THE PSYCHOLOGY OF DISCOUNTS: BEHAVIOURAL PRICING STRATEGIES IN ONLINE RETAIL

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Abstract: This study examines the psychological factors influencing consumer responses to discount strategies in online retail. Using primary data from 300 respondents, it analyses the impact of discount size, perceived savings, urgency feeling, and trust on purchase intention and impulse buying. Statistical techniques, including correlation, multiple regression, ANOVA, and Structural Equation Modelling (SEM), were employed. The results reveal that perceived savings and urgency feeling significantly influence purchase intention, whereas discount size has no direct effect. Instead, discount size indirectly affects consumer behaviour by enhancing perceived value and creating urgency. Urgency also plays a key role in driving impulse buying. Furthermore, no significant differences were observed across discount types, indicating that consumers respond similarly to various formats. The study highlights the importance of psychological perceptions over actual price reductions and suggests that effective pricing strategies should focus on value framing and urgency creation to influence consumer decision-making.

Keywords
Behavioural pricing; Online retail; Discount strategies; Purchase intention; Impulse buying; Structural equation modelling

1. Introduction

The rapid expansion of online retail has intensified competition among e-commerce platforms, leading firms to adopt increasingly sophisticated pricing strategies. Discounts have emerged as a dominant tool to attract and retain customers. However, consumer responses to discounts are not purely rational; they are shaped by psychological perceptions such as perceived savings, urgency, and trust. Behavioural pricing theory suggests that consumers are influenced more by how discounts are framed than by their actual monetary value. Despite the widespread use of discount strategies, limited empirical studies have examined the indirect psychological pathways through which discounts influence purchase behaviour.

This study aims to:

1. Analyse the impact of discount size on psychological perceptions.
2. Examine the role of perceived savings and urgency in influencing purchase intention.
3. Evaluate the mediating effects using Structural Equation Modelling.

2. Literature Review

Behavioural economics provides a strong foundation for understanding consumer responses to pricing strategies. The prospect theory proposed by Daniel Kahneman and Amos Tversky (1979) suggests that individuals evaluate outcomes relative to reference points, leading to biased decision-making. The concept of mental accounting, introduced by Richard Thaler (1985), explains how consumers perceive discounts as gains. Additionally, the scarcity principle, developed by Robert Cialdini (2009), highlights the role of urgency in driving consumer behaviour. Empirical studies indicate that perceived savings and urgency significantly influence purchase intention, while discount size alone may not be sufficient.

3. Methodology

3.1 Data Collection and Sample

The present study is based on primary data collected from a sample of 300 respondents. The respondents were selected to represent active online consumers who have prior experience with digital shopping platforms. Data were gathered using a structured questionnaire designed to capture both

demographic characteristics and behavioural responses related to discount-based purchasing. The instrument included multiple items measured on a five-point Likert scale, ranging from low to high agreement, to ensure consistency in responses. The sample size is considered adequate for advanced statistical techniques such as regression analysis and structural equation modelling, thereby enhancing the reliability and generalisability of the findings.

3.2 Variables

The study incorporates a combination of demographic, pricing, psychological, and behavioural variables to examine the relationship between discount strategies and consumer behaviour. Demographic variables include age, gender, and income level, which help in understanding the background characteristics of respondents. Pricing-related variables consist of discount type and discount size, representing the nature and magnitude of promotional offers. Psychological variables play a central role in the study and include perceived savings, urgency feeling, and trust level. Perceived savings refers to the extent to which consumers feel they are benefiting from a discount, while urgency feeling captures the pressure to make quick purchase decisions due to time-limited offers. Trust level reflects the confidence of consumers in the pricing and promotional strategies used by online retailers. Behavioural outcomes are measured through purchase intention and impulse buying. Purchase intention indicates the likelihood of a consumer making a planned purchase, whereas impulse buying represents spontaneous and unplanned purchasing behaviour triggered by promotional stimuli.

3.3 Analytical Techniques

The analysis was carried out using a combination of statistical techniques to provide a comprehensive understanding of the data. Descriptive statistics were used to summarise the basic features of the dataset and to understand the distribution of key variables. Correlation analysis was employed to examine the strength and direction of relationships among variables, particularly between psychological factors and behavioural outcomes.

Multiple regression analysis was conducted to assess the impact of discount size, perceived savings, and urgency feeling on purchase intention. This helped in identifying the most influential predictors of consumer behaviour. In addition, one-way ANOVA was used to determine whether different types of discounts (percentage, flat, and BOGO) result in significant differences in purchase intention. To further explore the complex relationships among variables, Structural Equation Modelling (SEM) was applied. SEM enabled the examination of both direct and indirect effects, particularly the mediating role of psychological factors between discount strategies and behavioural outcomes.

4. Results

4.1 Descriptive Statistics

Table 1: *Descriptive Statistics of Key Variables*

Variable	Mean	SD
Age	31.7	7.54
Discount Size	115.22	154.07
Perceived Savings	3.85	1.25
Urgency Feeling	3.72	1.25
Purchase Intention	3.91	1.05
Impulse Buying	3	1.17

Table 1 presents the descriptive statistics of the key variables used in the study. The average age of the respondents is 31.70 years (SD = 7.54), indicating that the sample is predominantly composed of young adults, who are typically active participants in online shopping environments. The mean value of discount size (M = 115.22, SD = 154.07) shows substantial variability, suggesting that respondents were exposed to a wide range of discount levels. With regard to psychological constructs, perceived savings recorded a relatively high mean score (M = 3.85, SD = 1.25), indicating that respondents generally felt they were obtaining meaningful benefits from discounts. Similarly, urgency feeling (M = 3.72, SD = 1.25) reflects a moderate

level of time pressure experienced by consumers during purchase decisions. Purchase intention also shows a high average (M = 3.91, SD = 1.05), suggesting a strong inclination among respondents to engage in purchasing when discounts are present. In contrast, impulse buying behaviour is moderate (M = 3.00, SD = 1.17), indicating that while unplanned purchases occur, they are not uniformly high across all respondents.
Overall, the descriptive statistics suggest that although discount levels vary widely, consumers consistently report moderate to high psychological engagement, particularly in terms of perceived savings and purchase intention.

4.2 Correlation Analysis

Table 2: *Correlation Matrix*

Variable	DS	PS	UF	PI	IB
Discount Size (DS)	1	0.575	0.627	0.485	0.365
Perceived Savings (PS)	0.575	1	0.58	**0.667**	0.289
Urgency Feeling (UF)	0.627	0.58	1	**0.641**	**0.575**
Purchase Intention (PI)	0.485	0.667	0.641	1	0.346
Impulse Buying (IB)	0.365	0.289	0.575	0.346	1

The correlation matrix presented in Table 2 provides insight into the relationships among the key variables. Discount size shows a moderate positive correlation with perceived savings (r = 0.575) and urgency feeling (r = 0.627), indicating that larger discounts tend to enhance both the perception of savings and the sense of urgency among consumers. Perceived savings exhibits a strong positive relationship with purchase intention (r = 0.667), suggesting that consumers are more likely to purchase when they believe they are receiving a valuable deal. Similarly, urgency feeling is strongly correlated with purchase intention (r = 0.641) and impulse buying (r = 0.575), highlighting its dual role in influencing both planned and spontaneous purchasing behaviour. Interestingly, the direct correlation between discount size and purchase intention is comparatively weaker (r = 0.485), indicating that the effect of discounts on buying decisions may not be direct but mediated through psychological perceptions. Impulse buying shows moderate correlations with urgency feeling and purchase intention, suggesting that time pressure plays a crucial role in triggering unplanned purchases.
These findings collectively indicate that psychological variables, particularly perceived savings and urgency, are more strongly associated with consumer behaviour than the actual discount size.

4.3 Regression Analysis

Table 3: *Multiple Regression Results*

Predictor	β	Std. Error	t-value	p-value
Intercept	1.244	0.171	7.289	< 0.001
Discount Size	-0.0001	0.0004	-0.388	0.698
Perceived Savings	**0.38**	0.043	8.82	< 0.001
Urgency Feeling	**0.329**	0.045	7.279	< 0.001

Model Fit:

$R^2 = 0.542$; Adjusted $R^2 = 0.537$; $F = 116.7$ ($p < 0.001$)

To further examine the impact of key predictors on purchase intention, a multiple regression analysis was conducted, and the results are presented in Table 3. The overall model is statistically significant ($F = 116.7$, $p < 0.001$), explaining approximately 54.2% of the variance in purchase intention ($R^2 = 0.542$; Adjusted $R^2 = 0.537$), which indicates a strong explanatory power. Among the predictors, perceived savings has a significant positive effect on purchase intention ($\beta = 0.380$, $p < 0.001$), making it the strongest predictor in the model. This suggests that when consumers perceive greater savings, their likelihood of making a purchase

increases substantially. Urgency feeling also has a significant positive influence (β = 0.329, p < 0.001), indicating that time pressure encourages consumers to act quickly and increases their intention to buy. In contrast, discount size does not have a statistically significant effect on purchase intention (β = -0.0001, p = 0.698). This finding is particularly important, as it suggests that simply increasing the discount amount does not necessarily lead to higher purchase intention unless it enhances consumer perception. Overall, the regression results reinforce the argument that consumer behaviour is primarily driven by psychological interpretations rather than the objective size of the discount.

4.4 ANOVA Results

Table 4: *Effect of Discount Type on Purchase Intention*

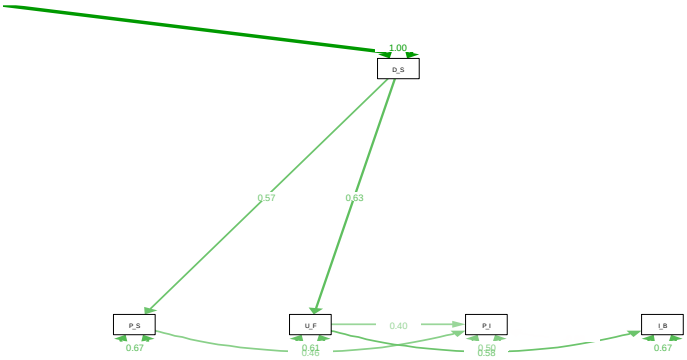
Source	F-value	p-value
Discount Type	0.074	0.929

Interpretation: No significant difference across discount formats.

A one-way ANOVA was conducted to examine whether different types of discounts (percentage, flat, and BOGO) have a significant effect on purchase intention. As shown in Table 4, the results indicate no statistically significant differences among the groups (F = 0.074, p = 0.929). This finding suggests that the format in which discounts are presented does not significantly influence purchase intention. Consumers appear to respond similarly regardless of whether the discount is framed as a percentage reduction, a fixed monetary discount, or a buy-one-get-one offer. The lack of significant variation implies that the effectiveness of discount strategies may depend more on how they are perceived rather than their structural format.

4.5 Structural Equation Modelling (SEM)

Figure 1: *Structural Model of Behavioural Pricing*



To examine the underlying relationships among variables in a comprehensive framework, Structural Equation Modelling (SEM) was employed. The structural model (Figure 1) illustrates the direct and indirect relationships between discount size, psychological factors, and behavioural outcomes.

Table 5: *Standardised Path Coefficients*

Path	Coefficient
Discount Size → Perceived Savings	0.575
Discount Size → Urgency Feeling	0.627
Perceived Savings → Purchase Intention	0.462

Urgency Feeling → Purchase Intention	0.398
Urgency Feeling → Impulse Buying	0.575

Table 6: *Model Fit Indices*

Index	Value	Threshold	Interpretation
CFI	0.946	> 0.90	Good
TLI	0.864	> 0.90	Moderate
RMSEA	0.172	< 0.08	Poor
SRMR	0.072	< 0.08	Acceptable

The results, summarised in Table 5, indicate that discount size has a significant positive effect on perceived savings (β = 0.575) and urgency feeling (β = 0.627). This confirms that larger discounts enhance consumers' perception of value and create a sense of urgency. Perceived savings significantly influences purchase intention (β = 0.462), while urgency feeling also has a strong positive effect on purchase intention (β = 0.398) and impulse buying (β = 0.575). These results highlight the mediating role of psychological variables in shaping consumer behaviour. Importantly, the SEM findings confirm that discount size does not directly influence purchase intention but operates indirectly through perceived savings and urgency. This provides strong empirical support for behavioural pricing theory. With regard to model fit (Table 6), the Comparative Fit Index (CFI = 0.946) indicates a good fit, while the Standardised Root Mean Square Residual (SRMR = 0.072) falls within acceptable limits. However, the Root Mean Square Error of Approximation (RMSEA = 0.172) suggests that the model requires further refinement. The Tucker-Lewis Index (TLI = 0.864) indicates a moderate fit. Despite some limitations in model fit, the overall results provide a clear and meaningful explanation of how discount strategies influence consumer behaviour through psychological mechanisms.

5. Discussion

The findings reinforce behavioural pricing theory by demonstrating that psychological constructs mediate the relationship between discounts and purchase behaviour. While discount size significantly affects perceived savings and urgency, it does not directly influence purchase intention. Perceived savings emerged as the strongest predictor of purchase intention, supporting mental accounting theory. Urgency feeling significantly drives both purchase intention and impulse buying, validating the scarcity principle.

6. Conclusion

The findings of this study clearly indicate that consumer behaviour in online retail is shaped more by psychological responses than by the actual monetary value of discounts. While traditional pricing strategies assume that larger discounts will directly lead to higher purchase intention, the present analysis does not support this assumption. Instead, consumers appear to respond primarily to how they perceive the value of an offer. Variables such as perceived savings and urgency feeling play a decisive role in influencing purchase decisions, suggesting that emotional and cognitive interpretations of discounts are more powerful than the discounts themselves. Further, the results demonstrate that discount size does not exert a direct influence on purchase intention. Although larger discounts increase perceived savings and create a sense of urgency, their impact is indirect. In other words, discount size affects consumer behaviour only when it successfully enhances the perception of gaining a valuable deal or triggers a time-sensitive response. This highlights the importance of framing and presentation in pricing strategies. Retailers who focus solely on increasing discount percentages without addressing how these discounts are communicated may not achieve the desired behavioural outcomes. Additionally, the analysis shows that the type of discount whether percentage-based, flat reduction, or buy-one-get-one offers does not significantly influence purchase intention. This suggests that consumers do not strongly differentiate between discount formats as long as the offer appears beneficial. The effectiveness of a discount is therefore less dependent on its structure and more on the psychological value it conveys. Overall, the study reinforces the view that pricing strategies in online retail should be designed with a strong emphasis on consumer perception. Creating a sense of value and urgency is more

effective than simply offering larger discounts. These insights provide important implications for marketers aiming to develop efficient and behaviourally informed pricing approaches in competitive digital markets.

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