

A STUDY ON THE IMPACT OF DISCOUNT AND ODD-EVEN PRICING STRATEGY ON THE PURCHASE INTENTIONS OF OTT MEDIA USERS IN INDIA

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ABSTRACT

Covid-19 pandemic has changed the Indian TV and video market. OTT platforms saw a sudden increase in popularity and subsequent increase in subscription. However, the recent announcement of price cut in Netflix's subscription packages once again brings to the fore the effect of pricing on purchase behavior. Following Netflix, other OTT players also announced similar subscription offers. Present research aims to study of the effect of odd pricing (or 9-ending pricing) and discount pricing on the purchase intention. It is intended to answer questions on the extent to which pricing policies affect purchase of media products and how customers perceive the value-based pricing concept of OTT players. Research findings indicate that there is a positive relationship between pricing policies and purchase intention of OTT subscription packages. The results also show that the pricing strategies affect the purchase of media products and perceived price fairness has a positive impact on purchase intention.

Keywords: Pricing, OTT, Purchase intentions, Value based pricing, Price fairness

INTRODUCTION

Media and Entertainment as a sector has been evolving since the COVID-19 pandemic in terms of consumption. Various segments of the sector have evolved and nourished themselves, redefining monetization, profit protection and management. As a result, various at-home models also have emerged. Over-the-top (OTT) media is one service that has been facing challenges and encouragements in this phase. The value creation for OTT in tune with this change in consumer behavior and habit formation lead to new pricing strategies for almost all OTT players to try out in the same market. Value-based pricing principles become imperative that all standards are maintained in order to initiate purchase intentions, keeping the changes in demand from the consumer.

The present study examines the relationship between pricing policies of OTT subscription packages on consumer purchase intentions. The relationship between odd - even and discount pricing policy and the purchase of OTT subscription packages is analyzed to understand the media consumption habits of OTT viewers

in India. The concept of value-based pricing is studied through customers' perception of price fairness. The impact of independent variables- Odd even pricing and discount pricing policies on the dependent variable- purchase intentions is evaluated.

This research paper thus attempts:

1. To study the relationship between odd-even pricing policies of OTT platforms and consumer purchase intentions.
2. To study the relationship between discount pricing policies of OTT platforms and consumer purchase intentions.
3. To analyze the relationship between pricing policies of OTT platforms and value-based pricing.

REVIEW OF LITERATURE

Price has always been an important marketing variable influencing the purchase behaviour of consumers and contributing to the revenue of the firm (Finch et al., 1998; Han et al., 2001, p. 435). Al-Salamin & Al-Hasan (2016) found positive relationship between price and purchase intentions. Product pricing have long been structured in a manner to appeal customers' emotions and influence purchase intentions (Parsa & Naipaul, 2008). A phenomenon which came to be known as psychological pricing. Present study examines the relationship of such techniques viz. odd-even pricing, price discounts and perceived price fairness with purchase intentions.

Odd-even pricing

Exposure to the odd pricing leads to more participation by the consumers in the offer as compared to exposure to no-ending priced offer (Gerald, Holdershaw & Garland, 1997, Faber

& Faber, 2020). Gendall et al. (1997) suggested that demand tends to be more than expected in case of odd pricing. Stiving & Winer (1997) as cited by Varki et.al (2006) demonstrated the influence of price-ends on consumer decisions as digits are processed from left to right by consumers. According to Liang & Kanetkar (2006) price is not processed holistically rather each digit separately and that consumer price sensitivity and in turn manufacturer and retailer profits are indeed influenced by price endings.

H1: There is no relationship between odd-even pricing and consumer purchase intention of OTT subscription packs.

Discounted pricing

Many studies have been done on the effect of discounted pricing on sales of various product categories ranging from food item, consumer appliances, automobile, gaming software etc. According to Bambauer-Sachse & Massera (2018), consumers once exposed to promotions exhibit lower purchased intention in no promotion period than those with no exposure to promotion. Vigna & Mainardes (2019), suggest how discounts lead to accelerated purchases & experimentation. Gaming software sales have shown an increase in sales given discounted rate and amount of discounted price (Hoon & Chen, 2019). Volume discounts lead to perceived savings and therefore show a positive relationship with purchase intentions in case of grocery products (Iranmanesh et al, 2017). In case of online stores selling mobile phones, the perceived store image and in turn consumer's purchase intentions are positively influenced by price discounts (Faryabi, Sadeghzadeh & Saed, 2012). In case of fast-food services, a price discount irrespective of a

minimum purchase criterion, moves the brand to consumer's consideration set from the hold set (Teng, 2009).

H2: There is no relationship between price discounts and consumer purchase intention of OTT subscription packs

Perceived price fairness

Son & Byuongho, (2019) have found perceived price fairness to have moderating effect on the perceived price-purchase intention relationship. Consumer attitude online group buying is positively influenced by perceived price benefit (Koschate-fischer, Huber & Hoyer, 2016). Lien-Ti & Yu-Ching (2001) have suggested the importance of perceived price fairness to build up satisfaction.

H3: There is no relationship between perceived price fairness and consumer purchase intention of OTT subscription packs.

METHODOLOGY

This research aims at studying the impact of odd-even pricing, discounted pricing and perceived price fairness on the purchase intention of OTT subscription packages. The research questions being:

1. Do pricing policies of OTT platforms have an impact on the consumer purchase intentions?
2. What is the relationship between Odd even pricing policies of OTT platforms and the consumer purchase intentions?
3. What is the relationship between discount policies of OTT platforms and the consumer purchase intentions?
4. Does perceived price fairness has an impact on consumer purchase intention of OTT subscription packs?

5. What is the relationship between pricing policies of OTT platforms and the value-based pricing?

This is a descriptive study where primary data was collected through a structured questionnaire circulated online. Questionnaire was divided into 4 sections: The first section involved questions related to demographic details of the respondents and their media consumption patterns. Section two, three and four dealt with items related to odd-even pricing, discount pricing and price fairness (Al-Salamin & Al-Hassan, 2016). All non-demographic items mentioned in the instrument were assessed through a 5-point Likert scale. On the scale of 1 to 5, 1 was measured as strongly disagree and 5 as strongly agree. The questionnaire was drafted such that it covers the issues related to the objective of this study, hence the face validity was ensured by the researchers. Also, the questionnaire was discussed with the experts and the changes suggested by them were incorporated hence ensuring its content validity. Non-probability convenience sampling was used for the survey. A typical sampling unit was an OTT subscriber. Care was taken to include respondents from various age groups, educational qualification, profession, economic background etc. A pilot testing done on 45 respondents indicated that all the mentioned variables showed Cronbach's Alpha value ranging from 0.75 to .088. Overall Cronbach's Alpha being 0.856.

Table 1: Reliability Statistics

Cronbach's Alpha	No. of Items
.856	13

This suggests that the instrument is reliable, consistent and can be acceptable as per the research standards. Out of a total of 150 questionnaires which were circulated, 120 valid questionnaires were recovered. The final accumulated data was analysed using ANOVA.

DATA ANALYSIS AND DISCUSSION

The first section of the questionnaire collected data on monthly spend on OTT subscription, number of hours of OTT viewing and the most preferred OTT platforms besides demographics. The sample consisting of 120 respondents, OTT platforms were preferred by 92.5 % respondents as a medium for entertainment consumptions followed by 44.2% preferring TV (C&S) and 35.8% preferring web portals besides other streaming platforms. Respondents had multiple

OTT subscriptions with as many as 22.2% having more than 5 subscriptions. Amazon Prime (82.5%), Disney Hotstar (78.3%) and Netflix (77.5%) were the top 3 subscribed OTT platforms followed by Sony Liv, Zee 5 (38.3%), YouTube (37.5%) and Voot (21.7%).

30.8% respondents spent ₹201 to ₹500 per month on OTT subscriptions. Only 7.5% respondents spent more than ₹2000 per month. 31.4% respondents spent 0 to 3 hours watching OTT content. 28.9% spent 3 to 6 hours, 22.3% spent 6 to 10 hours and 17.4 % respondents spent more than 10 hours on OTT platforms. There were three independent variables viz. odd-even (or 9-ending price), discount pricing and perceived price fairness, relationship of which was studied with the dependent variable i.e., purchase intention.

Table 2: Relationship between Odd-even pricing and purchase intention

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
SubsEnding9	Between Groups	35.474	4	8.869	5.252	.001
	Within Groups	192.492	114	1.689		
	Total	227.966	118			
PreferOdd	Between Groups	21.867	4	5.467	3.803	.006
	Within Groups	163.881	114	1.438		
	Total	185.748	118			
SaveMoneyOdd	Between Groups	4.762	4	1.190	.894	.470
	Within Groups	151.793	114	1.332		
	Total	156.555	118			
AttractedOdd	Between Groups	20.084	4	5.021	3.191	.016
	Within Groups	179.378	114	1.573		
	Total	199.462	118			

To measure the variable odd-even pricing, the statements used in the Likert scale were: Subscription packages ending with 9 (₹ 149, ₹ 199, ₹ 299 etc.) are more convincing, I prefer to buy products / services that have odd pricing (₹149, ₹199, ₹299 etc.), I can save money when buying products that have odd pricing (₹149, ₹ 199, ₹ 299 etc.) and I get attracted to the odd pricing (₹ 149, ₹ 199, ₹ 299 etc.) of subscription packages and it helps me in making purchase decisions.

ANOVA done on these statements indicate that there is a significant relationship between purchase intention and odd-even pricing with respect to packages ending with 9, preference of respondent towards odd pricing and attraction towards odd pricing which leads to purchase intention. (Table 2) However results show that respondents do not think that they save money due to odd-even pricing of subscription packages.

Table 3: Relationship between Discount pricing and purchase intention

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
AttractedDiscount	Between Groups	28.314	4	7.079	4.919	.001
	Within Groups	164.039	114	1.439		
	Total	192.353	118			
FreeSubscription	Between Groups	29.640	4	7.410	4.539	.002
	Within Groups	186.108	114	1.633		
	Total	215.748	118			
LimitedTimeDiscount	Between Groups	28.210	4	7.052	5.857	.000
	Within Groups	136.070	113	1.204		
	Total	164.280	117			
MoreDiscountPurchase	Between Groups	18.874	4	4.719	2.586	.041
	Within Groups	208.000	114	1.825		
	Total	226.874	118			

To measure the variable discount pricing, statements used in Likert scale were: I am attracted towards discounted pricing but I am equally concerned about content quality, I enjoy free subscription offers for OTT given by other services such as telecom, if an OTT is offering a limited times discounted subscription offer that can be a reason for me to buy it and the more the discount of a product the more is the purchase intention.

(Table 3) ANOVA done on these statements indicate that there is a significant relationship between purchase intention and discount pricing with respect to respondents getting attracted to discount pricing, OTT players offering free subscription package deals and limited time discount offers and more discounts leading to higher purchase intention.

Table 4: Relationship between Perceived price fairness and purchase intention

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
CheckOTTPlan	Between Groups	22.741	4	5.685	3.680	.007
	Within Groups	176.133	114	1.545		
	Total	198.874	118			
CompareSubscriptionPlan	Between Groups	23.454	4	5.864	3.336	.013
	Within Groups	200.395	114	1.758		
	Total	223.849	118			
DiscountBetterDeal	Between Groups	29.409	4	7.352	5.515	.000
	Within Groups	151.986	114	1.333		
	Total	181.395	118			
OddEvenBetter	Between Groups	4.613	4	1.153	.815	.518
	Within Groups	159.938	113	1.415		
	Total	164.551	117			

To measure the variable odd-even pricing, the statements used in the Likert scale were: I always carefully check the OTT subscription plans to be sure that I get the best value for money I spend, I compare various OTT and their subscription plans to get the best deal, When I buy a plan on discount, I feel I am getting a better deal and the odd even pricing of the subscription packages make me feel that I am getting a better deal.

ANOVA done on these statements indicate that there is a significant relationship between purchase intention and perceived price fairness with respect to respondents checking the OTT subscription plans before subscribing, comparing the plans of different OTT players checking the discounts and deals offered. (Table 4) However results show that respondents do not think that odd even pricing policies offer them a better deal.

Table 5: Impact of Odd Even Pricing, Discount Pricing and Perceived Price Fairness on purchase intention

ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
OddEvenPricing	Between Groups	17.198	4	4.300	3.952	.005
	Within Groups	124.018	114	1.088		
	Total	141.216	118			
DiscountPricing	Between Groups	24.811	4	6.203	7.854	.000
	Within Groups	89.238	113	.790		
	Total	114.049	117			

Perceived Price Fairness	Between Groups	16.799	4	4.200	5.047	.001
	Within Groups	94.038	113	.832		
	Total	110.837	117			

On the basis of table 5 we reject all three hypothesis and conclude that Odd Even Pricing, Discount Pricing and Perceived Price Fairness have a positive impact on purchase intention.

MANAGERIAL IMPLICATIONS

This research paper contributes to the knowledge in series of issues associated with pricing strategies of media products with specific reference to OTT players in India and consumer purchase decision process. For the industry, it would throw insights on customer perception of odd-even and discount pricing policies and its subsequent impact on purchase intent.

CONCLUDING OBSERVATIONS

The psychological pricing such as odd-even pricing and discount pricing policy have an influence on the purchase intention. Also, subscribers perceived price fairness plays an important role

in subscription decisions. Therefore, marketers may look at innovative pricing policies to attract subscribers.

This research was limited to studying pricing policies; however, the subscribers would also be considering other factors such as genre and content of the OTT platforms before subscribing. Further research can be conducted considering content and pricing policies as variables. The impact of content on consumer media purchase intentions can be examined and compared with the demographic profile of OTT users. Consumer media consumption patterns and its impact on the industry pricing policies can also be studied to understand the pricing strategies of OTT players in India.

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