

The Impact of Online and Offline Pricing Strategies on Corporate Brand Loyalty - A Literature Review

Changyin Wang^{1,a}, Abdul Razak Nurhanan Syafiah^{2,b}, Chandramalar Munusami^{3,c},
Santhi Govindan^{4,d}

{ oneday19792023@163.com ^a, dr.nurhanan@nilai.edu.my^b, chandramalar_cm@yahoo.com ^c,
santhi.govindan@gmail.com^d}

Chengdu Industry & Trade College, Chengdu, China ¹
Nilai University, Kuala Lumpur, Malaysia ²
Nilai University, Kuala Lumpur, Malaysia ³
Open University Malaysia, Kuala Lumpur, Malaysia ⁴

Abstract. Pricing strategy is closely linked to brand building. With the development of Internet technology, changes in customer consumption behavior, and the face of uncertainties such as epidemics, many companies present actions to obtain maximized markets simultaneously online and offline, and academic research on the relationship between online and offline pricing strategy and brand loyalty is also deepening, but there is a lack of a review and reflection of the research in the last ten years, so this study adopts the literature research method to Google Scholar, ScienceDirect and China Knowledge Network databases of literature related to pricing strategy and brand loyalty published from 2013 to 2023, and found that there are few research results, mainly focusing on exploring online and offline brand loyalty or online and offline pricing strategies, with fewer studies combining the two, and the research methodology is limited by the sample, and the generalizability of the research results is insufficient.

Keywords: Pricing Strategy, Brand Loyalty, Sales Performance.

1 Introduction

In the contemporary era of increasingly sophisticated Internet technology, it is difficult for every business to conduct commercial activities without using the Internet. Especially as young consumers increasingly prefer online shopping, the implementation of online and offline pricing to ensure brand loyalty is an important aspect of a company's ability to succeed in a changing and highly competitive marketplace. Especially in the era of Internet commerce, many companies have quickly adapted pricing strategies that are different from offline, often achieving good sales at the lowest prices (Michael R. Baye & John Morgan, 2004)^[1]. The rise of the online marketplace and the rapid development of online retailing has brought a crisis to physical retailing (Wang Guoshun & Hao Wangxi, 2018)^[2], which has led to the problem of price conflict between offline and online retailing channels, and how does this price difference affect brand loyalty? This is a very valuable research. However, there is a lack of a review and reflection of the last decade's research in this area in the academic world, and we need to sort out the experience, direction, and shortcomings accumulated in the previous research; therefore, the author synthesizes the relevant articles published on Google Scholar,

ScienceDirect and China Knowledge Network database from 2013 to 2023 to find out the gaps of the current research in this area and provide a clue for the subsequent research to provide clues and help brand loyalty research to push forward in depth.

2 The impact of online and offline pricing strategy on brand loyalty

Mwangi, T. (2010) his study concluded that pricing strategy is the key to influencing users' brand loyalty ^[3], however, the author combed through and found that numerous scholars are faced with both online and offline channels, and it is not clear what impact the pricing strategy chosen online and offline has on brand loyalty. For pricing strategy, although Philip Kotler and McCarthy et al. have already had a classic discussion, and Ali, B. J., & Anwar, G. (2021) recent study also concluded that pricing strategy includes penetration pricing, skimming pricing, premium pricing, psychological pricing, competitive pricing, and other kinds of pricing ^[4]. However, unlike the traditional classification of pricing strategies, based on the development of online marketing, Li, B.K. (2017) argued that pricing strategies can be divided into online differential pricing strategies and offline differential pricing strategies ^[5]. We mainly synthesize the impact of pricing strategy on brand loyalty from two perspectives: differentiated and undifferentiated.

2.1 The impact of online and offline undifferentiated pricing strategy on brand loyalty

First, the impact of online and offline undifferentiated penetration pricing on brand loyalty. For penetration pricing, Pamudji, W. H., Daryanto, H., & Djohar, S. (2015) stood in the perspective of sales maximization that penetration pricing strategy is to set the price of the product relatively low at the initial stage of the product's introduction into the market as a way of maximizing sales and market share ^[6]. Ali, B. J., & Anwar, G. (2021) stated that penetration pricing has a significant positive impact on consumer purchase decision behavior at the 5% level in terms of consumer purchase decision ^[4-1]. Zhang Yurong (2018) used cell phones as a case study and found that the penetration pricing strategy used in the early stage of the launch of cell phones has achieved significant results, which is conducive to obtaining market advantages and market share, but behind the "cost-effective" seeds of hidden dangers are also planted ^[7]. This shows that the impact of penetration pricing on brand loyalty exists because the number of times consumers repeatedly buy the same product constitutes a dimension of brand loyalty. Second, the effect of online and offline undifferentiated finger-skimming pricing on brand loyalty. For finger-skimming pricing, the online and offline channels simply increase consumers' exposure to the brand and the product. In this regard, Lu, Qiang. (2006) in analyzing the success or failure of the Apple iPod and Sony MP3, the failure of Sony MP3 skimming pricing reveals that the success of enterprises using skimming pricing is closely related to brand loyalty ^[8]. Spann, M., Fischer, M., & Tellis, G. J. (2015) also found that market-based pricing dominates in practice, that the use of skimming pricing strategies is significantly associated with brand reputation, and that established consumer brands are more likely to take advantage of their reputations to adopt skimming pricing strategies ^[9]. However, in terms of the timing of specific applications, Du Peng (2014), in studying the optimal pricing of new fashion products, found that the skimming pricing strategy outperforms the penetration pricing strategy only when the firm's discount factor is sufficiently large and that consumers' strategic purchasing behaviors diminish the firm's ability to adopt skimming pricing ^[10]. This

reflects that consumer loyalty is limited, suggesting that skimming pricing strategy use is closely related to brand loyalty, and the two are symbiotic in the marketplace. In addition, Toptal, A., & Çetinkaya, S. (2015) explored the supplier's perspective on the use of skimming pricing strategy to find the optimal order quantity and time to exit the market, arguing that price skimming helps firms with innovative products to recoup their sunk costs in a short period before competition intervenes, but it targets early adopters who are less sensitive to high prices^[11]. And AlJazzazen, S. A. (2019) analyzed by theoretical literature review method and concluded that the skimming pricing strategy is one of the most popular pricing strategies, a high price can be maintained in the long run when the company is in product monopoly, customer loyalty to the brand benefits the company, and high price and brand loyalty interact with each other^[12]. As for new products, Li Xueju et al. (2020) argued that price skimming applies to new products, and is a pricing strategy that sets high prices at the beginning of the product to get a good reward^[13]. Third, the effect of online and offline undifferentiated psychological pricing on brand loyalty. As psychological pricing, when online and offline prices are the same, different scholars have elaborated on the impact of price on brand loyalty from the perspective of different research methods. Xu Zizhou (2019) took a case study, in studying the pricing strategy of small household appliances Wuxi market of Company A, argued that psychological pricing in which companies like to use the tail pricing method to meet the psychological pursuit of consumers' aspirations for a happy and fulfilling life^[14]. It shows that there is a link between psychological pricing and consumer-perceived brand. Lumowa, P. W., Pangemanan, S. S., & Rumokoy, F. S. (2018) took a quantitative study, to analyze the factors that drive psychological pricing, it is believed that 19 factors drive psychological pricing, and the initial factor that the greatest impact on psychological pricing is the psychological factor, and the smallest value of influence of the initial factors is environmental factors^[15]. It indicates that psychological factors are the main consideration for psychological pricing. Kumar, S., & Pandey, M. (2017) took a qualitative study to explore the impact of psychological pricing strategies on consumer buying behavior and found that companies adopting psychological pricing strategies can increase their sales and profits in the potential market and that psychological factors such as socio-demographic factors such as age, gender, product availability, and consumer anchoring-inspired patterns affect consumer choice^[16]. Ye, Maozhong (2013) argues from a marketing strategy perspective that price is often the most caring and troubling aspect for companies and brands, and suggests that psychological pricing adapted to products that are predominantly self-perceived is particularly effective^[17]. This all suggests that there is a link between psychological pricing and branding. In addition, Uzir, M. U. H. et al. (2021) analyzed satisfaction and brand loyalty in household appliances and concluded that the lower the perceived value, the more dissatisfied customers are^[18]. It can be seen that psychological pricing has a positive impact on brand loyalty.

2.2 The impact of online and offline differential pricing strategy on brand loyalty

The online and offline differential pricing strategy mainly explores the implementation of differential pricing for the same product in two different channels, online and offline. Regarding the research on online and offline differential pricing, it is an interesting but not very rich research field. For differential pricing, Yang, S.G (2008) argues that differential pricing refers to setting different prices for different customers for products with the same cost or setting the same price for different customers for products with different costs^[19]. According to the development of online and offline sales models, Liu Jin (2022) believes that

the online model of enterprises mainly through the opening of online stores to exhibit goods, while the offline model is still operated in brick-and-mortar mode, and the service of physical stores and other key elements determine the consumer's purchasing experience, which in turn affects the consumer's loyalty to the brand ^[20]. But how exactly does differential pricing between online and offline affect brand loyalty? Cui Bo (2019) explored price consistency and functional complementarity from the perspective of marketing strategy selection in the process of online and offline sales integration in the retail industry and concluded that ensuring price uniformity of online and offline products can enhance consumer loyalty to the brand ^[21]. Li, Feng, and Ying Wei (2014), by studying the pricing decision-making under the dual-channel competition between online and offline, found that the impact of consumers makes their own purchasing decisions mainly four main factors such as price, channel loyalty, utility preference, and rationality, meanwhile, it is found that there is a relationship between consumer loyalty and profit ^[22]. While the other viewpoint is the opposite. Joseph, J. K., & Thomas, B. (2018), from the e-commerce perspective and using the Indian market as an example, argued that demand and supply regulate price and differential pricing is the key to reaching the optimal price to maximize profit without losing customers ^[23]. Based on the above viewpoints, we find that there is a research consensus that pricing strategy will have an impact on brand loyalty, but we also find that scholars are not rich in research on the impact of online and offline differential pricing on brand loyalty.

3 Conclusion and Future Research Direction

In summary, brand loyalty is closely related to future benefits (David A. Aaker, 2019)^[24], in this regard, I found that in the past ten years, the scholars party's research theme from the past offline pricing strategy on brand loyalty is mainly gradually shifted to the online pricing strategy on brand loyalty research, and presents to the online and offline pricing strategy on brand loyalty research change, the current research is mainly focused on exploring the penetration of pricing, skimming pricing, psychological pricing, tail pricing, and other different pricing strategies and mainly stands on the two strategies of penetration pricing and skimming pricing adopted by new products, and its impact on brand loyalty is analyzed from the fields of home appliances and cell phones. At the same time, the author also found that at present, most of the existing research literature focuses on the impact of online and offline pricing on brand loyalty party from a retail perspective, and there are very few studies on the impact of online and offline pricing strategies on brand loyalty from the perspective of corporate wholesaling. To summarize, the current research on the impact of online and offline differential pricing strategies on brand loyalty, one is that there very few research results, the results are mainly focused on exploring online and offline brand loyalty or online and offline pricing strategy, and there are fewer studies combining the two; the second is that the research methodology is limited by the sample, and the popularity of the research results is insufficient.

With the tremendous development of information technology, most brands moved to the online environment (Branka Dropulić et al., 2022), and the research results of many scholars reflect that the digital era of marketing is being continuously strengthened ^[25]. In terms of future research, as Wang Guoshun and Hao Wangxi (2018) point out, the final purchase behavior may not occur in brick-and-mortar stores that offer experiential services but may be in online channels that offer low prices ^[26]. These previous research results and shortcomings

give us a good foundation and possibility to carry out the impact of online and offline differential pricing on brand loyalty in today's growing internet economy. Therefore, the future trend of research may be to expand to the environmental protection-related industries that are closely related to the fate of mankind, such as new energy vehicles, furniture, and food-related fields, and focus on the promotion value of the research. Especially in the case of Taobao, Amazon, and other influential e-commerce platforms, which act as intermediaries controlling the main purchasing channel between producers and consumers, the study of their intermediary role in the impact of online and offline pricing strategies of producers on their brand loyalty is a worthwhile direction for our future research.

Funded by: This paper is funded by the Foundation Project of Sichuan Key Research Base of Social Sciences and Sichuan Key Research Base of Humanities and Social Sciences in Colleges and Universities of Sichuan Province, Sichuan Cuisine Development Research Center (Project No. CC23G14).

References

- [1] Baye, M. R., & Morgan, J.: Price Dispersion in the Lab and on the Internet: Theory and Evidence. *RAND Journal of Economics*. pp. 449-466 (2004).
- [2] Wangoshun, Guoshun & Hao Wangxi. Research on online and offline product pricing strategy of dual-channel retail enterprises. *Finance and Finance* (02). PP. 52-57 (2018).
- [3]Mwangi, T. Effectiveness of pricing strategies on brand loyalty among cell phone users in Ol-Kalou location in Kenya (Doctoral dissertation, University of Nairobi, Kenya) (2010).
- [4]Ali, BJ, & Anwar, G. Marketing Strategy: Pricing strategies and its influence on consumer purchasing decision. *International Journal of Rural Development, Environment and Health Research*, 5(2), 26-39 (2021).
- [5]Li, B.K.An Empirical Study on Price Differences between Online and Offline of Online Merchants. (Master's thesis, Liaoning University) 2017.
- [6]Pamudji, W. H., Daryanto, H., & Djohar, S. Cost based penetration pricing strategy for beverages industry. *International Journal of Scientific and Research Publications*, 5(10), PP.1-7 (2015).
- [7]Zhang Yurong. Analyzing the penetration pricing strategy of Xiaomi cell phone. *Mall Modernization* (15), PP.42-43 (2018).
- [8]Lu, Qiang. (2006). The Art of Skimming Pricing from the Success or Failure of Apple iPod and Sony MP3. [online] Available at:<http://www.emkt.com.cn/article/249/24955.html> [Accessed 15 October 2022].
- [9] Spann, M., Fischer, M., & Tellis, G. J. Skimming or penetration? Strategic dynamic pricing for new products. *Marketing Science*, 34(2), PP235-249 (2015).
- [10] Du Peng. Research on innovative product pricing problems for strategic consumers (Doctoral dissertation, Nankai University) (2015).
- [11] Toptal, A., & Çetinkaya, S. The impact of price skimming on supply and exit decisions. *Applied Stochastic Models in Business and Industry*, 31(4), PP551-574(2015).
- [12]AlJazzazen, S. A. New Product Pricing Strategy: Skimming Vs. Penetration. In *Proceedings of FIKUSZ Symposium for Young Researchers* (PP. 1-9) (2019). Óbuda University Keleti Károly Faculty of Economics.

- [13] Li, Xueju, Xu, Yujia & Cui, Chenming. 2011 A new species of the genus *Cephalophora* (Hymenoptera, Braconidae). Application of skimming pricing. *Chinese and Foreign Entrepreneurs* (17), PP95 (2020).
- [14] Xu Zizhou. Reflections on the use of pricing strategy based on Company A's small household appliances in the Wuxi market. *Industry and Technology Forum* (13), PP265-266(2019).
- [15] Lumowa, P. W., Pangemanan, S. S., & Rumokoy, F. S. ANALYZING FACTORS THAT DRIVE PSYCHOLOGICAL PRICING AT PT. MATAHARI DEPARTMENT STORE MEGA MALL MANADO. *Jurnal EMBA*, 6(4), PP 3873 – 3882(2018).
- [16] Kumar, S., & Pandey, M. The impact of psychological pricing strategy on consumers' buying behavior: a qualitative study. *International journal of business and systems research*, 11(1-2), PP101-117(2017).
- [17] Ye, Maozhong. Who decides the price? *Sales & Marketing (Management Edition)* (09), PP28 (2013).
- [18] Uzir, M., Hossain, U., Hamid, A. B. A., Jerin, I., Latiff, A. S. A., & Thurasamy, R. Customer satisfaction and brand loyalty to electronic home appliances in Bangladesh: the contingent role of brand trust. *SN Business & Economics*, 1(6), PP1-35 (2021).
- [19] Yang, S.G. (2008). The application of differential price strategy in airline pricing decision. *Northern Economy and Trade* (11), PP125-127.
- [20] Liu, Jin. The impact of physical store elements on brand loyalty in the context of omni-channel retailing. *Business and Economics Research* (03), PP87-90(2022).
- [21] Cui Bo. The Effects of Price Consistency and Functional Complementarity Marketing Strategies on Brand Loyalty. *Business and Economics Research* (22), PP65-69(2019).
- [22] Li, Feng, and Ying Wei. "An Intelligent Agent Simulation Model to Evaluate Herd Behavior and Sales Effort in a Duopoly Market." *Intelligent Computing Methodologies: 10th International Conference, ICIC 2014, Taiyuan, China, August 3-6, 2014. Proceedings 10.* Springer International Publishing(2014).
- [23] Joseph, J. K., & Thomas, B. DYNAMIC PRICING BY INDIAN RAILWAY-A WAY TO CUSTOMER LOSS.
- [24] David A.Aaker. *MANAGING BRAND EQUITY (Capitalizing on the Value of a Brand Name)*. Beijing: Machinery Industry Press (2019).
- [25] Dropulić, B., Krupka, Z., & Vlašić, G. Brand Equity In A Digital Age: Systematic Literature Review. *Ekonomika misao i praksa*, 31(1), 277-302(2022).
- [26] Wangoshun, Guoshun & Hao Wangxi. Research on online and offline product pricing strategy of dual-channel retail enterprises. *Finance and Finance* (02), PP52-57(2018).