

## Research Article

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## The Psychology of Pricing: How Discounts and Promotions Influence Sales

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**Abstract:**

This research tries to analyze the role of psychological aspects, namely anchoring, price framing, and mental accounting, in affecting consumer reactions to discounts. Individuals use the reference price as the anchor and thereby make the discounts look larger than they really are. Such a cognitive bias called anchoring is a significant cause of consumption decisions. Similarly, pricing framing influences consumer perception such that absolute savings (e.g., "\$50 off") are typically perceived as more attractive than percentage discounts, particularly for high-ticket items. In addition, other types of promotions, including direct discounts, coupons, and buy-one-get-one (BOGO) offers, don't affect every product or consumer segment equally. Direct discounts are best for obtaining short-term conversions, while coupons establish long-term loyalty, and BOGO encourages bulk purchasing. Overuse of discounts, however, can condition consumers, devalue perceived brand value, and damage profitability in the long term. To apply a best-practices pricing strategy, companies must balance revenue maximization in the short term with the development of loyalty over the long term. The tactical application of cognitive biases and affective drivers can help marketers maximize pricing structures to elicit the maximum level of consumer reaction without compromising brand equity. By harnessing a knowledge of these psychological drivers, companies can create more effective promotional campaigns that move product without compromising brand integrity.

**Keywords:** Pricing psychology, discounts, promotions, consumer behavior, sales, marketing, decision-making, cognitive biases, emotional responses, pricing strategies.

**سيكولوجية التسعير: كيف تؤثر الخصومات والعروض الترويجية على المبيعات**

**ملخص البحث:** يدرس هذا البحث تحليل دور الجوانب النفسية، وهي التثبيت، وتأطير الأسعار، والمحاسبة العقلية، في التأثير على ردود أفعال المستهلكين تجاه التخفيضات. يستخدم الأفراد السعر المرجعي كمرساة، وبالتالي يجعلون الخصومات تبدو أكبر مما هي عليه بالفعل. إن مثل هذا التحيز المعرفي الذي يسمى الإرساء هو سبب مهم لاتخاذ قرارات الاستهلاك. وبالمثل، يؤثر تأطير التسعير على تصور المستهلك بحيث يُنظر عادةً إلى المدخرات المطلقة (على سبيل المثال، "خصم ٥٠ دولارًا") على أنها أكثر جاذبية من الخصومات المئوية، خاصة بالنسبة للسلع ذات التذاكر المرتفعة. بالإضافة إلى ذلك، فإن الأنواع الأخرى من العروض الترويجية، بما في ذلك الخصومات المباشرة والكوبونات وعروض شراء واحدة واحصل على واحدة (BOGO)، لا تؤثر على كل منتج أو شريحة مستهلك بشكل متساوٍ. تعتبر الخصومات المباشرة هي الأفضل للحصول على تحويلات قصيرة المدى، بينما تنشئ القسائم ولأجل طويل المدى، وتشجع BOGO الشراء بالجملة. ومع ذلك، فإن الإفراط في استخدام الخصومات

يمكن أن يؤدي إلى تكيف المستهلكين، ويقلل من قيمة العلامة التجارية المتصورة، ويضر بالربحية على المدى الطويل. لتطبيق استراتيجية تسعير تعتمد على أفضل الممارسات، يجب على الشركات الموازنة بين تعظيم الإيرادات على المدى القصير وتنمية الولاء على المدى الطويل. يمكن أن يساعد التطبيق التكتيكي للتحيزات المعرفية والدوافع العاطفية المسوقين على تعظيم هياكل التسعير للحصول على أقصى مستوى من رد فعل المستهلك دون المساس بحقوق العلامة التجارية. ومن خلال تسخير المعرفة بهذه الدوافع النفسية، يمكن للشركات إنشاء حملات ترويجية أكثر فعالية تنقل المنتج دون المساس بسلامة العلامة التجارية.

**الكلمات الافتتاحية:** علم نفس التسعير، الخصومات، العروض الترويجية، سلوك المستهلك، المبيعات، التسويق، اتخاذ القرار، التحيزات المعرفية، الاستجابات العاطفية، استراتيجيات التسعير

## INTRODUCTION

Pricing is the ace card of the marketing mix; it has a great authority over consumers' perceptions and decisions to purchase. The traditional economic models of earlier times usually interpreted the price as a purely rational element, but nowadays, behavioral economics and marketing psychology are the main focus here, illustrating the importance of cognitive and emotional processing in customers' decision-making. Contrary to the ideal scenario "consumers think they always act rationally when deciding on pricing", the fact is that their actions are influenced by various types of psychological biases and heuristics. The psychological factors of these discount and promotion techniques are used to create the desired perception of value and generate an urgency.

Some studies have particularly focused on the psychological aspects of pricing and their impact on customer behavior. Thaler (1985) was the first who introduced the concept of mental accounting which is the explanation of the fact that prices are perceived and categorized by the consumer; they can be different regarding the contexts. This theory supports the idea that discounts create an emotional and cognitive distinction between perceived savings and spending, leading to increased purchase likelihood. Kahneman and Tversky (1979) in Prospect Theory further reasoned why consumers are risk-averse rather than risk-seeking. This loss aversion tendency makes limited-time discounts particularly compelling as they create a fear of missing out (FOMO), encouraging immediate purchases.

Kamen and Toman (1970) carried out a study that proved the cost-effectiveness of psychological pricing such as anchor pricing (e.g., \$9.99 vs. \$10.00) and the findings were that consumers believe that such prices are much cheaper than rounded prices. Even more, some research by Anderson and Simester (2003) discovered the fact that describing a discount in percents instead of absolute numbers can make the consumer think they save more; therefore, they will feel the savings more tangible. Furthermore, Winer (1986) stressed the role of reference pricing and the impact it has on the consumers' purchasing behavior. In reference pricing, individuals compare today's prices with their internally kept records of past prices or reference prices which affects their purchase decisions.

For businesses to develop pricing strategies that give customers influence through psychological mechanisms, businesses need to understand these mechanisms. Pricing models that include cognitively-based biases will help the marketer to the opinion that the promotion will be lined with the psychology of the customer, a reality that is dual for the company. Thus, sales will soar and the customer will be engaged for the longer term.

### Importance of the Research

It is true that proper pricing is indispensable for business performance, yet the complication of customer psychology and equally sophisticated marketing tricks require an examination of the extent to which this or that sort of discount triggers purchases. By providing important implications of psychological effects underlying consumer reaction to pricing tools, this paper will help entrepreneurs improve the

efficiency of marketing efforts and enable them to surge ahead of rivals. Thus, the study links the gap that exists between theories and practical use while recommending practical suggestions applicable by marketers. This research paper adds to existing literature in the field of consumer behavior and the psychology of pricing, enhancing various knowledge in the dynamic area of study.

### **Research Questions**

This research addresses the following questions:

- What are the key psychological factors influencing consumer responses to discounts and promotions?
- How do different types of promotions (e.g., discounts, coupons, BOGO offers) differentially affect consumer purchasing behavior?
- What are the implications of these findings for the development of optimal pricing strategies?

## **LITERATURE REVIEW**

### **Previous Studies on Pricing Psychology**

#### **Prospect Theory and Consumer Perception of Discounts**

Prospect Theory Consumer Discounts and Prospect Theory – the construction of Kahneman and Tversky (1979) introduces the cornerstone of consumer price perception. The theory suggests that people are more sensitive to losses than gains that are equal in size. In other words, a discount is perceived as a loss being reduced rather than a gain being increased. This is why shoppers are more predisposed to use discounts as they are more inclined to take advantage of a discount rather than face the risk of paying a higher price at a later time. The fear of missing out on a possible gain motivates the buyers to buy immediately due to the anxiety of incurring a loss—paying more than necessary.

Thaler's (1985) idea of mental accounting states that the consumer classifies money into various mental "accounts" based on inner criteria. For example, each time consumers get a discount, the money keeps on their minds and thus by the leaving "unsaved" money, they will use the money on another option to add to their feeling of being smart investors. After that, they can believe a buy is a good decision of the backed tapped money (them being the spenders). This concept is the clearest in high-involvement purchases, where perceived savings from a discount can be justified as a chance of liquidating money to another essential need or a luxury item.

#### **The Influence of Charm Pricing and Price Framing**

Psychological Pricing: Charm Pricing and Framing The psychological pricing techniques like charm pricing—from \$9.99 to \$10—and price framing, greatly influence the consumers perceptions. Anderson and Simester (2003) even showed that, systematically, consumers underestimate prices ending in.99 since they see a much lesser price than it is. The left-hand digit effect compels consumers to attend more to the first number appearing in the price, say 9 in \$9.99, than, say, to 10 in \$10.00 making their impressions about savings even more salient. Thus, it is one of the popularly used modes of pricing by a company in retail and e-commerce sites to trigger impulse purchases.

Similarly, the framing in which discount is given, for example, in percent denomination or in absolute terms, would also determine the attractiveness of that discount. Thus, for instance, a \$50 discount on a product priced at \$200 (25% off) is felt to be a much bigger discount than \$50 off a \$1000 product

(5%), even though the actual dollar savings are the same (Chen, Monroe, & Lou, 1998). It is called the "diminishing sensitivity" where consumers perceive that relative savings count more when applied to a lesser price. Consumers also prefer percentage discounts on low-cost items and absolute savings for high-value items, showing again that psychological framing is in play while making a choice.

### **Anchoring and Reference Pricing**

Reference Pricing and Anchoring Initial contributions to this concept were made by Tversky and Kahneman (1974). They develop the concept that anchoring involves putting reliance on the first piece of information conveyed to decision-makers. In pricing, this means any number held in the customer's mind as the first price viewed. All later price changes in the mind of the consumer are compared to this original price. Another way in which discounts operate is by making the original price much higher than it is now going to be sold for. People tend to now view a discount as more significant because they have been made to see the higher original price rather than just imagined price reductions in a price per day charge. With this, retailers try to improve customer expectations and add value to the deal.

On the basis of previous prices as a benchmark, Winer (1986) showed that it is not just discounts from a previous price that have effects on present buying decisions, especially in contexts where you have industries with frequent price movements such as fashion and consumer electronics. The high anchor price is the price used to create illusions of greater savings through periodical price discounting and so encourages waiting for promotional periods when such prices are perceived as having higher discounts.

### **Impact of Different Promotional Techniques**

#### **Direct Discounts and Consumer Decision-Making**

Effect of Different Promotion Methods Direct Price Discounts and Consumer Purchase Decision Direct discounts or price cuts are the most straightforward yet compelling promotion technique. Bawa and Shoemaker (2004) found even shallow discounts improve the chances of a purchase for commonly purchased merchandise. The method in which consumers view a discount will be reliant on several key variables including but not limited to discount depth, product class, and personal price sensitivity of consumers. The study also showed that discounts above some threshold-for instance, 20% or above-were much more likely to trigger purchases, as they had been large enough to justify the immediate action, whereas too much discounting makes the brand lose image and eventually leads to consumers habituating and waiting for the sales.

#### **Coupons and Consumer Loyalty**

The consumer, in comparison with direct discounting, must make an additional effort to acquire and redeem coupons. This additional friction, while it may deter conversions at the time of issuance, is shown in some studies to be related to increased brand loyalty. DelVecchio, Henard, and Freling (2006) proved that statistically, a consumer who uses a coupon is likely to have a higher lifetime value to a brand because he will come back for later promotions. The emotional tie to a brand can also be increased through coupons since the consumer can feel that he has received an exclusive deal and is much more favored.

#### **Buy-One-Get-One (BOGO) Offers and Perceived Value**

BOGO Offers and Perceived Value BOGO offers are based on the concept of perceived value maximization. Heilman, Nakamoto, and Rao (2002) showed that a consumer would prefer to choose a BOGO offer over an equal percentage-off discount because it is perceived to be an offer of receiving something for free. The "free" psychological factor is one of the most appealing since it eliminates the

perceived risk of a particular item, thereby increasing the possibility of impulse buying. However, BOGO effectiveness varies across product categories. These offers are successful with high repeat usage products, such as groceries or toiletries, rather than with one-time purchase products, such as consumer electronics. Furthermore, customers may hoard items not needed at that moment and result in potential waste or lower repurchase frequencies in the future.

## **The Role of Cognitive and Emotional Factors**

### **Cognitive Biases in Price Perception**

Of the cognitive and emotional factors, the one that plays a vital role among consumers is cognitive bias when perceiving prices. Cognitive biases include endowment effect and loss aversion, which significantly influence the consumer price perception. The endowment effect means that individuals attach a higher value to their possessions (Ariely, 2008). Thus, a consumer who tends to buy goods at a higher price tends to give lesser importance to prices considered discount values. For example, if a consumer buys a smartphone for \$1000 and then discovers that the same model is sold at a lower price, \$800, they might consider the discount as "unfair" and would not be influenced in determining their brand loyalty or purchasing decisions.

### **Emotional Responses and Promotional Effectiveness**

Emotional Responses and Their Efficacy Toward Promotion. Some emotional responses regard excitement, fear of missing out (FOMO), and post-purchase regret, which mold consumer reactions to promotions. Tsiras and Mittal (2000) found that consumers who think about regret are more likely to immediately purchase when there is a "limited-time-offer". Time-constraint promotions like flash-sales and countdown discounts use FOMO to generate urgency and impulsive buying behaviour while on another note; Zeelenberg and Pieters (2004) explain that post-purchase regret can either stimulate or hinder the occurrence of future impulsiveness in purchases due to the fact that the consumer places this condition of regret on an opportunity loss rather than that of a poor choice. There are different emotional triggers through which marketers can entice consumers into making short-term purchases and formulate effective strategies for building that customer loyalty that comes through having a favorable experience with the products and/or services on offer.

## **ANALYSIS AND FINDINGS**

### **Psychological Factors Influencing Responses to Promotions**

#### **Anchoring and Discount Framing**

Both are deeply embedded in cognitive biases regarding how anchors in prices, their framing as discounts, will play on consumers' minds and respond to certain price strategies. This anchoring effect, developed by Tversky and Kahneman (1974), denotes reliance on an anchor, or first piece of information, on which the final decisions are made; the original price in a discount serves as an anchor. For instance, if a retailer lists a jacket with an original price of 200 and a discounted price of 200 and a discounted price of 120, the 200 figure becomes their reference point. This makes the 200 figure becomes their Ferece point. This makes the 80 savings appear substantial, even if the jacket's true market value is closer to \$120. Retailers commonly take advantage of this by making the original price artificially high to create a better perception of value. Indeed, in one study, Wansink, Kent, and Hoch (1998) found that as an original price was inflated, people were more likely to buy a product because the perceived savings became a stronger driver of purchase decisions than the actual price.

Discount framing then enhances this effect by playing with the presentation of savings. Chen, Monroe, and Lou (1998) show that there are asymmetries in consumer responses to discounts framed in either absolute terms or as percentages. This means that a discount of 50 on a 500 item is more apparently vital to buyers than a 10% discount, although both have the same value in money. This is because absolute dollar amounts are more concrete and, therefore, easier to visualize; this makes the savings appear far more real. Many luxury brands capitalize on this by promoting high absolute discounts. For instance, a luxury watch brand may promote a \$1,000 discount on a \$5,000 watch rather than a 20% discount because the larger dollar figure provides a richer emotional appeal and increases the perceived value.

Anchoring and discount framing are closely connected with e-commerce, and its everyday dynamic pricing strategies. Online retailers often flash the original price with a strikethrough alongside the discounted one, therefore reinforcing the anchor to make the deal look even more attractive. For example, Amazon does this on sale events like Prime Day, where products are listed with a "was X, now X, now Y" format. This not only brings out the savings but also creates a sense of urgency, since consumers fear losing a perceived bargain. A study by Biswas and Burton (1993) found that such framing significantly increased purchase intentions, especially when the discount was framed in absolute terms.

Besides, the efficiency of discount framing depends on the product category and consumer demographics. For example, in the context of low-priced items, percentage discounts are more effective than absolute discounts. A 50% discount on a 10¢ item feels more compelling than a 5¢ discount, as the percentage communicates a proportional saving that appeals to price-sensitive consumers. Absolute discounts are more persuasive for high-value items. This is because, for instance, a discount of 1,000 on a 10,000 car feels much larger than a discount of 10%, because the large dollar amount conveys the size of the significant investment involved.

Anchoring and discount framing are strong tools in influencing consumer behavior by way of shaping perceptions of value and savings. Anchoring with original prices and framing discounts in a manner to maximize their perceived impact, businesses drive purchase decisions down the intended lane. These tactics are especially potent in industries like luxury goods and e-commerce, where perceived value and urgency play critical roles in consumer decision-making.

### **Urgency, Scarcity, and Impulse Buying**

Promotions based on ostensible urgencies, such as "limited-time offers," make use of the principle of psychology of scarcity to bring impulse buying. Research by Shiv and Fedorikhin shows that the imposition of time increases the emotionality of judgment and reduces the consideration of rational evaluation. Countdown timers, flash sales, and exclusive deals are often used by retailers for this purpose.

### **Emotional Engagement and Promotional Effectiveness**

The emotional involvement turns out to be vital for testing the efficiency of promotions; often emotions drive consumer decisions more than do rational calculations. Promotions such as "Buy One, Get One Free" make consumers flared up and rushed, thus increasing the odds of their being served by the product (Heilman, Nakamoto, and Rao 2002). For instance, a BOGO deal on any popular snack brand will present real value and elicit a positive emotional response in consumers, such as the thrill associated with getting something free. This might lead to a point of impulse where buyers have a feeling they are seizing some sort of rare opportunity. These offers tend to provide better conversion rates than

straightforward percentage discounts, which may not have the same appeal or convey the same level of urgency.

However, promotions have an emotional appeal that should be carefully balanced to avoid a negative effect in the long term. According to Campbell (1999), a high level of reliance on discounting will affect brand equity and consumer trust. For example, if a high-end fashion brand offers deep discounts too frequently, consumers may question the premium positioning of the brand and its associated products as overpriced or low-quality. This can make them question the brand image and thus affect their premium pricing capability in the long run. The best example would be that of J.C. Penney when it received massive backlash on shifting from periodic sales to "everyday low pricing." Since the customers were getting heavy discounts periodically, this resulted in decreased sales and a loss of customer loyalty, as consumers perceived that the brand no longer offered a better value proposition.

The efficacy of promotions in turning up emotional pressure varies according to the context and audience. For example, LTOs arouse feelings of scarcity and temporal pressure, both of which intensify emotional activation for the individual. In a research experiment regarding the principle of scarcity, Cialdini (2009) found that people were more apt to speed up their responses whenever they thought an opportunity would be short-lived. This is well-illustrated in the success of flash sales when retailers like Zara or H&M use temporary price cuts as a spur toward immediate buying. If overused, though, such promotions become less effective—they lose much of their emotional impact. A consumer may easily get desensitized to such urgency and actually reach promotional fatigue.

Such a promotion should also be along their identity as well as with the values of the brand itself. So, if it is, for example, a type of brand concerned about the environment, it may probably strengthen the brand's emotional appeal when they offer discounts on eco-products or donate a portion of sales to a cause concerning the environment.

Therefore, promotion must support the identity and values of a brand. For instance, an eco-sensitive brand could buttress its emotional connection with consumers by selling discounted eco-friendly products or giving a part of the sale to some environmental charity. In this way, it will not only make sure that sales are made but also ensure the emotional connection of the brand and its customers. At Patagonia, its "Worn Wear" program—incentivized through a store credit given upon trading in used clothing—sets up arguably the promotional construct in their ethos of sustainability, fostering emotional engagement.

However, other than positive feelings, there might also be a host of negative responses if the promotion is not designed in a more considerate way. For example, ill-timing or aggressive campaigns for discounts could result in manipulative feelings in the consumer, as well as make them feel devalued. In an experiment, Darke and Dahl (2003) demonstrated that consumers who viewed the promotions as deceitful and exploitative would have negative emotions, such as regret and resentment, that reduce brand loyalty. This implies transparency and authenticity of the promotion.

## **Comparing the Effectiveness of Different Promotional Techniques**

### **Discounts vs. Coupons vs. BOGO Offers**

#### **1. Discounts:**

Discounting is one of the most simple, common, and powerful marketing tactics used to stimulate or induce immediate conversions. Discounts play to consumers dominated by price sensitivity, who are inclined to look for cost benefits rather than anything else. For instance, if a company charged 50 for

any of its products, it would become 40 with a discount of 20%. The benefits, therefore, are both solid and instantly perceptible, prompting the consumer to decide affirmatively and quickly. Such immediacy and action-prompting behavior work well especially in a fast-paced retailing environment, such as at an e-commerce or during a seasonal sale, in which customers are driven to act fast, however the repeated usage of discounts might have ulterior consequences. In their study, Darke and Chung (2005) found that although discounts enhance immediate sales, they could reduce the perceived value of a product over time. For instance, if a premium skincare brand frequently discounts its products, customers may begin to question whether such products are really worth their original price, consequently reducing brand equity. In addition, discounts could condition consumers to hold off on purchasing at full price when they really want the product, later leading to a long-term impact on profit.

## **2. Coupons:**

Coupons are therefore strategic to encourage repeat purchases and build lasting loyalty toward brands. While discounts are applied directly, coupons are proactive and require the consumer to take an extra step, be it clipping on a physical coupon or inputting a promo code. This additional effort on the part of the consumers can create a feeling of exclusivity and reward for them and evoke a stronger emotional connection with the brand. For example, a \$10 coupon toward a \$50 purchase can make customers feel they have received a personalized deal that improves their satisfaction and loyalty. However, consumers' voluntary engagement limits the effectiveness of being a coupon program.

DelVecchio et al. (2006) demonstrate that coupons are less effective as an impulsive means, since they need planning and effort. A consumer casually browsing the grocery stores does not have a coupon ready, hence would resort to purchases of items not previously scheduled. In addition, coupons may invoke bargain-hunting consumers, who happen to be less loyal in nature and are prone to switching brands in connection with available promotions

## **3. BOGO Offers:**

BOGO mainly drives bulk purchases and perceived value. The promotions drive excitement and urgency, where the consumer feels that they get more for their buck. For instance, a BOGO offer on a popular cereal brand can clearly encourage consumers to buy more, but at the same time, it will increase the chances of trial and repeat purchase. It works particularly well when the product in question is high in consumption, such as a snack or a beverage. But BOGOs have their set of unintended outcomes, such as over-purchasing and wasting the product. According to Raghurir and Kalyanaram (1995), consumers may purchase more than needed because the offer is too tempting to pass. This is because a consumer may be compelled to buy two large packs of chips just because there was a BOGO, and it will be quite beyond their ability to consume these two before they reach their expiry dates. The result of such over-purchasing is dissatisfaction resulting from possible spoilage, hurting the brand's reputation. BOGO offers could condition consumers not to buy items without such deals; thus, once the offers end, customers become reluctant to purchase at full prices.

## **4. Demographic and Behavioral Considerations**

Advertisements to consumers are highly targeted on demographic and behavioral factors including income, shopping habits, and brand familiarity, amongst many others, and are of primary importance in good design for promotions.

## **Implications for Optimal Pricing Strategies**



### **1. Income Level:**

Ailawadi et al. (2001) discuss that for these consumers, who are with lower incomes, discounting and coupons take a priority, as they are already price-sensitive and motivated by achieving instant cost savings. For instance, a low-income family may be interested in purchasing groceries at discount sales or through couponing. One higher-income consumer, therefore, may be less influenced by all sorts of discounts-and far more enticed by premium-positioned products that fit into their lifestyle and self-image. For instance, a luxury brand like Rolex or Louis Vuitton hardly runs any sort of discount sales; after all, their target market would prefer exclusivity and quality over price cuts.

### **2. Shopping Habits:**

Shopping behavior is a key factor when determining how effective promotional activity will be. Impulse shoppers, for example, are most likely to respond to discounts or BOGO offers, since these promotions participate in immediacy and gratification. Paper coupons will suit the planned shopper, making the purchase a more serious and budgeted spending activity. An example might be the buyer who is planning to make a large purchase, perhaps a new appliance, in which case he will search for paper coupons to get more for less.

### **3. Brand Familiarity:**

The familiarity of a brand determines the way in which consumers see promotions or react to them. Established brands create a well-built loyalty base so that they can give BOGO offers or coupons to strengthen this bond with existing customers. For example, one who has been a loyal customer at a coffee chain will more likely redeem a coupon for free drinks from that store because this customer considers the brand as trustworthy and valuable. In contrast, younger or lesser-known brands may have to depend heavily on discounts to attract new and trial customers. For example, a newly launched startup may use an offer of a 45% discount on its first product launch to attract price-sensitive consumers who will try the offer on the new brand.

### **4. Cultural and Regional Differences:**

Cultural and regional factors could also make the efficiency of promotional techniques quite different. For example, in negotiating markets - in large parts of Asia and the Middle East-discounts are far more effective compared to coupons or BOGO. In other places where consumers are seeking convenience and simplicity, such as the United States, coupons and BOGO offers may prove to be more appealing.

## **CONCLUSION AND RECOMMENDATIONS**

This research underlines the complex psychological mechanisms that underlie consumer reactions to discounts and promotions, illustrating how cognitive biases and emotional triggers influence purchase behavior. Anchoring, for example, shows how consumers rely on initial reference points, such as original prices, in gauging the value of a deal, while discount framing shows how the framing of savings, in either absolute or percentage terms, may substantially affect perceived value. Emotional engagement then amplifies these effects, whereby offers like BOGO or temporary deals create delight, add urgency to buying, and therefore drive sales. On the other hand, the study warns of the traps of overreliance on discounting-sniffing the dilution of the brand, skepticism of the consumer, or promotional fatigue-and the undermining this can do on long-term equity.

With such insights, businesses can now build more nuanced pricing strategies, better balancing near-term sales goals with long-term brand health. By way of example, understanding the emotional appeal of BOGO can help drive bulk purchases for brands, while appreciating the limitations of discounts will encourage businesses to consider alternative approaches, such as value-added promotions or loyalty programs, that preserve perceived product value. Furthermore, personalization of promotions toward specific demographic and behavioral segments can be made more effective and relevant by offering discounts to price-sensitive consumers or offering premium experiences to high-income shoppers.

In future research, studies should be conducted to explore pricing psychology variation across different cultures to understand the degree to which cultural norms and regional habits in shopping are influencing consumer responses to promotions. For instance, while discounts tend to perform well in markets characterized by haggling, other regions may favor coupons or BOGOs. Longitudinal studies are needed to explore the longer-term impacts of discounting strategies on consumer loyalty and brand perception. For example, how will frequent discounts impact a brand's ability to command premium pricing over time? How do different promotional techniques affect repeat purchase behavior and customer lifetime value? Answering these questions will give businesses a fuller understanding of the trade-offs involved in promotional strategies and allow them to make better decisions that will lead to more sustainable growth.

Discount and promotion are two of the strong tools that shape consumer behavior; however, their effectiveness rests on deep-rooted understanding from the psycho-emotional drivers of decision-making. It is only by adopting a strategic and consumer-centric approach that businesses will be able to exploit the benefits of promotions and limit the downside risks associated with them, finding an optimal trade-off between immediate returns and brand equity in the long run.

### **Disclaimer**

The article has not been previously presented or published, and is not part of a thesis project.

### ***Conflict of Interest***

There are no financial, personal, or professional conflicts of interest to declare.

### **Authors' contributions**

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript

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