

INFLUENCE OF DYNAMIC PRICING ON CONSUMER MINDSETS DURING A PANDEMIC

Akshay Kumar Pati¹, Abhishek Kumar Rana², Dr Komal Chopra³

^{1,2} Management Students at Symbiosis Institute of Management Studies, Symbiosis International (Deemed University), Pune, India

³ Assistant Professor at Symbiosis Institute of Management Studies, Symbiosis International (Deemed University), Pune, India

ABSTRACT

The Coronavirus has exposed us to switch from traditional ways towards online existence. Creation of online shops or online stores by the virtue of internet media in India has already been established. The service level that meets customers' standards will have a piqued interest related to the buying and consumer interest towards online shopping is crucial towards building long-term relationships with the customers.

The study aims at understanding the adoption of online buying by Indian customers and the impact of dynamic pricing on their buying behaviour. With the race for becoming the leader in the e-commerce sector, dynamic pricing and slashed prices may or may not work but it is important to ensure when the disruptive pricing needs to be done in order to obtain growth. The study utilizes primary data from questionnaires given to 75 respondents. This research illustrates how brand philosophy factors (X2), professional competence (X2) and customer expectations (Y) have a limited and overlapping effect. An important, constructive and consistent effect of the Use of popular culture and competitive effort benefits the online retailers. It reveals that consumer philosophy (X1) and strategic advantage (X2) together to have a 22 per cent effect on customer actions (Y).

Keywords-

Dynamic pricing, Competitive Advantage, Consumer Behaviour.

Article Received: 10 August 2020, Revised: 25 October 2020, Accepted: 18 November 2020

I. Introduction

The Coronavirus has taken us to live digitally and it has drastically affected the way the world behaves with changes in the thought process, hygiene and social distancing at its top, the face to face interactions between people has been on a decline due to the pandemic. Virtual events and transactions on the internet platforms may be temporary, perhaps maybe after a few years of utilizing technology to break traditional ways of human interaction, the epidemic will remind us that it is the web which binds us. Online shopping has become more of a necessity rather than a choice and can also be attributed to as a change in lifestyle. This is critical to be studied as a lot of businesses have switched online abandoning their traditional methods.

The creation of an online store by internet media has already become well-known in India. Many different retail facilities and numerous styles of goods and services are available, rendering online shopping in India, in addition to shopping malls, one of the latest shopping areas. It makes several rival retail shops – the market sells the goods in many forms to lure customers to shopping and

taking advantage of the conditions under which, the Indian citizens have so far been seeking online shopping. With the strong existing online shop pressure, customer loyalty is the focus of all businessmen. The service level that meets customers' standards will draw customer buying and consumer interest in the Online Shop is crucial to building long-term relationships with customers. Both aspects are the secret to the online shop's consumer service. According to Akbar and Parvez (2009), the most popular definition of customer satisfaction obtained from different scholars represents the notion that satisfaction derives from a cycle of assessment of what customers demand of them, including the purchasing decision itself, the desires of their customers and the expectations linked to purchasing by consumers. Consumers who are able to purchase in the online store typically buy back from the same online shop. And customers who are happy will suggest an online shop where they buy for their closed ones or relatives. Akbar and Parvez (2009) have described loyalty to customers as a mindset of customers who have a positive attitude towards the brand, have a willingness to re-buy the products/services of the business and suggest products/services to others.

Akbar and Parvez (2009) also observed that customer loyalty as a building consists of both user expectations and actions. The customer disposition element is such as the desire to repurchase or acquire an additional good or service from the same client; a readiness to suggest the brand to others; confirmation of this commitment by showing that the business is immune to selling to another rival.

The theory of how culture will influence the actual behaviour, as culture is a complex, intangible phenomenon. In complex environments, it is more challenging to see who determines what and how. It may be that it is impossible to achieve in a society without originality. Suppose we decide to know if there is a cultural impact on shopping behaviour. Cultural backgrounds are challenging to establish since one society is often affected by other communities. Third, society doesn't necessarily show so it's impossible to quantify. Cultural principles and fundamental beliefs are challenging to detect factors. In line with (Yeniyurt and Townsend's, 2003) view, culture remains an enigmatic, multi-faceted look, which renders it challenging to completely understand and use. This is always important to guarantee that customers render a commodity. The cycle of intake is almost often followed by societal factors or even more scientific purposes. Yet in attempting to reveal those photos and incidents that took place to seek to reconcile the hypothesis to the fact that took place in the author's study, he tried to understand the role of culture in marketing.

Literature Review

Dynamic Pricing can be defined as the pricing strategy which changes according to the time and the service offerings (Haws and Bearden, 2006). In this context, the COVID-19 scenario has been considered into play as now the customers are switching more towards the online retailers rather than the traditional ones and with this shift in consumer buying behaviour taking place, the online retailers have started taking cognizance as the number of internet users have also increased (Harish, 2017) and the online retailers have already started to increase the prices of their products on their online platform.

Understanding the culture will help in understanding how others interpret their environment. Culture can shape people in viewing their world and how it can work in the world. Culture can form personal values, group values and attitudes including in this case what can go well, or do not go well, what can be helpful and not helpful and what gives meaning and which does not give meaning. Culture provides general guidance to behave and act in certain situations that are accepted by the community. Culture affects how we interact and socialize with other members of society (Rokeach, 1973). A culture is a powerful tool for building motivation, lifestyle, and product selection.

In marketing, according to (Assael, 2010) Cultural values are very likely to affect community members in purchasing patterns and consumption patterns. A consumer may give a high value to the culture and marketing achievement and will show success with luxury and prestige. Other consumers will deliver it through a youthful and active impression. Culture not only affects consumer behaviour, but culture also reflects behaviour. Fitness clubs, diets, skincare lotions, and low-fat products, show reflecting American culture that gives attention to the youthful style and attention to fitness. More than that, culture becomes a mirror of both the value and possession of objects by its members.

Changes in cultural values are possible and promoted in the pattern of consumption behaviour and how consumption takes place. In Indian communities, where the wedding reception is a part that is thick with cultural nuance, there is a change in the way of food serving. In big cities such as Delhi, Mumbai, Bangalore and Chennai and many other cities, the reception with a standing party model has been done a lot. In the past, this kind of reception was hard to accept because eating by standing was considered disrespectful. But now with the development of the times, where the people are more appreciative, and eat while standing is not taken as an oddity so that the standing party model is considered the most practical and save time. This can happen because the community receives enough practicality values that are increasingly symptomatic in the community in line with increasingly cultural modernization.

Satisfaction will give birth not only positive information among the consumers of retail goodness. If in a traditional perspective the satisfaction is measured from the extent to which consumers perceive or perceive psychologically the conditions such as feeling happy, comfortable and at home and the freedom of the problem faced by consumers (Ruly, 2011).

It is supported by (Vera, 2015), that the whole perception of quality Products can be an important element to create a positive effect on Customer value. The effect of product quality on customer value is moderated by factors such as interest in products, the interests of a product, the perception of happiness, product symbolism, customer satisfaction, interest behaviour and brand leadership. Interest in a product and the factor of happiness in the moderation involved is very significant in influencing the positive relationship between the quality Product and customer value (Hendy, 2016).

Satisfaction is a comparison between expectancy and performance. Dissatisfaction Occurred when the performance falls short expectancy. Satisfaction occurs when performance matches or exceeds expectations (Kotler & Philip, 2010). Satisfaction is how far the customer needs, wishes, and expectations are fulfilled (Cannon et al, 2009).

Belief is the belief of the parties that the other party will conduct a transaction in accordance with the former expectation of the first party, in the uncertain circumstances-attitude (BA & Pavlou, 2002). Customer trust in e-commerce settings is the customer willingness to trust an e-commerce website (Murphy and Blessinger, 2003). Customer loyalty is a measure related to the act of using goods or services in the future (Kotler and Keller, 2006). In an e-commerce context, customer loyalty intention to buy from e-commerce websites and intention not to switch to other websites that offer similar offerings (Flavián, Guinalú, and Gurrea, 2007).

From the perspective of company management, it is imperative to understand the accurate level of segmentation in order to cater to their needs and target their offerings towards the desired customer base (Park, Jaworski, and McInnis, 1986).

Appropriate knowledge of the perception of the various perception bases needs to be considered and personalisation level is required not only to have large customer surplus but also considering the possible downstream effects caused due to the fairness perceptions. In today's world managers can try to understand and must look the various aspects of the change in customer behaviour when they set a standard price for a product or focus on personalized pricing for various customers which can depend on some factors. In addition, companies do need to conduct research on various factors such as age, income levels in order to create pricing strategies in line with the customers' spending ability.

"Perceived Fairness is defined as customers' expectations of the price which is lower and acceptable by them" (Choi & Matilla, 2009), if the price is lower, they consider it as a gain and it has a positive impact on their mindsets and thus leading to loyalty towards the online retailer (Dai, 2010). The fairness in price perception by the customer due to the dynamic pricing strategy has to be taken into consideration while setting up the prices (Kimes, 2002; Sahay, 2002).

Research Methods

Research is done using a Descriptive method with a quantitative approach. This assessment is done to determine the influence and relationship between variables. Emphasizing a quantitative approach, the research describes the partial and reciprocal effects between marketing variables (X1), professional competence (X2). The study incorporates primary data from questionnaires given to 75 respondents based on random sampling method. This research utilizes several analyses of regression. For this study, the influence of two or more variables is calculated, and the orientation of the interaction between dependent variables and independent variables is implied. data collected, then processed and also analysed using SPSS version 16.0. The data analysis techniques used are as follows:

1.1 Validity test

The validity test is used to test which questionnaire items are valid and invalid (Maida, 2017). The validity test in this study was conducted by comparing the arithmetic value of R

with table R. If the value of R Count is higher than R table, then the question is valid.

1.2 Reliability Test

The reliability test is used to demonstrate the reliability level of internal consistency by measuring the coefficient of Alfa Cronbach, where variables can be categorized as reliable if they have an alpha value higher than 0.60 (Riyanto, 2019).

1.3 Multiple linear regression analysis

This analysis is used to determine the direction of the relationship between dependent and independent variables, whether each variable is independent positive or negative, and to predict the value of the dependent variable when there is an increase or decrease in an independent variable (Maida, 2017).

1.4 Questionnaire Design

The process of the data collection was conducted using a self-administered questionnaire which is considered as an integral instrument for research, the questionnaire included questions on the pricing practices and the sensitivity of the

customer towards was gauged. The questions started with considering their demographics such as gender, age, income followed by asking their last purchase and their intention to purchase in the coming times, the kind of product the respondents bought and its associated increase in price and satisfaction in using it. Some of the questions were formed, in order to provide the respondent necessary flexibility while filling out the questionnaire. Some of the questions were asked to the respondents regarding their next intention to shop and how do they respond to the related price hike of the products. These are close-ended questions, with the alternatives ranging from to purchase or not to purchase.

Research Results

The validity of each question posed to the respondent. Output stated that all the variables in the research have valid, which all value already above r table ($r = 0,2272$). From this, it is also a known description of the characteristics of respondents on research as follows:

Table 1: Description of Research Objective

Description	Type	Amount
Gender	Man	60
	Woman	15
Education	High School	27
	Diploma	5
	Bachelor	33
	Master	10
Age	20-30 Years	34
	31-40 Years	16
	41-50 Years	25
Income	< Rp.5.000.000, 00	14
	Rp. 5.100.000,00 - Rp.	32

10.000.000,00
Rp. 10.100.000,00- Rp.

20

15.000.000,00
Rp.15.100.000,00- Rp.

9

20.000.000,00

a. Source: Data Processing Results SPSS 1.6

The results of data processing and discussion in this study were obtained from the dissemination of questionnaires to 75 respondents. as primary data. This prisoner consists of 38 question items outlined based on several variables to be researched, i.e., the effect of using Dynamic pricing (X1) and competitive advantage (X2) on consumer behaviour (Y).

According to the data obtained from table 2, it can be noted that with a significant rate of 5%, 75

respondents acquired R table 0.2272. In such tables, the validity test for the X1 variable that is Dynamic pricing indicates that all query items have a value of R Count greater than 0297, which means it is valid or feasible to be used for research. The validity test for a variable X2 that is a competitive advantage variable shows all query items have a value of R Count greater than 0297, which means it is valid or feasible to be used for research.

Table 2: Analysis of Correlation Variables

Variables	The range of value (r count)	Requirement	Description
Dynamic pricing (X1)	0.485-0.725	0.2272	Valid
Competitive Advantage (X2)	0.599-0.841	0,2272	Valid
Consumer Behaviour (Y)	0.412-0.778	0,2272	Valid

b. Source: Data Processing Results SPSS 1.6

1.5 Reliability Test

The reliability test in the study was done by looking at the value of Cronbach Alpha. An instrument is said to be reliable when the alpha

coefficient has a value greater than 0.60. The result of the reliability of the results of all variables in this study can be seen in Table 3.

Table 3: Reliability Test Results

Variable	Reliability Coefficient	Critical Value	Description
Dynamic pricing (X1)	0.600	0.6	Reliable

Competitive Advantage (X2)	0.824	0.6	Reliable
Consumer Behaviour (Y)	0.712	0.6	Reliable

c. Source: Data Processing Results SPSS 1.6

According to table 3, it can be seen that the use of Dynamic pricing(X1), Competitive Advantage (X2), and Consumer Behavior (Y) has a coefficient value greater than 0.60 with a value each of 0.600 for a variable use (X1), 0.824 for variables (X2), and 0.712 for variables (Y). This indicates that the question item in each variable can be said to be reliable for measuring the variables.

1.6 Multiple Linear regression equation analysis

Table 4: Multiple Linear regression analysis results

Coefficients ^a						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	9.066	2.136		4.245	.000
	Dynamic pricing	.187	.077	.255	2.427	.018
	Competitive Advantage	.229	.066	.362	3.451	.001

d. Source: Data Processing Results SPSS 1.6

Output can be illustrated model $\square Y = 9.066 + 0.187X1 + 0.229X2$ (1)

Table 4 shows the results of multiple linear regression uses of (X1) obtained a calculated t

Table 5: The Result of F-Test

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	114.899	2	57.450	10.152	.000 ^a
Residual	407.447	72	5.659		
Total	522.347	74			

e. Source: Data Processing

Results SPSS 1.6

Multiple linear regression analysis of this regression analysis is used to calculate the magnitude of influence between the use of X1 and X2 against variables Y.

1.7 Regression equation

Regression equations are used to know the relationship form between variables.

This is displayed with the help of SPSS for Windows ver 16.0 get the regression model as in table 4:

value of 2,427 and t tables amounting to 1,993 It shows that the X1 variable has a significant effect on Consumer Behavior as it has a larger counting t than the table. Whereas, the working (X2) obtained a calculated t value of 3.451 and T tables of 1,993 It shows that variable X2 has a significant effect on Consumer Behavior as it has a larger count than t table.

According to the data obtained from Table 5, it can be noted that the value of the calculated F has been obtained by 10.152, where the value of the F

table is 3.122 This indicates that the Dynamic pricing usage variables and the competitive collectively (simultaneous) have a significant

effect on the customer behaviour due to the value of F count greater than the table F value.

Table 6: The Result of The Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469 ^a	.220	.198	2.379

f. Source: Data Processing

Results SPSS 1.6

From the table above can be obtained the value of ecoefficiencies determination as follows:

$$\begin{aligned} \text{KD} &= R^2 \times 100\% \\ &= (0.469)^2 \times 100\% \\ &= 22\% \end{aligned}$$

This shows that the culture of sales (X1) and Competitive Advantage (X2) Consumer behaviour (Y) has a simultaneous effect of 22 per cent.

The company must activate and manage the consumer behavioural communication strategy to get closer to the type of consumer. Alternative strategies can be used such as reference groups, family members, and opinion leaders. As a consequence, these types of consumers will have a high value of perceived and high satisfaction, so they will have a stronger intention to buy back the product from the company and recommend it to others. Meanwhile, passive consumers, who are less sensitive to the market, cannot be sure what they want to do in the future. They lack confidence in deciding whether they will be bought back or not, and lack confidence stating that they will recommend other people's products, however, they are more likely to stick with the current company's ignorance of the market. Thus, it has become imperative for companies to identify the right attitudes of the consumers they cater their services to.

This will help the company to provide a better increase in the level of satisfaction for every consumer behaviour. As a consequence, companies can predict the future behaviour of every consumer. In doing so, companies need to strategically create and manage value propositions before delivering the value of consumer segments. By providing better value and satisfaction to certain consumers, the company is motivated to

become active in managing value chains and differentiation product points (Yi and Jeon 2003).

They are also motivated to make fundamental decisions on customer segmentation, competence, culture, infrastructure, technology, resources, and strategies (O'Dell and Grayson 1998). If this happens, the company will increase its effectiveness and efficiency in the shipping value. Effectiveness can be described as the capabilities of a product or service to meet customers ' needs and desires, as well as efficiency can be related to the customers spending minimal casualties (money, time, effort) to receive value (Sheth et al. 1999). As a result, companies can improve their organizational performance.

Conclusion

Based on the results that have been obtained from tabulation by using SPSS program version 16.0 then can be concluded: Dynamic pricing and Competitive advantage affect Consumer Behaviour in a direct manner. Relating the results obtained against the Dynamic pricing variables (X1) and the Competitive advantage (X2).

A significant and positive influence on the use of Dynamic pricing on Consumer Behavior. It is in proof that with the acquisition of the calculated t value of 2,427 and t table of 1,993. The presence of positivity and significant Competitive advantage on Consumer Behavior. It is evidenced by the acquisition of the t value of the calculated t value of 3,451 and the t table of 1,993.

The company must activate and manage the consumer behavioural communication strategy to get closer to the type of consumer. This will help the online retail companies to provide a better increase in the level of satisfaction for every consumer pertaining to their behaviour. It can

improve the effectiveness and efficiency of the company. Effectiveness is the ability of the product or service to meet customers' needs and desires. Forward-thinking companies with the aim of creating customer loyalty must remain flexible in terms of pricing in order to create long term relations on the basis of short-term concessions and exceptions due to the current COVID-19 scenario.

Limitations and Future Scope

Based on the results we can understand the new world of possibilities for online retailers to capitalize on consumer needs. The limitations of the given study could be possibly attributed to the small group of respondents. The small group was chosen in order to provide a pioneering and positive result towards understanding the relation of changing pricing strategy in accordance with the customer purchase behaviour and in turn creating loyalty towards the retailer. The future scope of the study can be the introduction of new pricing instruments by the online retailers which provides a high strategic potential for capturing the customers' needs.

Future studies can be done on Personalized Dynamic Pricing which is a special type of dynamic pricing which provides the retailers to sell their products at different prices for different customers' which depends on the level of tracking information. This study has a lot of potential with the disruption in normal lives going on due to the course of the pandemic and beyond.

References

- [1] Akbar M.M and Parvez. 2009. Impact of Service Quality, Trust, and Customer Satisfaction Loyalty, ABAC Journal, Vol. 29, No.1.Januari, 24-38.
- [2] Haws, Kelly L., and William O. Bearden. 2006. Dynamic pricing and consumer fairness perceptions. *Journal of Consumer Research* 33: 304–305.
- [3] Harish, Pal Kumar. 2017. National Report on E-Commerce in India. United Nations Industrial Development Organisation. In *Inclusive and Sustainable Industrial Development Working Paper Series WP* 15|2017. Vienna: United Nations Industrial Development Organisation.
- [4] Riyanto, S., Adonia., Ali, H. (2017), Effect of motivation and job satisfaction on the performance of teachers in Mentari School Bintaro (MSB). *International Journal: Scholars Bulletin*, 3 (3), 83-91
- [5] Rokeach, M. 1973. *The Nature of Human Values*. New York : The Free Press
- [6] Townsend,C.M. (2003). *Essentials of Psychiatric Mental Health Nursing*. (3th edition). Philadelphia: W.B. Saunders Co.
- [7] Assael, 2010 *Consumer Behavior and Marketing Action*.Fifth Edition. Cincinnati Ohio: South-Western College Publishing
- [8] Sahay, Arvind. 2007. How to reap higher profits with dynamic pricing. *MIT Sloan Management Review*
- [9] Dai, Bo. 2010. *The Impact of Perceived Price Fairness of Dynamic Pricing on Customer Satisfaction and Behavioral Intentions: The Moderating Role of Customer Loyalty*. Auburn: Auburn University
- [10] Choi, Sunmee, and Anna S. Mattila. 2009. Perceived fairness of price differences across channels: The moderating role of price frame and norm perceptions. *Journal of Marketing Theory and Practice* 17: 37–48
- [11] Kimes, Sheryl E. 2002. Perceived fairness of yield management. *Cornell hotel and restaurant Administration Quarterly* 43: 21–30.
- [12] Akbarina , Farida dan Vera Silviana Ehry. 2015.“Pengaruh Citra Perusahaan dan Penanganan Keluhan
- [13] Terhadap Kepuasan, Kepercayaan Serta Loyalitas Pelanggan (Survei Pada Pelanggan Bengkel Servis
- [14] Resmi Toyota di Kota Malang)”, *Jurnal Manajemen*
- [15] Bisnis, Malang : *Jurnal Tidak Diterbitkan*
- [16] Park, C. Whan, Jaworski, Bernard J. and MacInnis, Deborah J. (1986), “Strategic Brand Concept/Image Management”,

Journal of Marketing, Vol.50 (Oct.), pp.135-145

- [17] Yi, Y. and Jeon, H. (2003). Programs on Value Perception, Program Loyalty, And Brand Loyalty. *Journal of The Academy of Marketing Science*, Vol. 35, No. 3, pp. 229-240.
- [18] O'Dell, C. and Grayson, C.J. 1998. If only we knew what we know: the transfer of internal knowledge and best practice. The Free Press, New York.
- [19] Sheth, B. B., Bandelin, F. J., and Shangraw, R. F., 1980, Compressed Tablet in Lachman, L., Lieberman, H. A., and Kanig, J. L., (Editor). *Pharmaceutical Dosage Form. Tablets*, Vol I, Marcel Dekker Inc., New York. 109, 116, 135-139.
- [20] Kotler, Philip. 2010. *Manajemen Pemasaran*. Edisi tiga belas Bahasa Indonesia. Jilid 1 dan 2. Jakarta : Erlangga.
- [21] Cannon, Perreault dan McCarthy. 2009. *Pemasaran Dasar Pendekatan Manajerial Global Buku 2 Edisi 16*. Jakarta: Salemba Empat
- [22] Ba, S. dan Pavlou P. A. 2002. Evidence of the Effect of Trust Building Technology in Electronic Markets: Price Premiums and Buyer Behavior. *MIS quarterly* vol. 26 no. 3, pp. 243-268
- [23] Flavián, Guinalú, dan Gurrea . 2007 "Perceived e- service quality (PeSQ): Measurement validation and effects on consumer satisfaction and web site loyalty", *Managing Service Quality: An International Journal*, Vol. 17 Issue: 3, pp.317-340