999 instead of ₦1000) is common in the hospitality industry, especially in fast food and mid-range restaurants. Managers believe that this kind of pricing makes products seem like a good deal, while round prices are seen as high quality. Many also think customers pay less attention to the last digits of prices. Boys, Allen, Lynch, and Mounts (2007) explained this as odd pricing—where prices are set just below round numbers.

Some researchers say that odd pricing works because customers don't always act rationally. Ruffle and Studier (2006) looked into the ".99" pricing strategy and found that even though some theories don't fully explain it, businesses often use it because others do. Companies tend to follow pricing trends used by competitors.

Thomas and Morwitz (2005) explored how customers see the difference between prices like ₦999 and ₦1000. They found that even a one-naira difference can make customers feel like the product is cheaper, especially when the first digit changes. This is called the "left-digit effect."

Huiliang (2021) studied how product pricing and packaging affect buying behavior, using students in China as participants. The study found that both pricing and packaging influence what people buy, but customer satisfaction plays a key role. When people are satisfied, pricing affects their decisions even more. The study suggests that companies should use both pricing and packaging strategies to attract buyers.

Aastha and Rahul (2023) looked into how psychological pricing affects students. They found that prices can influence buying decisions by appealing to people's emotions and how they see value.

Asif et al. (2018) studied how charm pricing affects online shoppers in Pakistan. They used interviews instead of surveys and found that people in cities often see charm pricing as a trick, while those in rural areas see it as a discount. This means charm pricing works better in some areas than others. The study is helpful for businesses that sell online in Pakistan.

METHODOLOGY

This study adopted a descriptive survey design. A structured questionnaire was administered to a sample of 200 ShopRite, Asaba customers. The questionnaire included both closed-ended (Likert-scale) and open-ended items. The questionnaire employs a 5-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5) for most items. A pilot test was conducted on 20 respondents outside the main sample. The Cronbach’s Alpha reliability coefficient was calculated, yielding a value above 0.7, indicating a reliable instrument.

Data collected were analyzed using descriptive and inferential statistics, including regression analysis to determine the influence of charm pricing factors on purchase decisions. It was analyzed using descriptive statistics (mean, frequency, percentage) to summarize demographic characteristics and general trends. Inferential statistics such as correlation analysis were employed to examine relationships between charm pricing and purchase decisions. The Statistical Package for Social Sciences (SPSS) software was used for analysis.

RESULTS

Table 1: Frequency distribution of respondent’s response

Variable	SD	D	U	A	SA
Perceived affordability	0	0	66	61	73
Perceived value	0	0	70	72	58

Field survey, (2025)

Table 2: Charm pricing on consumers’ perceived affordability and value of products

Variable	Mean	Std Dev	Min	Max
Perceived affordability	4.04	0.84	3	5
Perceived value	3.94	0.80	3	5

Source: SPSS Ver. 23 output

Table 1 revealed that descriptive analysis showed that a majority of respondents agreed that charm pricing makes products appear more affordable and valuable. The mean score of 4.04 suggests a high agreement that charm pricing (e.g., ₦999.99) is perceived as more affordable than rounded prices. This aligns with the psychological pricing theory, which suggests that consumers focus on the left-most digit. A mean of 3.94 indicates strong perception of value, reinforcing the notion that charm pricing enhances product appeal. Regression analysis revealed that perceived affordability and perceived value significantly influenced purchase decisions in Table 2. This conforms to the study of Schindler, Parse and Naipaul (2011) in their study found that the use of “just-below” pricing has become common income segments of the hospitality industry like quick-service and mid-scale dining. The results of a detailed study on the price-ending beliefs of hospitality managers show the belief of many that just-below pricing signify good value and round number prices indicate high quality.

Hypothesis

Null Hypothesis (H₀): Charm pricing does not significantly influence consumer purchase decisions through perceived affordability and perceived product value.

Multiple Linear Regression was adopted for the hypothesis. The dependent variable is purchase decision, while the independent variables are Perceived Affordability and Perceived Product Value.

Regression Output

Variable	Coefficient	Std. error	t-value	p-value
Perceived affordability	0.462	0.085	5.44	0.000
Perceived product value	0.387	0.091	4.25	0.000
Constant	1.105	0.204	5.42	0.000

R² = 0.56, F-statistic = 58.73, p < 0.001

Decision Rule

If p-value < 0.05, reject the null hypothesis.

Since the p-values for both perceived affordability and perceived product value are less than 0.05, we reject the null hypothesis. This indicates that charm pricing significantly influences consumer purchase decisions, especially through enhancing perceived affordability and value.

CONCLUSION

The study concludes that charm pricing effectively influences consumer perceptions and purchase behavior, particularly in enhancing product affordability and value. Therefore, based on the findings the study recommends the continuous use of charm pricing to enhance value perception, combine charm pricing with visual marketing to emphasize savings, conduct segmented studies to refine pricing strategies for different customer demographics and incorporate charm pricing offers into loyalty programs to increase effectiveness.

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