

THE IMPACT OF GOODS PRODUCT PRICING STRATEGIES ON CONSUMER PURCHASING POWER: A REVIEW OF THE LITERATURE

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ABSTRACT

The price of a product is a measure of the exchange rate used to obtain it in the form of money or goods. In order to achieve the desired business goal and profit, a company must exercise caution when determining the price of a product, service, or good. Pricing must take into account a variety of factors, as well as the best strategy. In this way, the set price can pique consumer interest and influence consumer purchasing power. The purpose of this research is to determine how the company's pricing affects consumers' purchasing power or purchasing interest. This study employed a qualitative approach in the form of literature reviews in the field of marketing management. Writing scientific articles necessitates the use of qualitative methods as well as literature studies or library research. The price of a company's product or service has a positive effect on consumer purchasing interest, so it is closely related to consumer purchasing power. Consumers' increased purchasing power at company-set prices has an impact on meeting company targets and increasing profits.

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1. INTRODUCTION

Technological advancements have an impact on the economy. This influences consumer interest in purchasing a specific type of product. One of them is the use of information technology systems in marketing as a barometer of how far the company has progressed in marketing the products it sells (Ramon et al., 2021). As a result, every company strives to improve marketing management.

Marketing management is the process of ensuring that customers are satisfied with the products they purchase (Hasyim, 2022). A marketing manager must be able to provide behavioral strength and then handle various aspects of marketing, one of which is how to manage pricing for a single product (Biemans et al., 2022). When developing a marketing strategy, price is an important factor to consider. The marketing mix is known as the 4Ps, which stand for Product, Price, Place, and Promotion. As a result, one critical factor to consider is price or product pricing (Wardaturrohah, 2019).

The basis of price theory is that the price set must be reasonable, because the price must be in accordance with consumer demand. The set price is a mirror or symbol that characterizes the state of a product or where it has the potential to influence consumer psychology (Budiastari, 2018). When determining the price of a company's product, objectives, demand levels, and market prices must all be considered. Furthermore, the company must consider the accomplishments that will be obtained by the company for the products being marketed. Of course, each company sets prices in accordance with market structure in order to maximize profits from marketing products (Terho et al., 2022). As a result, in order to determine the price of the product, the marketing strategy must be considered.

The fixed price interacts with other elements of the marketing mix (Mora & Hidalgo, 2022). Price is a component of the marketing mix that can help a company achieve its objectives. As a result, businesses

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must be able to set prices for their products that are acceptable to consumers. The goal of setting this price is to ultimately attract buyers' interest by paying attention to consumer purchasing power, so that companies benefit from the products being marketed (Neuhaus et al., 2022).

In essence, the price of a product is determined by the amount of production costs incurred. If the price of the product is in line with the purchasing power of the consumers, they will automatically switch from other products to the products we offer (Cartwright et al., 2022). If the price set is acceptable to consumers, the product offered will be automatically accepted by the community. Of course, a company must exercise caution when determining a product's price, as well as pay attention to marketing management. Because when setting product prices, you must also consider the value, benefits, and quality of the products offered. This has a significant impact on consumer purchasing power. Consumer interest in the products offered may grow as consumer purchasing power grows (Renaud & Muzellec, 2022).

The factors that influence buying interest are related to feelings and emotions; if someone feels happy and satisfied when purchasing goods or services, it will strengthen buying interest; dissatisfaction usually eliminates interest (Akter et al., 2022). Consumer purchasing interest is a significant phenomenon in marketing activities. Buying interest is a consumer behavior that supports a future purchase decision (Olson, 2022).

In a management literature study, this article aims to determine the effectiveness of product pricing (X1) on consumer purchasing power (Y1). The literature review raises the question of how effective product pricing is on consumer purchasing power.

2. LITERATUR REVIEW

2.1 Price

Price is a measure of the exchange rate that can be equated with money or other goods for the benefits obtained from one good or service for a person or group at a specific time and location (Volkmar et al., 2022). This price term refers to the monetary value of a product or service. Price is the amount of money charged for a product or service, or the amount of value exchanged by customers to obtain the benefits of owning or using a product or service (Hoekstra & Leeflang, 2022). Another definition of price is the amount of value (in currency) that consumers must pay in order to purchase or enjoy the goods or services offered.

When determining the price of a product, an entrepreneur or company manager must consider several factors, including: 1. Pricing, 2. Price-determining factors such as consumer conditions, product form, location, and time 3. Pricing factors such as raw material prices, production costs, marketing costs, the existence of government regulations, and other factors 4. Various pricing strategies (Shih & Lin, 2022).

2.2 Price role

The price of a product serves two purposes: allocation and information (Wu et al., 2022). Price, based on the purchasing power of the product, plays an allocation role in assisting consumers in determining how to obtain the greatest expected benefit or utility. As a result, the presence of prices can assist buyers in determining how to allocate their purchasing power to various types of goods and services. Buyers compare the prices of various available alternatives before deciding on an appropriate allocation of funds. Meanwhile, the price information role informs customers about the quality of the product on offer. It refers to benefits in situations where buyers are unable to objectively evaluate product factors or benefits.

According to popular belief, high prices indicate high quality. Prices have a significant impact on the macroeconomy, consumers, and businesses (Subriadi & Baturahmah, 2022). In terms of money. Product prices influence wage, rent, interest, and profit levels. Prices are the primary economic regulator because they influence the allocation of production factors such as labor, land, capital, and entrepreneurship (Ianenko et al., 2022). The majority of customers are price sensitive, but they also consider other factors (such as image, brand, store location, service, value and quality). Furthermore, price frequently influences consumers' perceptions of product quality. In some cases, particularly in the specialty product category, high prices are thought to reflect high quality. Finally, there is one for the organization. A product's price is the most important determinant of market demand. A company's stock price influences its competitive position and market share. As a result, price changes have an effect on revenue and net profit. Simply put, businesses make money by charging their customers.

2.3 Pricing

Developing a buying and selling business will always be price-related. In the sale and purchase agreement between the producer and the buyer, price is an important consideration. (Luo et al (Luo et al., 2022). Pricing will reveal the product's feasibility position based on its economic value. Because of this, companies usually hold agreed-upon price fixes before releasing goods to the general public.

There are three commonly used price-determination theories, which are as follows: 1. The current market price. 2. Government-set selling price (Government Controlled Pricing). 3. Setting firm-controlled selling prices (Administered or Business-controlled pricing) (Haleem et al., 2022). Pricing, according to another point of view, allows businesses to be compensated for the value they provide to their customers. Furthermore, product pricing has five main goals: survival, maximum current profit, maximum market share, and maximum market skimming.

2.3 The pricing method used

In general, product pricing methods can be divided into four broad categories (Wardaturrohah, 2019):

- a. The first is the Demand-Based Pricing Model.
This strategy places customer preferences and tastes ahead of costs, profits, and competition.
- b. Method of Cost-Based Pricing
In this method, the main price determining factor is supply or cost rather than demand. To cover direct costs, overhead costs, and profits, a certain amount is added to production and marketing costs.
- c. Profit-driven pricing strategy
This pricing strategy seeks to balance revenues and costs. This effort can be expressed as a percentage of sales or investment, or as a target profit volume.
- d. Pricing Method Based on Competition
Prices can be set based on what competitors are doing, in addition to cost, demand, and profit considerations.

2.4 Purchasing Power

Consumer purchasing power is closely related to consumer interest. Consumer buying interest is the stage at which consumers form their preferences among several brands included in the choice set, then make a purchase at the option that they prefer the most, or the process that consumers go through to purchase an item or service based on various factors (Fuchs & Hovmann, 2022). A person's behavior is highly dependent on his interests, and interest in behavior is highly dependent on attitudes and subjective norms for behavior. Beliefs in the consequences of behavior have a large influence on attitudes and subjective norms. Individual attitudes are formed by a combination of beliefs and evaluations of a consumer's important beliefs, whereas subjective norms are determined by beliefs and motivations. Consumers will make a purchase transaction wherever and whenever they are faced with a purchasing decision (Yuniati et al., 2020). Where consumers will compare or consider one item over another for consumption.

The attitude of others, which is related to the attitudes of others reducing one's preferred alternative, will be determined by two factors: the intensity the negative attitude of others toward alternatives preferred by consumers and the motivation of consumers to comply with the wishes of others 2. Unanticipated situational factors that can later change consumer attitudes toward purchasing. This is determined by the consumer's own thoughts, whether he is confident in his decision to purchase an item or not.

A consumer does not make the decision to purchase goods or services on their own. To begin, consumers seek information from those closest to them or those they can truly trust to help them make decisions. The factors that influence buying interest are related to feelings and emotions; if someone feels happy and satisfied when purchasing goods or services, it will strengthen buying interest; dissatisfaction usually eliminates interest (Subriadi & Baturohmah, 2022).

This consumer purchasing interest will lead to consumer decisions about the product to be purchased. This is related to consumer behavior. Consumer behavior is defined as any action directly

involved in obtaining and determining products and services, including the decision-making process that precedes and follows these actions. Understanding consumer behavior is a difficult and complex task, as evidenced by the numerous influencing variables that interact with one another (Li et al., 2019).

3. METHOD

The research method is qualitative and takes the form of literature studies or library research. This method examines a theory by comparing it to existing theories in literature books or the findings of previous research contained in scientific articles relevant to the field of marketing management (Teunuleh et al., 2022). All cited scientific articles were discovered using Mendeley and Google Scholar literacy data searches. Qualitative research in literature research or literature studies must be able to become a literature review consistently with some appropriate methodological opinions. (Wydyanto and Ilhamalimy, 2021). It must be used inductively so that researchers' questions are not directed. The reason for conducting qualitative research is that this research is exploratory in nature. Then, it is discussed in depth in the related literature section or the literature reviewed, because this section is the foundation for formulating hypotheses and will be used as material for comparison with the results or findings from previous research to reveal the truth of the existing theory (Permatasari and Jaelani, 2021).

3.1 Conceptual Framework

Price theory refers to the sum of all values that consumers exchange for the amount of benefits gained from owning or using goods and services. This refers to everything that customers provide in order to benefit from the company's marketing mix. Typically, a company's product prices are adjusted in response to changing market conditions.

Price cuts or discounts are used as part of the price adjustment strategy. Lowering product prices is intended to reward customers who respond by paying earlier or purchasing more products. In addition, the company offers segmented pricing. It intends to adjust prices to account for differences in customers, products, and locations. Businesses can also use psychological pricing. Prices can have an effect on consumer psychology. And the final point to mention is special pricing. Previously, companies needed to conduct promotions in order to increase their selling power and profits.

Before calculating prices in the marketing mix, management must first determine the purpose of pricing. The next step is to figure out how to create appropriate pricing strategies and policies. One of the pricing objectives is image-oriented goals. Pricing strategies have the ability to shape a company's image. Businesses may charge exorbitant fees to establish or maintain a prestigious image. Companies that pursue image-oriented goals try to avoid competition by differentiating their products or serving specific market segments. This is especially common in businesses that sell specialized goods or products that necessitate a high level of involvement in the purchasing process. The framework of this article is built on several existing problems, which raise the variables addressed in the literature review. Figure 1 depicts an overview of the article's framework.

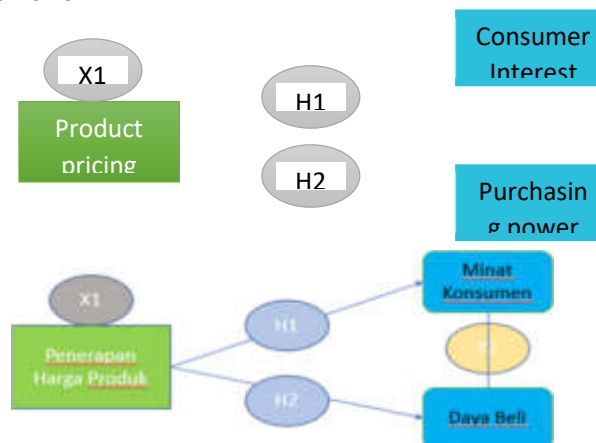


Figure 1. Conceptual Framework.

4. RESULT AND DISCUSSION

4.1 Effect of pricing on consumer purchasing power

Based on the findings of this study, it can be demonstrated that experts' belief that price has an effect on purchasing decisions related to consumers' purchasing power or purchasing interest is correct. When purchasing a product, consumers consider not only the quality of the product but also the value of the price. Price is one of the product selection factors that influence purchase intent. Consumers consider price to be an indicator of product quality or potential satisfaction.

Many price-related factors influence why customers choose a product. Consumers choose a product because they want to feel the product's value and benefits, because they see an opportunity to have the product at a lower price than usual, because there is a chance to win prizes by purchasing the product, or because they want to be considered other consumers who know a lot about the product and want to be perceived as loyal.

When customers are required to pay more than the benefits received, the product has a negative value. If, on the other hand, customers believe that the benefits outweigh the costs, the product has a positive value. Consumers looking for a good deal A fair price indicates that the perceived value at the time of the transaction is appropriate. Consumers believe that a high-priced product is of high quality, whereas a low-priced product is of poor quality. Prices are flexible, which means they can be quickly adjusted based on various theories and previous research findings. Interested in obtaining a reasonable price a fair price indicates that the perceived value is appropriate at the time of the transaction. Consumers believe that a product with a high price has good quality, whereas a product with a low price has poor quality. Prices are flexible, which means they can be quickly adjusted based on several theories and previous study findings.

Consider the following findings from previous studies on the impact of pricing on consumer purchasing power:

1. The price set by Many Supermarkets in Peterongan based on the study's findings revealed that the majority of respondents (46%) thought the price was low. This is because many supermarkets in Peterongan offer prices based on people's purchasing power, the prices offered are lower than other supermarkets, and the prices are in accordance with the product's quality. According to the survey results, the majority of respondents (57%) make their purchasing decisions at Ramai Supermarkets Peterongan. However, due to consumers' reluctance to shop during busy times, and when very few products are purchased, they can be purchased at the nearest store, there are still consumers whose purchasing decisions at Crowded Supermarkets in Peterongan are low (Fristiana, 2012).

2. The factors considered in SKM.CLOTHING's pricing. (1). Production Cost Factor: This factor computes the cost of purchasing a product. SKM.CLOTHING can set prices based on the results of this accumulated cost in the following ways: Price determination / selling price = production costs + desired profit in (%) (2). Competitor/Competitor Factors: This factor becomes a pricing strategy implemented by SKM.CLOTHING by using competitors' prices as a reference or comparison for prices that will be set later by SKM.CLOTHING. SKM.CLOTHING's strategy is to set product prices lower than competitors' prices in order to attract customers, gain customers, and gain market share. (3). The number of requests, the quality of the fabric requested, the design, the quality of the screen printing, and the processing time are all factors to consider. (4). SKM is an unexpected factor. CLOTHING includes unexpected factors because there are so many instances where prices change dramatically due to market events. Price changes in raw materials, products that do not sell well in the market, promotions, and customer perceptions of products (Kencana, 2019).

3. The dropshipper community at the Islamic University of Madura employs two pricing strategies: 1. Standard markup pricing strategy. This pricing is determined by adding a certain percentage of the cost to all items in a product class. However, it still lacks detail of the costs used, such as calculating the use of operational costs when calculating the cost of the dropshipper. 2. The strategy of setting a demand-based selling price (skimming pricing), in which a high price

Price influences consumer purchasing interest at PT. Youth Jaya Mobilindo Manado. The impact of these variables is described by Tcount being greater than Ttable, implying that brand image influences consumer purchasing interest. However, the influence is negative (Clifen A.A. Suharto, Altje L. Tumbel2 Irvan, 2016).

5. CONCLUSION

The conclusion of this article is in accordance with the problems in the background, namely; Pricing of a product has a positive impact on consumer interest, so that it can have an impact on consumer purchasing power. The high purchasing power of consumers due to the interest in consumers will certainly be able to increase the achievement of the company so as to provide benefits to the company.

Suggestion

This article suggests that more research be conducted on a number of points concerning the pricing strategy for services or goods in various manufacturing sectors. This can help researchers and business owners develop their companies and scientific information.

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