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Issue **Article**

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CONSUMER PSYCHOLOGY AND PRICING

Abstract: *Pricing policy involves determining the threshold price of goods, as well as positioning them within the selected price category.*

Companies are trying to adapt their prices to different customers and changing situations. From this point of view, psychological pricing, or the strategy of creating a psychological effect, is of particular interest in pricing policy.

Psychological pricing policy involves the use of psychological methods in determining product prices, as well as price adjustments based on the analysis of consumer behavior.

Determining the characteristics of consumer price perception is an important marketing priority. There are three main aspects here: comparative prices, the relationship between price and quality, and end of prices.

Psychological pricing refers to methods that sellers use to encourage consumers to react emotionally, rather than logically or practically. Its goal is to increase demand, creating the illusion of greater benefits for the consumer. Although the difference is insignificant, the effect of this trend is due to the fact that consumers pay more attention to the first number than the last.

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Introduction

People often claim that "everything what is good is expensive". I wonder how true this point of view is. Can not a high-quality and good product just be cheap? In everyday life, this myth is often destroyed, because an expensive product may not be what we imagined, and conversely, a cheap product may surprise us. Thus, it is important to know what determines the price of a product. How is the price formed? [6]

From the elements of the marketing mix, the price is the only one that provides a real income for the company. The market price is not an independent variable. The price level depends on the implementation of other elements of the marketing mix, as well as on the level of competition and the state of demand.

When setting prices for its goods and services, the company must implement the correct pricing policy, that is, the basic principles that determine the volume of sales of specific goods.

The company will develop a pricing strategy based on product characteristics, possibility to change prices, production conditions (costs), market conditions, supply and demand ratios. The company can choose a passive strategy of prices according to the price leader or a large number of manufacturers in the market, or try to implement an active pricing strategy that puts its own interests first. Moreover, the choice of pricing strategy largely depends on whether the company offers a new, modified or traditional product on the market. [7]

The main goal of pricing policy in marketing is to maximize profits at a given volume of sales per unit of time. When developing a pricing policy, each company independently determines the tasks to be solved, which can be diametrically different. For example: 1. maximizing the price - when the image of the product is more important than the volume of sales (to artificially limit demand, due to the impossibility of satisfying it); 2. Maximization of sales volume - when market maintenance is more important than profits (for market maintenance or acquisition); 3. Increasing competitiveness - when the volume of sales is determined by price (when selling goods characterized by high elasticity of demand), etc.

Thus, the main feature of pricing policy in marketing is its application in order to make a profit. Two sides of the coin are important here. Profit can be made either by raising the price to increase profits (which leads to a loss of buyers), or by lowering the price to attract buyers (which leads to a loss of profitability). The task of marketing is to choose the best price option. A good rule to keep in mind when setting a price for a company's products is that consumers will not buy a product if the price is too high, but the business will not be able to cover costs if the price is too low. [8]

The main part.

There are usually three price categories used in the market: high (implies a high price and a relatively high profit per unit of goods), medium (implies an average price, goods of average quality and an average level of profit. Sellers of goods in this category do not claim the price of the leader and are focused on mass buyers) and low (means low price, low quality and lack of funds for product promotion), which determine the features of pricing policy and pricing strategies for positioning the goods. In addition, in marketing, they choose the price for two types of goods. These are: 1. the base price or the price that the seller is focused on. Below this price, the seller will not sell his goods, otherwise he will lose competitiveness in the market; 2. a fair price, or the price that the buyer is focused on and which exists in the form of a stereotype in his mind. A fair price, regardless of its subjectivity, has a certain influence on the behavior of buyers. They will only pay above this price if there are unique features.

The main function of pricing policy is to ensure the maximum difference between the fair price in the minds of consumers and the basic price of the seller. The greater the difference, the greater the cumulative profit due to a decrease in price and an increase in sales or an increase in price and profit per unit of production.

Pricing policy in marketing includes two interdependent components - pricing policy and price management policy.

Pricing policy involves determining the threshold price of goods, as well as positioning them within the selected price category (in terms of the price level). Pricing is carried out taking into account the assortment and quality of the product, its usefulness, importance, consumer demand, competitors' activities, as well as prices for similar goods and substitutes.

Pricing policy is more relevant for the promotion of new or renewed goods, as well as old goods in new markets. After the product is put on the market and positioned in the minds of consumers, the importance of pricing policy drops sharply. Here, the policy of price management comes to the fore.

Strategic price management is carried out in two main directions: 1. by raising the price in the case when the product has no analogues and the sales market is so small that buyers refuse to buy; 2. by lowering the price when the sales market is so large and the prices of competitors are so high that the total profit from the price promotion of sales cannot cover the losses caused by the low price.

Tactical price management is carried out with the help of discounts and price discrimination of buyers.

Price management measures are diverse and include various price categories, price regulation, various discount systems, etc. [3]

The company's managers believe that the pricing process is complicated and is becoming more problematic every day. Many companies are unable to ensure proper pricing policy and carry out the following strategy: determines its own costs and adds them to the average rate of profit in the industry. In addition, other errors are common. Price adjustments are not frequent enough, which does not allow taking into account changes created in the market. Prices are set independently of other elements of the marketing mix. Instead of considering them as an integral part of the market positioning strategy, pricing ignores the features of various products, market segments, sales channels and purchase situations. [1]

The price speaks about the product. For example, many consumers judge quality by price. A $100 perfume bottle may contain a $3 fragrance, but some people are willing to pay $100 just because that price tag represents something special.

Companies are trying to adapt their prices to different customers and changing situations. From this point of view, psychological price formation, i.e. a strategy for creating a psychological effect, which takes into account not only the basics of economics, but also the psychology of price, is of special interest in price policy.

Psychological pricing policy involves the use of psychological methods in determining product prices, as well as price adjustments based on the analysis of consumer behavior. [4]

This creates a certain idea about the product. For example, who is the best lawyer, the one who charges $50 an hour, or the one who charges the client $500 for the same period of time? To answer this question, we need to objectively examine the merits of the relevant lawyer, although we probably won't be able to determine this question with certainty. We just assume that a highly paid lawyer is better.

Some psychologists even claim that each number carries a symbolic and visual load, which must be taken into account when pricing. For example, 8 is round, even and creates the effect of truth, while 7 is angular and creates a disharmonious effect. [2]

Effective development and implementation of a pricing strategy for any organization requires a deep understanding of the psychology of customer pricing and a systematic approach to pricing, adaptation and change.

Consumers make purchase decisions based on their perception of the price, that is, on what they consider the actual current price, and not on the price offered by the marketer. Consumers may have a lower price threshold below which the product is perceived as of unacceptable quality, and an upper threshold above which consumers consider the price too high and not worth paying for the product. Determining the characteristics of consumer price perception is an important marketing priority. There are three main aspects here: comparative prices, the relationship between price and quality, and end of prices.

Although consumers may be well versed in the price range of a particular product, surprisingly few people can accurately recall a specific price. Instead, when consumers choose a product, they often use comparable prices. At this time, they compare the stated price of the product with an internal comparable price (the price in their memory) or an external comparable price (for example, what they call the "regular retail price"). [1]

When a consumer buys something, most of the time he does not have complete information about how good the price he pays for it is. Consumers don't have the time, opportunity, or inclination to compare different brands, stores, or prices and choose the best options. In return for, they rely on certain signals to determine how low or high the price is. As a rule, such price signals are provided by discount signs, guarantees of the quality of goods at a price, the ability of the store to attract customers, opportunities to sell goods cheaply and other necessary mechanisms. [2]

There are many types of price comparisons, and sellers often try to manipulate them. For example, a seller can position his product among expensive competing products to show that it also belongs to the same class. Department stores offer women's clothing in different departments, in which prices are differentiated. A relatively expensive clothing department should probably sell high-quality dresses. Marketers contribute to the development of comparative price considerations by pointing to the prices recommended by manufacturers, as well as to the initial prices or prices offered by competitors at a higher level.

When consumers apply such discount systems, their perceived price may differ from the set price. Studies show that unpleasant surprises (when the perceived price is lower than the proposed one) have a greater impact on the purchase decision than pleasant surprises. Consumer expectations can also play an important role in price reaction.

Professional marketers try to set prices in such a way as to show consumers the best possible value. For example, a relatively expensive product may seem less expensive if it is broken down into smaller parts.

Many consumers perceive price as an indicator of quality. Image pricing is particularly effective for products such as perfumes, luxury cars and designer clothing. A $100 perfume bottle may actually cost as little as $10, but customers who buy it as a gift show respect for the recipient of the gift at that price.

The perception of the price of a car and its quality are interrelated. Expensive cars are perceived as high-quality. Also, relatively high-quality cars are perceived as expensive, but in fact this is not always the case. When the consumer has the opportunity to get additional information about the actual quality, the importance of price as an indicator of quality decreases. In the case when such information is not available, the price is the main indicator of quality.

Some manufacturers artificially create a shortage of their products in order to justify the uniqueness and high price. Manufacturers of precious watches, jewelry, perfumes and other luxury goods often emphasize the uniqueness of their products in their communication and distribution strategies. For luxury buyers who demand a unique product, prices may raise as demand increases, as marketers believe that fewer and fewer people can afford such goods.

According to many sellers, the price should end with an odd number. For example, a $299 product is perceived by consumers as being closer to the $200 threshold than to the $300 threshold. It looks like they're taking prices from left to right rather than rounding them up. Therefore, the coded price is important because the rounding level is perceived as an upper limit below which consumers are not willing to pay. Another reason for the popularity of prices ending at 9 is that such a price is perceived as reduced. Therefore, a company trying to create a valuable brand image should avoid the tactics of specifying prices for an odd number.

Companies operating in Georgia, such as: “LC WAIKIKI’, “KOTTON”, “DEFACTO”, adhere to a cost-based pricing strategy. These brands, which create affordable products for everyone, use prices rounded up to 9. We can say that almost the entire range is presented at such prices. As for holidays, as well as seasonal discounts, quantitative discounts are mainly applied, in particular, for three units of goods at the price of two. It often happens that, despite the low price, the quality of the product is quite high.

Prices ending in 0 and 5 are popular because they are easy to remember. It has been established that a sign on which the inscription "discount" is made along the price increases demand if it is not used excessively: the maximum sales figure within a product category is achieved when only a few products in this category have a discount sign; after a certain threshold, the use of a discount sign can reduce the total sales in this category.

Discount signs and prices ending in 9 are advantageous when buyers are not very well aware of prices, goods are sold rarely or are new to this category, and the design of the goods often changes, prices fluctuate seasonally or the quality and size of the goods vary from store to store. However, it should be noted that these methods, when used frequently, are less effective. Promotions that are limited in time (for example, "only for three days") can increase sales among customers who regularly buy this product. [1]

The following companies operate in the pharmacy market of Georgia: "Aversi", "Evex", "JPC", "Pharmadepot", which actively use the so-called "Collectible cards", as well as discounts with various percentages, on pre-determined days of the week.

From supermarket chains “Ori Nabiji”, “Spar”, “Magnit”, “Carrefour”, “Nikora” attract attention by such methods of psychological modeling as "discount cards" and "goods of the day". The “Magnit” supermarket chain adheres to a slightly different strategy, which offers a 20 percent discount on a certain group of products every day of the week [5].

Conclusion.

Psychological pricing refers to methods that sellers use to encourage consumers to react emotionally, rather than logically or practically. Its goal is to increase demand by creating the illusion of greater value for the consumer (for example, when the price of a product is 9.99 instead of 10). Although the difference is insignificant, this trend is due to the fact that consumers pay more attention to the first number than the last.

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