Implications of Psychological Pricing on Contemporary Muslim Retailers and Consumers in Nigeria

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Abstract
Pricing is one of the major components of businesses. Retailers have adopted different pricing modes due to the need to devise sustainable pricing strategies. This is one of the reasons for the development of psychological pricing. Psychological pricing has adverse effects on Muslim retailers and consumers due to their involvement in zulm (deception). Therefore, this study examined the implications of psychological pricing on Muslim retailers and consumers in Nigeria. The paper adopted qualitative and analytical methods. The qualitative method was used to review related literature, while the analytical method was used to examine and analyse the implications of psychological pricing. This study found that psychological pricing is used for profit maximization through deception. Psychological pricing has led to the involvement of Muslim retailers and consumers in vices such as deception, lying, and trickery. This paper concluded that psychological pricing affects the spiritual and moral lives of Muslim retailers and consumers. The paper recommended that Muslim retailers and consumers adopt and accept other pricing strategies that do not involve ambiguity and deception. They are also encouraged to use credit cards in order to avoid paying beyond the tagged price of a commodity.

Keywords: Psychological pricing, businesses, retailers, consumers, Muslim, Nigeria.
I. Introduction

1.1. Background

Islam, as a religion, takes care of matters relating to all aspects of human life and business transactions form an integral part of (Musa et al., 2022). Selling and buying goods and services is an economic activity that involves pricing as an instrument to determine their values in the market (Rivaldo et al., 2022). Thus, pricing is the art of deciding the amount required as payment for something offered for sale (Colbjørnsen et al., 2022). It is the process where goods and services are set with a specific selling price. Psychological pricing stands out in pricing strategies. It is a pricing and marketing strategy based on the theory that certain prices emotionally impact consumers (Cakranegara et al., 2022). In this pricing method, retail prices are often expressed in numbers that are just a little less than a round number e.g., ₦19.99 or ₦2.99. At this juncture, it should be noted that pricing is not only limited to tagging an amount to a particular commodity but also means the art of negotiation, that is, bargaining between sellers and buyers.

The pricing activities and psychological pricing in markets are historically determined and dynamic. In the pricing scheme, the end cost of production mostly determines the price of a commodity that is to be sold. This makes retailers adopt different pricing strategies to boost their customer patronization. Among these strategies are charming pricing, innumeracy, multiple pricing, and prestige pricing, which physiological pricing is distinct from. However, it should be noted that when the Prophet Muhammad was asked about price fixing, he advised that price should not be fixed when it becomes numerous (Jamic At-Tirmidhi 1314). Moreover, Allah says in the Glorious Quran that there should not be Zulm (deception) between retailers and consumers. However, the reality is that prices negate the Islamic ethical standard.

Psychological pricing is by emotionally tagging the cost of a product, which prompts the consumers to buy such goods because it seemingly showcases the price of such products to be cheaper (Cakranegara et al., 2022).

Conversely, Muslim retailers mostly use the strategy in shopping malls, online trading hubs/vendors, and filling stations in Nigeria. Interestingly, this study perceives that this pricing strategy has some implications on Muslim retailers and consumers who practise the concept in Nigeria not only due to the non-availability of coins as legal tender to remit as change for the buyer who tenders an amount that is greater than the set price but also a deliberate attempt to put the price as such. Hence, it is against this backdrop that this paper examines the psychological pricing in the light of the Quran and the Hadith. The paper also examined the implications of psychological pricing on contemporary Muslim retailers and consumers in Nigeria.

1.2. Objective

The main objective of the study was to examine the implication of psychological pricing on contemporary Muslim retailers and consumers in Nigeria. The specific objectives investigated the:
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a. The practice of psychological pricing in Nigeria;
b. Business advertisement and psychological pricing in Nigeria; and,
c. Implications of psychological pricing on contemporary Muslim retailers and consumers in Nigeria.

II. Literature Review

2.1. Background Theory
This study is anchored on Kaushik Basu's (1997) game theory. Basu opined those rational consumers value their own time and effort in the calculation. Such consumers process the price from left to right and tend to psychologically replace the last two digits of the price with an estimation of the mean "cent component" of all goods in the marketplace. In a sufficiently large marketplace, this suggests that any individual seller can charge the largest possible "cent component" (99¢) without significantly affecting the average of cent components nor changing customer behaviour.

2.2. Previous Studies
This sub-chapter describes relevant, comprehensive past studies related to the topic.

Pricing
The English word "price" is from the old French "pris or preis," which literally means "value, wages, reward." Its Latin form, "precium or pretium" denotes "reward, prize, value, worth, excellent" (Sirojiddin et al., 2022). It is known in Arabic as either القيمة or الثمن or السعر. These trio words are used interchangeably, but السعر is mostly and commonly used in the Islamic economic system (al Mamun et al., 2022).

Conceptually, price is the exchange value of a commodity or service sold or offered by a producer or seller to a buyer. According to Lowes et al. (2005), price is the monetary value of a unit of a good, service, asset, or factor input, while Black (1976) maintains that price is the amount of money paid per unit for a good or service. Equally, the term, in a broader perspective, could be said to be the amount of money or other means of exchange that must be paid for the product or service at a certain time and in a particular market (Wagner et al., 2022). Samadai (2004), in his attempt to describe price, opines as follows:

المقدار المادي لتبادل المنتج أو الخدمة أو المعروض لبيع المشترين المحتملين

Price is the value in exchange for the product or service offered for sale to the potential buyer (Samadai, 2004).

Khalid also describe price as:

العلاقة بين كميتتين من بضائعتين أو موضوعتين للتبادل أو أنه الكميتيه التي يجب التخلص منها من سلة معينة للحصول على كمية محددة من سلة أخرى سواء أثناء إنتاجها أو خدمة معينة

The relationship between quantities of two commodities offered for exchange or the quantity tendered for a particular commodity to obtain a specific quantity of another
commodity, whether it is a material for consumption or production, a commodity, or specific service (Samadai, 2004).

Psychological Pricing
Price is to decide the amount required as payment for (something offered for sale) as stated in spending manpower. Therefore, price is the monetary value required for acquiring a specific product or service, and it is determined through a set of calculations that takes into account such as manufacturing cost, competition, market conditions, and the product quality. Therefore, an organization or retailer uses several methods and strategies to determine the price of its product (Orlowski & Wicker, 2019). Hence, among the most commonly used pricing strategies is psychological pricing. Psychological pricing is therefore defined as:

...commercial strategy that is based on the theory that says some numbers have a psychological impression in the mind of customer. 31

In the same vein, it is also submitted as:

A pricing strategy based on displaying the price in a specific way would tease the feeling of the buyer and motivate him to buy an end product (Samadai, 2004).

In addition, psychological pricing is a tactic designed to appeal to customers who use emotional rather than natural responses to pricing messages. In the same vein, it is a set of prices slightly lower than a whole number. Psychological pricing is a method of presenting prices to stimulate consumers' emotions and influence the decision-making process (Parsa et al., 2007; Ademi & Awdullahi, 2021). It is also a market strategy based on the theory that certain prices have a psychological impact. This is to make the customer believe that the priced product is cheaper than its actual price. An example of psychological pricing is to set the price of an item to ₦199.9 instead of ₦200.

Furthermore, psychological pricing takes advantage of the idea that humans don't always act rationally and those certain prices may seem more attractive for no more than lower reasons. For example, if the price of an item is ₦15,999, many consumers tend to think that the price is in the ₦15,000 range. Laconically, this type of pricing strategy is being used by Muslim retailers in shopping malls, especially when advertising their goods.

Retailers and Consumers
A retailer is an individual business or business that sells goods to the general public. Retailers offer price various price strategies in order to stimulate demand. One of these strategies includes psychological pricing. Retailers use psychological pricing strategy to change the attitude of consumers. According to the distributive trade process, also known as a chain of distribution, retailers are the middlemen between the wholesalers and consumers. For this reason, they greatly influence the determination of commodity prices.
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(Anderson et al., 2022). Muslim retailers are also involved in psychological pricing strategy. Many Muslim retailers own shopping malls where commodities are tagged with prices not rounded up to a whole number (Liu et al., 2022; Jeong et al., 2022).

Consumers are the end users of a particular manufactured product. They purchased goods and services for personal use (Neha and Manoj, 2013). Apart from purchasing power of Muslim consumers, other factors that affect their purchasing tendencies include emotion, need assessment, and price tag. Knowledge of psychological pricing can assist consumers and help shape their emotions and attitude toward making the right decision on purchasing a product (Kim and Gupta, 2012; Lăzăroiu, 2020).

III. Methodology

The study adopted a qualitative research method by using both qualitative and analytical research designs. The qualitative method was used to review related literature and texts relevant to psychological pricing and business advertisement. The analytical design was used to analyse the implications of psychological pricing on retailers and consumers in Nigeria. Relevant texts and materials that discuss the subject of psychological pricing were consulted and critically reviewed.

IV. Results and Analysis

4.1. Practice of Psychological Pricing in Nigeria

Psychology pricing has been practised in Nigeria for many years. Since there is no rule guiding price policy precisely. Retailers are prone to sell their goods at any cost by using pricing strategies to boost their sales. Some items do not actively entail using psychological pricing. However, using psychological pricing has been the order of the day in tagging goods and services.

It is safe to say that psychological pricing is used purposely to achieve a target return, maximize profit or increase sales volume. However, there is nothing wrong with profit maximization, but it must not go against the injunction of Islamic Law, such as unlawfully eating up other's property. Shopping Malls are owned by Muslims and non-Muslims. Hence, online and offline platforms are made available for buyers, and majorly psychological pricing is used as the price tag.

Consumers are primarily interested in low prices, whereas some are more concerned with other factors such as service quality, value, and brand image (Hu et al., 2009). It is, therefore, observed that the majority of Nigerian consumers are living on average. Thereby, they are price-conscious. For instance, if retailer “A” tagged its product ₦20, and retailer “B” tagged its product at a price less than retailer “A,” i.e. ₦19.99, the former retailer would sell more than the latter because the consumer considered the price of the former retailer's product as a cheap one. Basically, the consumer will not be able to get back his/her change because of the non-availability of the coin.
4.2. Business Advertisement and Psychological Pricing

Besides restrictions on riba, Islam has various other prohibitions which must be taken into account in business. In Islam, any form of business transaction should be freed of “Gharar” (uncertainty) and Khiyānah (Cheat) (Samadai, 2004). Contemporarily, transactions, in all ramifications, have grown wings through social media platforms, whereby a product can reach billions of people across the globe if advertised. That is why firms and retailers compete to make sales. Thus, it is believed that the success of any firm depends on the effectiveness of its advertising strategy (Etzel et al., 2001). To this end, it should be noted that advertisement is not only restricted to social media platforms. It can also occur through personal interactions.

It is understood from the above explanation that advertisement is a way of making awareness of services being provided. Hence, in order to entice the attention of consumers and make a profit, many advertisement agencies use misinformation, excessive exaggeration, controversial images, nudity, adventure pictures, pricing strategies, and other tactics (Etzel et al., 2001). Some advertisement agencies advertise moderately because they are being conscious of Sharī'ah injunctions (AbdulKareem, I. A., Olaide, K. M., & Isiaka, O. S. (2021). However, Islam denounces all ill modes of advertisement because it causes spiritomoral problems in society. The Prophet (SAW) discouraged swearing on products for the purpose of deceiving the buyer (Sunnan Ibn Majah 2207)

Ibn Qayyim also said: “Any advertisement that contains deceit such as the use of psychological pricing, excessive praising of goods, using of nudity and music is not permitted in Islam because they are not among economic activities of the market (1977)”. Consequently, psychological pricing is among the tools used to advertise commodities because it is capable of drawing the attention of consumers to a particular product. In the Islamic economic system, psychological pricing falls under the unlawful act because of the following:

a. It deceives that the selling is lower than the actual price of the commodity; and
b. There is a breaking of business agreement on the side of the seller by not adhering to the tagged price.

Imam An-Nawawi said as quoted by Kusuma (2019):

النبي عن بيع الغرر أصل من أصول الشرع يدخل تحته مسائل كثيرة جد

Preventing the sale of al-Gharr is one of the fundamentals of Islamic law that seriously affects other issues.

The above statement clarifies that there are many ways of deceiving consumers in business transactions. Abu Hurayrah reported that the Prophet said:

ان رسول الله صلى الله عليه وسلم نهى عن بيع الغرر وبيع الحصاة

The Messenger of Allah (SAW) prohibited deceitful sale (Gharar) and sale of (Hasah) (Jami` At-Tirmidhi 1230).
Bahyil Hasah in the Hadith is a transaction determined by throwing stones, and according to Islamic scholars, it is equivalent to a low-quality item.

Ash-Shafi’i said, as reported in Tafsir Qurtubi, Qur’an 61 verse 2, that "the Gharar sale includes selling fish that are in the water, selling a slave that has escaped, selling birds that are in the sky, and similar type of sales (this includes using psychological pricing to make sales) (Al-Qurṭubi, nd).

4.3. Implication of Psychological Pricing on Muslim Retailers and Consumers in Nigeria

Spiritual Implication

The spiritual implication of psychological pricing on retailers is connected with deception. This simply means the retailer will have many unpaid balances (change) in his record. If a product is tagged with a price such as ₦499, ₦ 498, or ₦499.97, it is assumed that both the seller and the buyer have struck an emotional agreement. So, if the buyer pays ₦500 for the commodity, the seller will be unable to remit the buyer's balance because, in the focused area of this research, there is no availability of a coin for payment balance. In this sense, the seller’s remaining balance has turned into deception (zulm).

In Islam, eating another person's hard-earned wealth unjustly is considered Az-Ẓulm (oppression). On the one hand, it is derived from both As-Sayouti and Aṭ-Ṭabarî’s explanation of Qur’ān 2:188 and 4:29, that consuming another person’s property in deceptive and extortive ways is prohibited because it is tantamount to oppression. Aṭ-Ṭabarî remarks as:

وأكله بالباطل : "أكله من غير الوجه الذي أباحه الله لأكليه

...and meaning of eating another person’s wealth unjustly: it is to eat it in a way other than how Allah stipulated.

On the other hand, Aṭ-Ṭabarî gives a record of Asbāṭ when he (Asbāt) relates oppression with eating up others’ property unjustly, thus;

أما "الباطل، يقول: يظلم الرجل منكم صاحبه، ثم يخاصمه ليقطع ماله وهو يعلم أنه ظالم.

... and eating another's property illegally is: for a man to oppress his friend by arguing with him (so that the former can siphon the latter's property) while the former knows that he is an oppressor.

Ibn Baz said:

It is compulsory for a believer to be cautioned of oppression in all its kinds: such as looting, theft, plunder, embezzlement, betrayal, and other types of injustice, especially in money.

Because the Prophet said:

من كانت عنده مظلمة لأخيه من عرضه أو من شيء فليحلله منه اليوم قبل أن يكون دينار ولا درهم
Whoever has oppressed his brother concerning his reputation or anything else, he should beg him to forgive him before the Day of Resurrection when there will be no money (to compensate for wrong deeds (Sahih al-Bukhari 6534).

Prophetic Ḥadīth appear to have shown the implication of psychological pricing on the retailers. Among these is the Ḥadīth known as ¬Ḥadīth Muflis (bankrupt). Of course, when, in a time, the Prophet was interrogating the companions of his about a bankrupt on the Day of Reckoning, the response of the companions is contained in the following Ḥadīth:

عن أبي هريرة - رضي الله عنه - أن رسول الله – صلى الله عليه وسلم قال: إن المظلوم من المظلومين؟ (قالوا: المظلومين فينا من لا يدعهما ولا مناظر قال: إن المظلوم من أمنيتي يعلم القيامة بصيام وصداق وركه، ويأتي وقد شتمه وقد فتقه هذا، وأكله هذا، وضربه هذا، فغطى هذا من حسناته، وهذا من حسناته، فإن فقيتين حسناثة قبل أن يتضمن ما عليه، أجذ من خطاهما فطروا على يد قوله تعالى: "هَذَا، وَقَذَف هَذَا، وَأَكَل هَذَا، وَضَرَب هَذَا، فَعَطَى هَذَا مِّن حَسَنَاتِهِ، وَهَذَا مِّن حَسَنَاتِهِ، فَإِن فَنِّيَت حَسَنَات هُمْ قَبْلَ أَن يُقْضَى مَا عَلَيْهِ، أَخَذ مِّن خُطَايَاهُ فَطَرَ حَيْثَ عَلَى هَذَا، ثُمَّ مَرَّ فِي النَّارِ.

Abu Hurayrah (may Allah be pleased with him) reported that the Messenger of Allah (may Allah's peace and blessings be upon him) said: "Do you know who the bankrupt is?" They said: "The bankrupt among us is the one who has neither money nor property." He said: "Verily, the bankrupt of my Ummah are those who come on the Day of Resurrection with prayers, fasting, and charity, but also with insults, slander, consuming wealth unlawfully, shedding blood, and beating others. The oppressed will each be given from his good deeds. If his good deeds run out before justice is fulfilled, then some of his sins will be cast upon him and will be thrown into the Hellfire (Riyad as-Salihin 218).

The above tradition corroborates the verse which says:

وَمَن يَغْلِب يَأْتِي بِمَا غَلَبَ يَوْمَ الْقِيَامَةِ ثُمَّ تَوَفَّى كُنْسٍ مَا كَسَبَت وَهِمْ لا يَعْمَلُون

... and whoever betrays, [taking unlawfully], will come with what he took on the Day of Resurrection. Then will every soul be [fully] compensated for what it earned, and they will not be wronged. (Qur'ān 3:161)

Moral and Ethical Implications
Psychological pricing involves deception and lying. Islam has laid down that there should not be any deception in any form while transacting. The glorious Qur'ān condemns this as it says:

يَأَي هَا ٱلَّذِّينَُءَمَن وَلَمْ تَفْعَل وِنَّمَا يَعْمَلُون

O you who have believed, why do you say what you do not do? (Qur'ān 61:2).

Based on this verse, Imam Shafi'i said:

فَوَلَّمَ مَا لَا يَفْعَلُون مَذَمْمَع

Your promise of what you do not attain is reprehensible.

Ethically, it is not expected of a Muslim to act trickery regarding a promise as the Prophet said: "promise is a debt." In another tradition, the Prophet said:

أَيَةَ المَنْفَقِ ثَلَاثَ إِذًا حَدِثَ كَبِبٌ، إِذَا وَعَدَ أَخَلَفَ، إِذَا أَؤْمَنَ خَان

There are three signs of a hypocrite: when he speaks he lies, when he promises he acts treacherously, and when he is trusted he betrays (Al-Bukhari 2749).
This means, whoever breaks his promise is a Munāfiq and Munāfiqun will be thrown into the hell fire on the Day of Judgment. Allah says:

إنّ الْمُنَافِقِينَ في الْذُّرُّك الأَسْلَفَ مِنَ النَّارِ وَلَنْ نَجِدَ لَهُمْ نَصِيرًا

Indeed, the hypocrites will be in the lowest depths of the Fire - and never will you find for them a helper (Qur’ān 4:145).

Implications of Psychological Pricing on Consumers

Based on the review literature, it was found that psychological pricing has several implications. The implications of psychological pricing on the buyers can be viewed from two perspectives vis-à-vis extravagance and wastage. These two acts are not acceptable in Islam. Extravagance is known as Isrāf, while wasting resources is known as Tabdhīr. These acts have been warned against both in the Qur’ān and the Ḥadīth of the Prophet. Allah says regarding extravagance:

وَكُلُواْ وَآتَيْواْ لَا تَبِذِّرُواْ إِنَّهُۥ لَا يُحِبَّ الْمُبَذِّرِينَ

and eat and drink, but be not excessive. Indeed, He likes not those who commit excess (Qur’ān 7:31).

In other verses, Allah says in regarding wasting resources:

وَلَا تَبِذِّرُواْ إِنَّ الْمُبَذِّرِينَ كَانُواْ إِخْوَٰنَ الْجَاهِلِّينَ وَكَانَ الْجَاهِلِّينَ لِرَبِّهِمْ كَفُورًا

and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful (Qur’ān 17: 26-27).

For a consumer to agree to buy a product that has been tagged based on psychological pricing, such a consumer has partaken in aiding zulm. When a buyer wants to buy a product tagged with ₦499.99, he will definitely tender a ₦500 note because there is no availability of coins to receive change. Such consumers may not be concerned about the change because it has been belittled and left unasked for. This belittled amount is tantamount to resource waste, especially when the commodity is bought in the manifold.

In his explanation regarding wasting resources by belittling them, Imam Ja’far As-Sidiq said:

Certainly, moderation is liked by Allah, and he dislikes extravagance, even in the throwing away of a date seed, because that too can be used. And the same is with throwing away leftover water after drinking.

In line with the above quotation, leaving one’s entitlement because it is small in value, such as (₦1, or ₦0.1), is tantamount to wasting resources.

The Prophet said:

عَنْ أَبِي بَرْزَة نَضْلَة بْنِ يَعْوَبِ الْأَسْمَعِي رَضِيَ اللَّهُ عَنْهُ قَالَ رَضِيَ اللَّهُ عَنْهُ رَسُولُ اللَّهِ صَلَّى اللهُ عَلَيْهِ وَسَلَّمُ: لَا تُزْوَّلُ قَدْماً عِبَادِي عَنْ يَوْمِ الْقِيَامَةِ حَتَّى يَسْأَلَنَّ اَ لآيَامِ وَلَا تُسْأَلَنَّ عَنْ أَيْنَ أَتَكَسِبَتْ وَلَا تُسْأَلَنَّ عَنْ أَيْنَ اِسْتَفْلَى وَلَا تُسْأَلَنَّ عَنْ جَسَمِهِ وَلَا تُسْأَلَنَّ عَنْ أَيْنَ أَنْفَقَ وَلَا تُسْأَلَنَّ عَنْ أَيْنَ أَتَقَلَّبَ (٨٠).

Abu Barzah (May Allah be pleased with him) reported: Messenger of Allah (SAW) said, "Man's feet will not move on the Day of Resurrection till he is asked about four things: his life, how did he spend it, his knowledge, how did he use it, his wealth, how
did he earn and spend it, and about his body, how did he wear it out (Jami` at-Tirmidhi 2417).

Part of what the Ḥadīth portrays is the consumers’ spending habits, considering that every individual will be asked how he spends his money. Excessive spending, which is due to psychological pricing, should, therefore, be avoided by Muslim consumers.

V. Conclusion and Recommendation

5.1. Conclusion
This study so far has discussed the concept of psychological pricing and assessed its implication for retailers and consumers in Nigeria. Muslims are allowed and encouraged to participate in lawful economic dealings as a social system. Ethical transactions should be maintained between the buyer and the seller. Therefore, any activity that harms either of the two parties should be avoided. Thus, psychological pricing has economically, religiously, and spiritomorally adverse implications for retailers and consumers.

5.2. Recommendation for Future Research
This paper recommends that: (i) Muslims should be careful of where money is acquired and dispensed; (ii) businessmen should involve in deals based on the Islamic ethic of business; (iii) Muslim retailers should rather use any other pricing strategies that are deprived of deception, extravagance, excessiveness, exploitation and wastage of resources; (iv) retailers should always use round prices, with that, consumers would be able to buy the product at the actual price; and, (v) Muslims are encouraged to use a credit card in order to avoid paying beyond the tagged price of a commodity.

The scope of this study covered only psychological pricing in Nigeria. Further studies are expected to cover African countries and the Caribbean.

5.3. Managerial Implication
For transactions to be devoid of deception, electronic payment should be encouraged through the use of credit cards to avoid paying beyond the tagged price of a commodity.

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