E-COMMERCE MANAGERS' PERCEPTIONS OF PRICING STRATEGIES

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ABSTRACT

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Abstract

This thesis strives to examine e-commerce managers' perspectives regarding their pricing strategies to gain a better understanding of their motivations and challenges during the price-setting journey. With this purpose in mind, the three research questions are formed to examine factors that influence the e-commerce owners' price-setting decisions, challenges, pricing tactics, and their justifications for implementing those decisions. The thesis aims to explore the motivations of e-commerce managers, besides obvious economic motivations, to illuminate how e-commerce managers choose their pricing strategies. In other words, the objective of this study is to understand a manager's decision-making process when they set prices for their products. With this piece of information, we can then proceed to find out the factors that influence managers' pricing strategy choices. To serve this motive, the author adopts an interpretivism approach and exploratory qualitative as the research method. After conducting the study, we found that factors that are related to humans, such as personal perspectives and judgments, are often more complicated and difficult to measure when compared to economic factors. Besides, e-commerce owners tend to struggle while deciding on a suitable pricing strategy. One of the reasons is because some of their products' value is intangible and, therefore, it was difficult for businesses to accurately put a number on it. Additionally, pricing tactics under the discount and promotion pricing category was utilized the most by e-commerce owners; however, they were not the only one. In all cases, pricing managers normally use a combination of pricing tactics. Their justifications for choosing which pricing approaches to use mainly were based on others, such as their competitors and/or other companies. In conclusion, determining the price of a product is a challenging but essential issue; therefore, the pricing strategy must be developed based on studies of different influencing factors. A single pricing strategy is never suitable for all types of retail business - every entrepreneur will need to invest time and resources to decide what works best for their product, marketing strategy, and target audience. Finally, a strategic pricing strategy does not only need to be profitable; it also needs to be sustainable over a long period of time.

Keywords	pricing, pricing strategy, pricing methods, behavioral factors in pricing
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1. INTRODUCTION

This initiatory chapter commences by introducing the background and justification of the study by giving a compact outline of the antecedent research, underlining the challenges and assumptions, as well as pointing out the research gap. Following that, the research questions and objectives of this study are contemplated. Finally, the structure of the research is provided. Overall, in this chapter, the researcher aims to clarify the necessity of the topic and provide grounds for selecting this categorical focus.

1.1 Background and justification of the study

1.1.1 Background and justification

The aggressive growth of the Internet has undoubtedly changed many things, including the way consumers perceive information and interact with businesses. Because of the tremendous number of Internet users, it inevitably changes the way many industries operate. One of the most noticeable transformations was in the retail sector when the term e-commerce started to show up. In just a few years, e-commerce completely changed the way businesses operate by letting consumers proactively approach products and services whenever and wherever they want. The term e-commerce is an abbreviation of electronic commerce or also recognized as e-business, which alludes to the trading of products and services by way of electronic communications (Tian & Stewart, 2006). In other words, when a consumer buys a product or service online, the seller is considered to have an e-commerce business.

The recent Covid-19 pandemic has not only contributed to accelerating this online shopping behavior but also suggested that e-commerce activities are here to stay. Social distancing regulations and the development of contactless ways of purchasing goods have motivated and converted more and more consumers to digital platforms (Arora et al., 2020). According to a set of data from Visa Inc., during the first three months of 2020, there were more than thirteen million Visa card users who conducted their first transaction in e-commerce stores located in the Latin American and Caribbean regions alone. It does not take much effort to recognize the ongoing transformation of consumer behavior, supporting e-commerce purchases in response to the Covid-19 pandemic. Even though the whole effect of the pandemic on online business penetration is not yet revealed, early signs suggest a change in spending habits towards online transactions (Visa, 2020). Additionally, these habits appear to have long-term and permanent effects as customers in the United States state that they would continue buying online even after the pandemic ends (Charm et al., 2020). Finally, it is safe to conclude that with this increasing number of online buyers, there is also an increase in e-commerce businesses.

The increase in e-commerce unsurprisingly leads to a more competitive market. On top of that, super-efficient search engines on the Internet allow consumers to rapidly collect and compare information between their desirable e-commerce stores. Sharp and clear-headed managers of e-commerce stores would need to, among other things, position their goods correctly in the marketplace, make the right decisions regarding their pricing strategy and promptly adjust it when needed. One of the vital features that heavily affect consumers' buying decisions and also decide the success of any e-commerce store is the products or services prices. Price is one of the critical variables used by consumers in making purchase decisions (Parsa & Njite, 2008). To be more specific, price is the only component in the traditional marketing mix elements that can create revenue (Shipley & Jobber, 2001). Furthermore, digital technologies have transformed marketplaces into more than ever competitive environments; therefore, an effective pricing strategy is mandatory to enable key performances and influence consumer behaviors (Shipley & Jobber, 2001).

It goes without saying that setting a correct price is essential or even vital in a business. Having a productive pricing strategy is a trump card for any e-commerce to maximize its revenue growth, increase customer retention and consolidate its brand reputation in a competitive market. Additionally, every brand has its product positioned differently, therefore, implementing a wholly or partly dissimilar pricing strategy. The goal of businesses here is to determine an attractive and most competitive price for their products and services in the market. These are the factors that later guide and determine the marketing activities of that brand.

However, there are several common challenges and assumptions that hinder pricing managers from setting optimum prices for their stores. Their obstacles can be generally divided into three categories. First, pricing managers usually face challenges that emerge from their own behavioral perspectives. For example, a manager's perception of accepted risk and the importance of pricing would influence their price-setting decisions. Secondly, the next set of challenges comes from the complex nature of pricing. Finally, after getting through challenges while setting prices and the complexity of pricing, the next test for e-commerce owners is to successfully communicate the set price to their customers. If the product information delivered to the potential customers is either too excessive or insufficient, customers will make the task simpler and quickly establish their general opinion on the products or services based on the most distinguishable element of all - the price. (Volckner & Hofmann, 2007.)

1.1.2 The research gap

According to the research from Kienzler & Kowalkowski (2017), there is a noticeable and growing research gap between studies from the demand side and the supply side, especially in the B2C type of business. After reviewing hundreds of marketing research, the authors calculated that 79% of B2C studies were conducted and studied from the consumer's perspective. Moreover, B2C studies using data from the consumer's side have increased by 19% during past years, and B2C studies using the manager's side have decreased by 18%. Their study then proceeds to suggest that future researchers should pay more attention to examining B2C studies from supply-side respondents, for example, from managers' perspectives.

Other research from Reibstein et al. (2009, p.1) also admits that there have been few efforts to study the key challenges that managers struggle with. Almost 40 years ago, another study from Rao (1984) proposed researchers explore what roles managers' habits and values would play in the competitive pricing behavior topics. Unfortunately, this beneficial proposal is still mostly uninvestigated (Kienzler & Kowalkowski, 2017). As a matter of fact, B2C studies would greatly benefit from a multi-perspective view, including views from the supply side - the managers. Particularly in pricing research, managers who directly or indirectly control and affect tactical pricing approaches are essential participants (Kienzler & Kowalkowski, 2017). Until future researchers focus enough attention to balance this demand- and supply-side gap, the current disproportion may constrain the pricing strategy research progress (Kienzler & Kowalkowski, 2017).

1.2 Research questions and objectives

Even though the number of publications in marketing studies has been increasing obviously over the years, the pricing strategy research topic has not been correlative increasing (Kienzler & Kowalkowski, 2017). This thesis is devoted to the pricing strategy research subject, particularly exploring from B2C e-commerce managers' perspectives. Even though pricing tasks are vital for business, many managers have not yet thoroughly utilized pricing opportunities and still commit fundamental pricing mistakes (Shipley & Jobber, 2001). This happens because setting and adjusting prices is a challenging, complex, and seemingly low-priority task (Jurg, 2021). As a result, there are many firms that are inattentive to their pricing strategies and many managers who do not give sufficient intent to their pricing approaches (Shipley & Jobber, 2001). Based on this justification, this thesis strives to examine e-commerce managers' perspectives regarding their pricing strategies to gain a better understanding of their motivations and challenges during the price-setting journey. With this purpose in mind, the research questions are formed as follows:

RQ1: What factors influence e-commerce managers' price-setting decisions?

RQ2: What challenges do e-commerce managers face while determining their prices?

RQ3: What are the commonly used pricing tactics and e-commerce managers’ justifications for using them?

This thesis aims to explore the motivations of e-commerce managers, besides obvious economic motivations, to illuminate how e-commerce managers choose their pricing strategies. In other words, the objective of this study is to understand a manager's decision-making process when they set prices for their products. With this piece of information, we can then proceed to find out the factors that influence managers' pricing strategy choices. Finally, this study will also provide managerial recommendations and suggestions for further research.

1.3 Structure of the study

This thesis is composed of five chapters and subchapters. The order of the five chapters is as follows: introduction, literature review, methodology, research findings, and conclusions.

The background and justification of the study, as well as the research questions and objectives, are established in the introduction chapter. Next, the literature review chapter consists of three main concepts: pricing strategy, challenges in price settings, and pricing in e-commerce. In the end, the literature review chapter also summarises the research questions and their theoretical framework into a research model. Next, the methodology chapter provides justification for choosing a qualitative research method, as well as describes the process of the data collection, implementation, and data analysis. After that, the research findings chapter is divided into three sections according to the three research questions and presents the results of the data analysis process. Finally, the last chapter discusses the theoretical contribution, managerial implications, limitations of the study, and recommendations for future research.

2. LITERATURE REVIEW

The purpose of this chapter is to establish an understanding of concepts presented in the research findings chapter. The four subchapters are overviews of recent literature. Initially, the concept of pricing strategy is introduced, along with its elements and challenges. Follow up, several pricing approaches and their classifications are discussed. Next, an introduction of e-commerce and its specific characters and pricing approaches are presented. Finally, the pricing tactics that are frequently used by small and medium e-commerce are also observed and reported.

2.1 Pricing strategy

The concept of price has probably existed since humans started to trade seashells for desirable goods. Parsa & Njite (2008) define price as a token between supply and demand interaction. Price has inevitably been a compulsory component of traditional marketing elements, and it is the only element that can create revenue (Shipley & Jobber, 2001). Pricing research started in the 19th century, and it has been getting more detailed and comprehensive over time. Contemporary researchers are aware that the pricing concept is complicated and involves multidimensional factors.

Several researchers and marketers have attempted to expand the definition of price. In 1988, Zeithaml described the price as a sacrifice from the customer to acquire a product. The author continues to clarify three fundamental components of price: non-monetary price, objective price, and sacrifice. A few years later, Enis & Murphy (1986) added two dimensions to the expanded price concept: effort and risk. In their study, the effort is explained as a customer's sum of time and money; risk represents a customer's subjective judgment of committing a buying error. Moreover, pricing researchers seem to agree that there are clearly two distinct components in pricing: non-monetary and monetary. Therefore, when consumers need to make a purchase decision, they face more various aspects than just considering an objective number. In the figure below, the role of price in a buyer's decision process is constructed (Gijsbrechts, 1993).

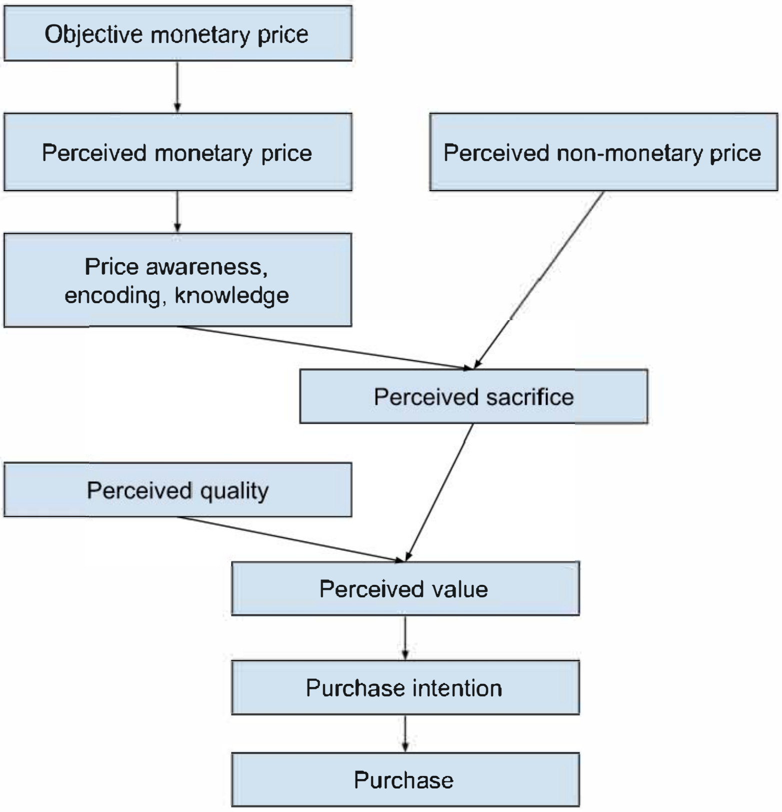

Figure 1: The role of price in a consumer's decision process (Gijsbrechts, 1993, p.118)

The relationship between price and perceived quality has provoked a substantial number of studies. However, because of the large variance among studies and difficulty in methodology, there have been no conclusive results regarding this topic. In general, the relationship between price and quality appears to be positive; nevertheless, the link between these two variables seems very weak and tends to greatly fluctuate within different product categories (Gijsbrechts, 1993). As a matter of fact, the objective price number cannot be the only indicator that consumers use to perceive a product's quality and influence their buying decisions. To ensure that an organization is generating its maximum amount of profit, there are many correct pricing decisions managers need to make. In the next part, we briefly explore the pricing strategy concept and its research development journey.

In a competitive market, more than ever, a sound pricing strategy is necessary and vital to facilitate customer value creation, structure price decisions, and earn a maximized profit. Tellis (1986) has defined a pricing strategy as rational choices from a selection of possible prices that focus on maximizing the profit in a given period and scenario. In other words, an organization needs to have a pricing strategy so that it can take into account business objectives, current situation, and influential factors before specifying its price ranges. Additionally, a pricing strategy allows managers to have a comprehensive look into influential factors and systematically manage to accomplish profitable business. In 1999, Noble & Gruca reported in their study that there are at least four elements that should be considered in a pricing strategy: the organization's pricing objectives, the target price, and the external and internal factors of the organization.

Pricing studies have been advancing since the 60s. As a result, a new wave of new information regarding pricing strategies emerged. However, the multidimensional factors in pricing and the different context in each study caused a handful of strategies' descriptions to overlap. Several terms were labeled in a complex and outdated way. Moreover, because of that, marketing literature was witnessing a disparity between the number of publications of some specific pricing strategies and others. Consequently, researchers were not able to establish a unified and comprehensive taxonomy of pricing strategies. Seeing this as a major issue, Tellis (1986) developed a unifying taxonomy of pricing strategies, which specified the essential principles of every strategy. This classification allows researchers and practitioners to compare the similarities and differences of each strategy under the organization's specific situations. As a result, this taxonomy has been a foundation for further researchers to stimulate new theories, strategies, and applications. (Tellis, 1986.)

In their most recent review article, after analyzing more than five hundred modern pricing strategy studies, Kienzler & Kowalkowski (2017) categorized most of them into three fundamental 'schools of thought'. Firstly, the modeling school has its focuses on economics and game theory. Research in this category often studies the four most popular pricing strategies (differential, product-line, competitive, promotion, and discounts) and channel pricing. The next group of research has its focuses on exploring the behavior aspect and mostly under the B2C context. Researchers in this group also tend to examine the four most popular strategies, plus the psychological pricing topic. Finally, the third category is for studies that focus on organizational-level topics, usually under the B2B context, such as organizational and market issues and international and export pricing. Figure 2 below summarises the representative characters of each category (Kienzler & Kowalkowski, 2017). The literature review of this thesis focuses solely on the behavioral school of thought. Behavioral pricing studies marketing and consumer behavior in pricing, with an emphasis on behavioral and psychological perspectives (Somervuori, 2014). Different topics in the behavioral school of thought are discussed further at the end of this chapter.

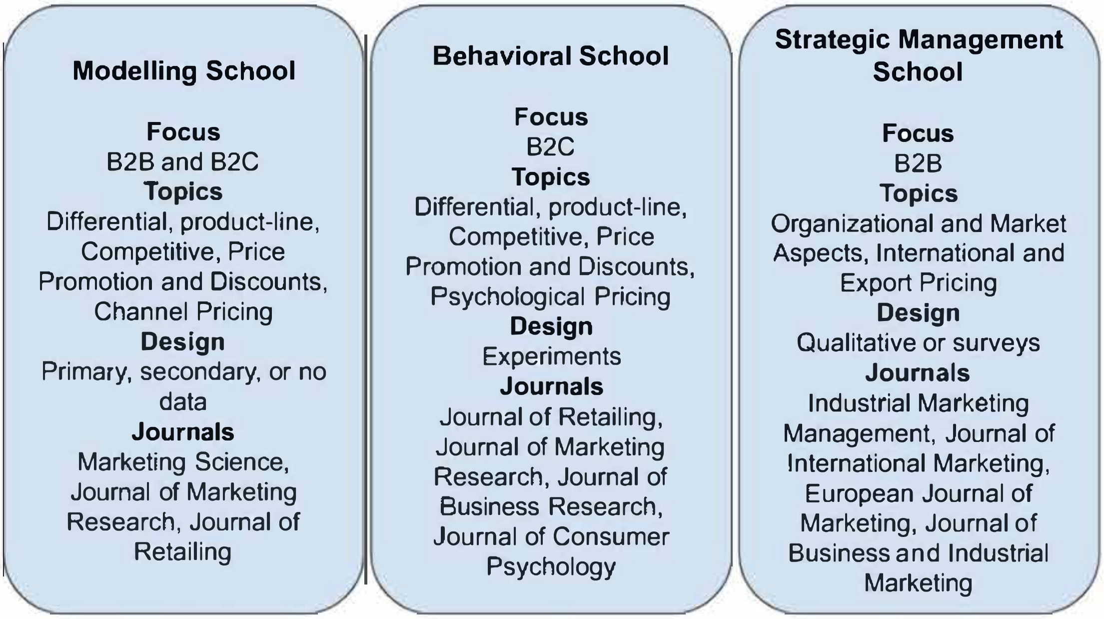

Figure 2: Schools of thought in pricing strategy research (Kienzler & Kowalkowski, 2017, p.108)

2.1.1 Strategic pricing strategy

Before getting to know the factors that can influence a pricing strategy, we have to clarify what a strategic pricing strategy is and its fundamental components. In 2006, Hogan & Nagle built a strategic pricing pyramid including five fundamental components. Their pricing pyramid has been used in many other pricing studies since then. The model is constructed of five layers and aims to create a sustainable and profit-driven pricing strategy. Their framework of a strategic pricing strategy can be seen in the figure below.

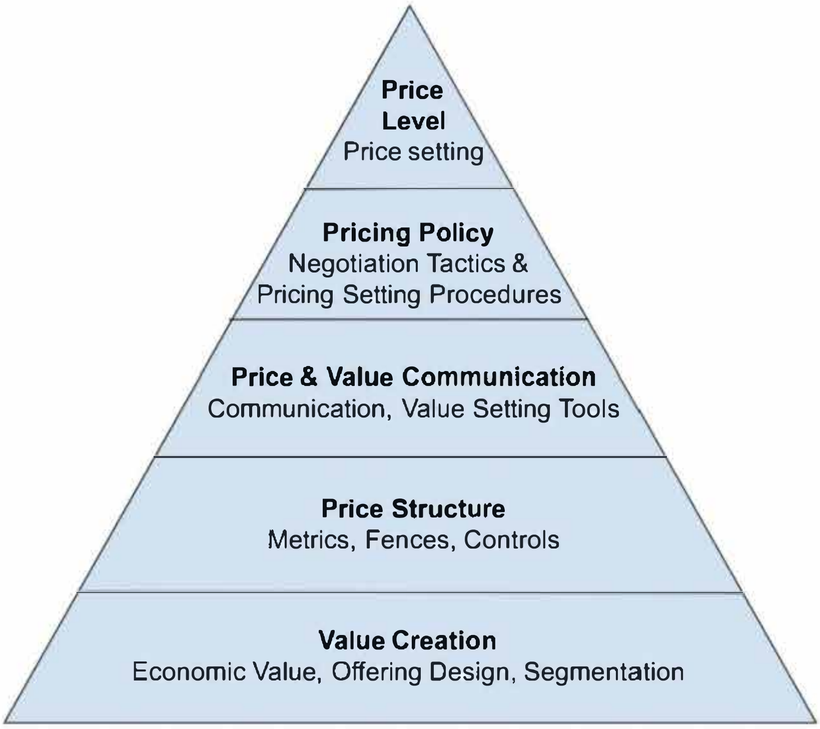

Figure 3: The strategic pricing pyramid (Hogan & Nagle, 2006, p.2)

According to Figure 3, the foundation layer of any pricing strategy should be **value creation**. Simply put, a company has an accurate understanding of what values their products offer so that they can put price tags on them accordingly. Even though measuring a product's value is not a simple task, organizations must obtain this piece of information if they want to offer a reasonable price. After knowing the product's value, managers then proceed to estimate their consumers' willingness to pay for a product by using common techniques such as voice modeling or conjoint studies. It is worth highlighting that different customer segmentations have different amounts of willingness to pay. Additionally, extra and meaningful features can always boost customers' perception of the product value; however, only when the extra features do not cause a price increment. (Hogan & Nagle, 2006.)

The second component of a strategic pricing strategy is **price structure**. A typical mistake from pricing managers is that they tend to set prices based on the products and not based on customer segments. As we mentioned in the first component - value creation, the same product can project its value differently to different groups of customers. Therefore, pricing managers should set their prices based on each specific customer segment. Two common techniques to generate a price structure are price metrics and fences. In short, price metrics are when the product or service is being charged by unit. For example, internet packages are charged by unit of usage. Customers who consume more data or want faster services are willing to pay more for these features and vice versa. The second technique - price fences, is when organizations put up extra pricing policies to ensure every customer segment gets its targeted price. For example, airline tickets are more expensive near departure days because business travelers prioritize flexibility more than ticket costs. (Hogan & Nagle, 2006.)

Price and value communication is the third crucial element in a strategic pricing strategy. After measuring their products' values and setting correct prices, managers then face the task of communicating their prices and products' values to potential consumers. In this step, an obvious risk for the company is to offer too much or too little information on the product. Moreover, even when the amount of information is correct, consumers' perceptions of prices are usually complex and irrational. This issue is addressed further in the next subchapter, where we discuss in detail the risk and challenges in price communication. (Hogan & Nagle, 2006.)

Pricing policy aims to control customers' expectations and encourage their desirable behaviors. A strategic policy would use price as an incentive to actively influence its customers. An ineffective pricing policy would set prices according to customer expectations. For example, providing discounts sorely because customers expect you to do so is not a sustainable pricing policy. (Hogan & Nagle, 2006.)

Maximizing profitability is the ultimate objective of a strategic pricing strategy. The final step that pricing managers need to make, after going through these steps above, is to set a specific number - a **price level**. In this stage, companies usually find it problematic to incorporate all the collected information regarding prices and make a final decision. This study recommended that managers at this step should adopt a systematic and structured decision model so that they can convert valuable information inputs into a specific price range. (Hogan & Nagle, 2006.)

Overall, establishing an effective pricing strategy is both critical and very complex (Gijsbrechts, 1993). Besides the fundamental components mentioned above, a pricing strategy is also influenced by other elements. Some of the most common influential elements can be divided into four categories: the environment, organization objectives, customer characteristics, and pricing situations (Kienzler & Kowalkowski, 2017). The variety of these elements, in turn, affects a manager's decisions in selecting the appropriate type of pricing strategy and its approach. In the next subchapter, we look into each type of pricing strategy and its accommodated challenges.

2.1.2 Different types of pricing strategies

There are fundamentally three types of pricing when setting prices for products and services. Many pricing researchers have observed that setting a product's prices based on its costs is the most frequently used method (Rao & Kartono, 2009; Schindler, 2011). The logic behind this cost-based pricing is fairly straightforward: the selling price should be higher than the acquired price. In other words, managers need to add a certain amount of extra money on top of the production and acquisition costs, and that would be their retail price. There are several methods to calculate this extra amount. For example, cost-plus pricing- the added amount based on the company's estimation; markup pricing- adding a certain percentage to all products or all products in a category; or keystone pricing- multiplying two times the actual costs. The appropriate calculation method depends on the organization's plan, number of products, product category, and whether they are a wholesaler or retailers company. Simplicity is the biggest advantage of this cost-based pricing. However, the disadvantage is that it leaves out the potential for maximizing total profits. (Schindler, 2011.)

One of the potentials and also a risk that cost-based pricing does not take into consideration is competitor research. When pricing managers conduct competitor research before setting their product prices, this procedure is referred to as competition-based pricing. In online markets, the mass number of sellers makes it more complex to collect and utilize price information from competitors. As a result, to tackle this complexity, price setters typically choose to compare their prices with only one type of price information. For example, pricing managers can select and compare themselves with one specific competitor, who is perhaps having the biggest market share, or having the most similarity with their company. Another example is when managers simplified the pricing process by comparing themselves with only the highest price or the lowest price. This competition-based pricing holds mostly the same advantage and disadvantages as the cost-based pricing approach. Cost-based and competition-based are more suitably perceived as methods to calculate initial price ranges rather than pricing strategies (Cressman, 2012). Both approaches are moderately intuitive and fairly uncomplicated to exercise. However, their substantial disadvantage is that many aspects of pricing are left out and, in turn, affect organizations' profit maximization and long-term goals. (Schindler, 2011.)

Finally, the third and most beneficial pricing approach is to set prices based on customers' needs and product value. This approach is referred to as customer-based pricing or value-based pricing. In this case, managers start their pricing journey by investigating their customer's needs, measuring their product's value, and establishing an understanding of how much these two variables match (Schindler, 2011). Value-based pricing employs knowledge of consumer willingness to pay and also on their price elasticity as a fundamental foundation for pricing choices (Hinterhuber & Bertini, 2011). In other words, vendors would concentrate on their customer's success so that they can require the customers to pay for the positive impact (Cressman, 2012). This customer-based or value-based approach is more likely to qualify as a pricing strategy rather than simply a price-setting methodology. Even though value-based pricing is more complex and contains more challenges, it is the most effective approach for organizations that aim for sustainability and profitability (Hinterhuber & Bertini, 2011).

In recent years, pricing research has expanded and developed its approaches substantially further than just the three fundamental approaches mentioned above. Business-to-consumer (B2C) is a business model where the exchange of products or services happens between businesses and consumers (Jewels & Timbrell, 2001). Similarly, in a business-to-business (B2B) model, the exchange of products or services happens between businesses (Jewels & Timbrell, 2001). According to Kienzler & Kowalkowski (2017), the four most common B2C pricing approaches mentioned in modern research were differential pricing, competitive pricing, product-line pricing, and promotion & discount pricing. For B2B business, international & export pricing and channel pricing were more popular. Other pricing studies also include competitive pricing, psychological pricing, new product pricing, and participative pricing. Each type of pricing accommodates a different set of pricing tactics. In practice, pricing managers could be using different types of pricing and pricing tactics simultaneously.

2.2 Challenges in price settings

The following sections describe several common challenges that e-commerce managers frequently deal with during their price-setting journey. The first section explains challenges that might arise from a manager's own perceptions of price. Next, we examine challenges that might arise from a customer's perceptions of price and the fact that pricing itself is a complicated topic.

2.2.1 Manager's perceptions of price

The first and foremost challenge in a price-setting journey often emerges from the people who are responsible for the price-setting tasks. There are very few attempts from academic researchers to investigate the significant obstacles managers must deal with from the behavioral perspective (Reibstein et al., 2009). When pricing managers, particularly those who use cost- or competition-based pricing, perceive that their product prices do not seem good enough or "just don't look right", they will often attempt to make price adjustments. Unfortunately, these attempts and trial processes tend to gravitate toward random and unsystematic solutions (Schindler, 2011). Moreover, the majority of pricing managers do not bear in mind all the five elements of a strategic pricing strategy mentioned earlier in Figure 3, and they are not aware of the interrelated relationships among the five elements. Consequently, they only have a set of pragmatic and expedient decisions disguised as pricing strategies (Hogan & Nagle, 2006). Managers tend to pay plenty more attention to marketing activities and notably neglect the pricing aspects (Hinterhuber, 2004).

Managers' perceptions are tremendously essential and influential during price-setting processes. There are at least two reasons why managers do not care enough to have a comprehensive view and often mistreat their pricing strategies. The first reason is that some managers perceive pricing as a win-and-lose equation: what the company gains are what its consumers lose. This perception results in serious conflict in managing customer relationships. Secondly, managers tend to be convinced that they do not have any power to affect prices in their industry. Their product prices and competitive efforts have to be driven by the 'market'. (Hinterhuber, 2004.)

Behavioral pricing researchers have been including sociological and psychological theories in their pricing strategy research simply because there are individual characteristics that can affect managerial decision-making. For example, in Hunt and Forman's research in 2006, the authors examine how managers' perceptions of risks can shape pricing strategies. Their study concludes that the way pricing managers percept risks (individual versus corporate) influence their selections of pricing strategies. The authors then proceed to encourage pricing managers to be aware of their own perceptions and how they can have a remarkable impact on the development of their pricing strategies. (Hunt & Forman, 2006.)

It is an accepted fact that having the correct price is the fastest and most efficient way for any business to maximize its profits. Having a correct price can expand the profit more rapidly than increasing the product's volume, and vice versa; having a wrong price can shatter the business just as quickly (Marn & Rosiello, 1992). To be more detailed, an improvement in price can usually generate three to four times higher profit than a proportionate boost in volume will (Marn & Rosiello, 1992). Equivalently, by examining ten establishments from the S&P 500, another research by Hinterhuber & Bertini (2011) revealed that the profitability could be lifted to a fourteen percent increment on average with only a two percent increase in price. The researchers also come to a conclusion that an efficient pricing approach is an essential precondition to attaining and maintaining exceptional profitability (Hinterhuber & Bertini, 2011). Even though improving pricing approaches is one of the key elements in developing companies, managers often leave out this profit increment opportunity (Marn & Rosiello, 1992).

Managers are often tested when they need to decide on a new price for a current product. Extra difficulties manifest themselves when managers have to adjust a price, particularly a price increment when there is no visible improvement in the value of the goods. For example, pricing managers can be additionally confronted when they need to add more costs and lift the price to meet the demands of the providers or wholesalers. In some cases, the requirements of regional culture and accessible replacements would also influence product pricing. Moreover, many studies have pointed out that there is an acceptable price range for any kind of product. If the product's price is lower than the acceptable level, consumers will doubt the product's quality. Conversely, if the product's price is higher than the acceptable level, any improvement in quality is not accepted as reasonable by the consumers. (Parsa & Njite, 2008.) Finally, price elasticity fluctuates over a long period of time, and price changes influence every market segment in a different way; however, most managers do not take into consideration these factors (Levy et al., 2004).

Overall, there are five major challenges that pricing managers face while developing their pricing strategies, particularly value-based pricing strategies (Hinterhuber & Bertini, 2011). The first obstacle appears when they have to assess and measure a product's values. Because of the unavailability of tools and data, organizations usually find it difficult to precisely assess what their product's values are and how to measure the values it offers to their customers. Secondly, even after correctly evaluating their values, managers are now facing a new challenge to effectively communicate their values to their potential customers. Thirdly, managers usually do not know that countless pricing problems are indeed the results of substandard market segmentation. Companies tend to separate their customers using basic demographic information (age, salary, location, etc.) rather than basing their segmentations on customers' needs and buying motivations. Next, managing the sales force and their remuneration is also a major task for managers. For example, if a sales team member regularly sells products at discounted prices to achieve their monthly quotas, they are not only damaging customer value but also encouraging a price concessions culture. Finally, the last and most important challenge for price setters is to gain support and understanding from their senior managers. It is common for chief executives to frequently assume that bigger market shares would lead to higher profitability. As a result, price managers often focus on achieving targeted numbers of products or market shares (quantities) rather than focus on the values being offered (quality). (Hinterhuber & Bertini, 2011.)

2.2.2 Customer's perception of price and price complexity

Besides all the obstacles that arise from their own perceptions, pricing managers should also be aware of the consumer's perceptions of price and the complexity of price information processing. As we mentioned at the beginning of this chapter, the role of price in a customer's buying decision is neither clear nor straightforward. Since 1985, Erickson and Johansson have found out that prices do not act as a unidimensional factor when customers evaluate products; but rather as a multidimensional one. A lot of recent research contributions also highlight the essence of different price dimensions. Moreover, many studies have illustrated that consumers generally do not remember a specific product's price, especially when they pay for many items at the same time (Conover, 1986; Dickson & Sawyer, 1986; Zeithaml, 1982). Managers should also be aware that discounted prices do not always lead to customer awareness and appreciation. For example, Dickson and Sawyer's study (1990) observed that more than half of the customers buying from a supermarket do not know about the discounted prices of the products they just bought. To sum up, customer awareness of product prices is far from comprehensive, and discounted offers are not always connected with customer appreciation.

According to Gourville & Soman (2002), the majority of leaders are fully aware that prices determine the interest in an item; however, not many of them are conscious that prices also heavily influence the consumption of that item. The relationship between cost awareness and level of consumption is reciprocal. In other words, the more consumers are mindful of the price, the more likely they will consume that product. Moreover, the study also points out that the degree to which a consumer utilizes a purchased item during a specific time frame frequently decides if the individual will purchase the item once more. This phenomenon is also known as the sunk-cost effect: a predictable behavior of consumers to continue investing their time or money in a paid purchase so that it does not appear wasteful (Arkes & Blumer, 1985). In short, having suitable pricing strategies that urge customers to utilize the goods they already purchased assists companies in increasing their customer retention and strengthening their customer loyalty (Gourville & Soman, 2002).

Moreover, existing research has pointed out that several essential communication outcomes of a retailer were influenced by that retailer's particular pricing strategy (Naipaul & Parsa, 2001; Coutler, 2001; Schindler & Kibarian, 2001; Fortin et al., 2008). For instance, in Fortin et al. (2008) quantitative research, the studied subjects were in favor of the .99 price ending compared to other price endings. Nevertheless, the study also reveals that the favorable .99 price ending was not correct in the case of retailers who sell high-quality products. Other studies from Peterson (1970) and Venkataraman (1981) indicate that consumers are likely to use price as a quality index, specifically when they are not familiar with the products or brands. Despite the evidence and connection pointed out by academic researchers, e-commerce managers are typically not aware of how their pricing choices impact their store's brand image (Levy et al., 2004). On top of that, customers are changing brands at a remarkable rate, and seventy-five percent of consumers in the United States are reported to be trying a different purchasing behavior (Charm et al., 2020). According to the study (Charm et al., 2020), brand loyalty is being crumbled by this new buying behavior, with thirty-six percent of purchasers reporting that they are trying a new brand; among them, seventy-three percent want to keep adding new brands to their daily life. Finally, thirty percent of buyers who changed brands noted that better prices and promotion were the primary reason (Charm et al., 2020).

Besides the challenges mentioned above, the pricing tasks are also very complex (Shipley & Jobber, 2001). Pricing strategies do not necessarily follow the conventional supply and demand principles of economics, and therefore, they can come to be viewed as unreasonable and illogical from the economic perspective (Parsa & Njite, 2008). For instance, demands for giftable products increase significantly every December because of the Christmas sales; however, we do not see the product prices increase simultaneously as well, and in some cases, even the opposite scenario is true. Price perception has more complexity than described in the economics studies, and up to the present time, there is still a lot to study regarding psychological pricing (Parsa & Njite, 2008). Because setting a correct price is a complicated task, a great number of companies simplified the pricing process and adopted a simple and manageable pricing method, for example, a cost-based method (Shipley & Jobber, 2001). However, these simplified pricing practices do not take into account many pertinent internal and external elements, and as a result, several pricing mistakes are made, and many opportunities are missed (Shipley & Jobber, 2001). Finally, even when managers succeed in setting the correct prices, calculating and monitoring the invoice price or the pocket price is also not a straightforward process, especially for e-commerce managers, who have to take into account many types of discounts and promotions that are used in different online channels.

Many managers encounter challenges when they have to convey the product value to potential customers substantially because of the shortage of data and instruments to quantify customer value (Hinterhuber & Bertini, 2011). Because of that, pricing managers are often compelled to adopt a cost-based or competition-based pricing method instead of practicing the most suitable approach for their company. As a consequence, by simplifying their pricing strategies, managers do not take into consideration a full set of other related factors, such as their brand image or customer loyalty; therefore, several opportunities would be missed along the way. Additionally, pricing managers also have to deal with a handful of paradoxical assumptions from customers. For example, customers consistently want to find high-quality products with lower prices but implicitly and simultaneously presume that a cheaper-priced product means a lower quality (Jurg, 2012). In the next part, we briefly explore several assumptions from managers regarding pricing theories, which may sound logical at first but not necessarily true in every case.

A great number of economic principles about pricing are built around numerous assumptions. It is understandable for managers to assume that customers would always choose a deal that offers a maximum benefit in terms of quality and cost. In other words, customers want to purchase products that could provide them with the most utility and at the minimum cost. However, existing research in psychological pricing has demonstrated that this assumption is not correct in all cases. To be more specific, several studies have recognized no less than three types of buying behavior, in which customers would purchase more when the price increases. The first and most common illustration is the snob effect, where customers are willing to pay more to differentiate themselves from others. The second example is the opposite of the snob effect. In this case, customers would pay more to blend in with the crowd and purchase what others purchase. Thirdly, the Veblen effect - where customers purchase displayable products that help them appear as if they belong in a higher class. Furthermore, the presumption that customers appreciate price-based discounts and promotions and it would lead to larger profitability is not always accurate. Empirical evidence from Boz et al. (2017) study has pointed out that price-based discounts or promotions could obstruct the maturation of brand images and eventually lead to smaller profit margins. Finally, most managers do not notice that customers, most of the time, do not have enough information about the profit margins and the true worth of discounts to value the deal being offered. (Parsa & Njite, 2008.)

2.3 Pricing in e-commerce

The following sections introduce the pricing topic in an e-commerce context. In the first section, the author discussed B2C e-commerce and its specific characteristics. Next, several common e-commerce pricing strategies and their common pricing tactics are briefly explained.

2.3.1 B2C e-commerce and its characteristics

Roughly twenty years ago, retailers and consumers were witnessing a newly emerging term - electronic commerce. E-commerce at this stage was referred to as a complex and uncertain thing that was developing at full speed (Reynolds, 2000). Since its appearance, e-commerce has redefined products and markets in two apparent ways (Reynolds, 2000). Firstly, the markets for products have been expanded and aggregated. Companies can reach virtually any geographical location with less staff, and their stores can operate ceaselessly without any closing times. Secondly, the separation between services and goods has been fading with the entrant of some new and disruptive e-commerce. Amazon is a decent example to illustrate this point. Even though they were selling books (physical goods), they successfully positioned themselves as a service provider by offering book reviews and personalized book recommendations. (Reynolds, 2000.)

Besides redefining products and markets, e-commerce also has the power to create, maintain, and enrich customer relationships in an unprecedented way. With a mass amount of data and technologies supporting personalization, companies now can indeed understand and categorize their customers based on their behavior and purchasing motivation. As a result, sellers can reach potential customers with personalized marketing messages and product recommendations. Moreover, not only were seller-customer relationships influenced but customer-customer relationships were modified as well (Reynolds, 2000). Online reviews generated by customers turn out to be the most valuable source of product information and, as a result, play a vital role in predicting product sales (Nikolay et al., 2007).

A study in 2002 pointed out that B2C e-commerce at that time was developing much slower than B2B and was only accounting for 0.5% of the total e-commerce business (Fazlollahi, 2002). Reasons for this was because of high internet access costs, not many people having home computers, privacy and security issues, lack of government regulations, and customer trust not being properly established (Fazlollahi, 2002). In recent years, because of the development of e-commerce, payment technologies have aggressively progressed and resulted in much faster, easier, and more trustworthy online transactions (Kabango & Asa, 2015). These developments contribute to the list of e-commerce advantages, such as borderless transactions, higher profit margins, lower transaction costs, speedy purchases, and increased market knowledge (Pandey, 2022). These advantages, in turn, help e-commerce to grow and expand rapidly on a global scale (Pandey, 2022).

When shopping online, consumers want more than just a product. The customer journey in e-commerce stores is different from conventional stores. E-commerce needs to pay attention to its potential customers from the initial awareness stage (for example, when a user searches for their products) until after the purchase. Being able to effectively solve customer fulfillment problems affects customer satisfaction ten times more compared to selling (Fazlollahi, 2002). For example, some of the common fulfillment issues are delayed shipping time, orders not being successfully delivered, incorrect product information, and so on. Besides, online customers are likely to behave less patiently, compare more, and require instant product information. Moreover, e-commerce is more likely to have large demographic users on their websites. As a result, they have to deal with a wide variety of different behavior and concerns from their customers. (Fazlollahi, 2002.)

All users browse e-commerce stores with a goal in mind. Consumers' goals unfold themselves when they perform certain actions on the websites, such as clicking, viewing, buying, etc. E-commerce selling strategies are typically formed by inspecting these kinds of actions and behaviors (Tsagkias, 2021). Because the nature of e-commerce is distinct from conventional stores, the way we form selling strategies in general and pricing strategies in specific must be from appropriate perspectives. With the Internet, the cost of discovering and comparing products has never been lower. Unsurprisingly, the element that was compared and discussed the most by consumers is the product's price (Reynolds, 2000). As a result, online stores have to face aggressive price competition, fading brand loyalty, and a decrease in product differentiation (Reynolds, 2000). In the next part, we discuss in more detail some e-commerce pricing strategies and their common pricing tactics.

2.3.2 Pricing tactics in B2C e-commerce

As described at the beginning of this chapter, businesses need pricing strategies so that managers can systematically manage pricing elements and productively aim for profit maximization. Elements in a pricing strategy consist of customer segmentations; suitable pricing offers for each segment, price communication, sale negotiation, and price setting method (Cressman, 2012). Pricing tactics are simply the methods by which the pricing strategy is executed (Cressman, 2012). There are three major characteristics of e-commerce pricing compared to conventional store pricing (Brynjolfsson et al., 2000). First, identical products being sold online are generally cheaper than the ones in physical stores. Moreover, price ranges of the same product substantially varied among e-commerce sellers. Finally, e-commerce offering the lowest prices does not acquire the most sales; it is often the popularity of the e-commerce that can predict their profit.

There are three classic e-commerce pricing tactics that we regularly see online. First, B2C e-commerce managers usually attempt to practice the cross-selling tactic. This happens when a customer has selected a product, and the online stores would then suggest additional and related products. This cross-selling tactic is also known as a price-bundling tactic, in which similar purpose products are being offered together in a package (for example, shoes and socks). Secondly, online sellers can also attempt to up-sell by convincing potential customers to purchase more expensive products, which in turn gives them a bigger sum of orders and better profit margins. Finally, as an opposite to up-selling, pricing managers can also down-selling by offering lower prices to correspond with their customer's budgets. Pricing strategies that aim for profit maximization typically include a mixed use of tactics that serve its short and long-term goals. For example, online retailers regularly use the down-selling tactic to rapidly get rid of their unwanted inventory; and use the up-selling tactic for the limited version of a product. (Tsagkias, 2021.)

Advanced technologies have been changing the way online companies set their prices (Kramer & Kalka, 2017). From the sellers' perspective, they are able to accumulate and analyze a significant amount of data and, in turn, improve their pricing performance. However, this vast information availability also aggressively generates competitive behaviors. Cavallo's study in 2018 found that online retailers have increased their price change frequency from fifteen percent per month in 2008 to thirty percent in 2014. Their study concludes that online competitive behaviors heavily influence not only the regularity of price changes but also the pricing consistency in the past decade (Cavallo, 2018). The transparency of the online market and the new pricing technologies not only moderate retailer pricing reactions but also adjust customer purchasing behaviors (Kramer & Kalka, 2017). When a lot of products become available online and search costs are significantly lower, customers tend to act in a more determined way to find the most suitable products. As a result of these changes, pricing strategies are compelled to go through a comprehensive rethink (Kramer & Kalka, 2017).

As in the previous subchapter, we discuss the three fundamental pricing strategies and conclude that customer- or value-based pricing is the most beneficial for companies in the long run. When implementing value-based pricing, managers have to find out their customer's price flexibility and their readiness to pay in order to determine the product prices (Hinterhuber & Bertini, 2011). In an e-commerce context, companies should define their online consumers' perceived value. It is the customer's perceptions of the value received and the overall costs to attain the product during their whole online shopping journey (Sun & Hu, 2014). This means that online consumer perceived value is shaped by both the products and the e-commerce. Identical products sold by different e-commerce usually lead to different customer perceived value. There are three primary elements that directly influence consumers' perceptions while shopping online (Sun & Hu, 2014). First, potential customers always pay attention to practical and functional elements of the purchase, such as the quality of the product, price dominance, and shipping methods. Secondly, the procedural elements are features of network interactions such as security concerns, privacy policies, and website operations. Finally, social elements such as e-commerce credibility and relationship values (between sellers and customers) also play a crucial role in forming the online consumer's perceived value. (Sun & Hu, 2014.)

In this part, we briefly examine the five most frequently used pricing approaches in B2C business that belong to the behavioral school of thought mentioned in the pricing strategy section above. According to a review article from Kienzler & Kowalkowski (2017), the *product-line pricing* approach has attracted the most attention from researchers and increased eight percent in the number of research papers during the last two decades. The product-line pricing happens when companies combine and set prices for similar or relevant products cooperatively. Several pricing techniques in this product-line pricing category are price bundling, price partitioning, complementary pricing, and quantity discounts (Gijsbrechts, 1993). Product-line pricing approach is useful when companies have a collection of related products and want to optimize profit by offering prices according to their customer demands (Tellis, 1986). For example, e-commerce often uses the price bundling method to offer a discounted price for a group of products (shoes and socks, shampoo and conditioners, movie tickets and popcorn, etc.). In other cases, online retailers also usually apply the complementary pricing method to deal with high transaction cost issues. For example, online stores that sell fairly expensive products usually offer customers complementary products that add extra value to the main products (phone and phone cases).

The second pricing topic that has been increasingly used and studied in B2C businesses is the *differential pricing* approach. This approach includes pricing techniques such as price discrimination, personalized pricing, targeted pricing, and dynamic pricing (Kienzler & Kowalkowski, 2017). Retailers implement the differential pricing approach based on their customer heterogeneity, with the intention to sell the exact same product to different customer segmentations at different prices (Tellis, 1986). In an online context, e-commerce sellers typically use the dynamic pricing method to adjust product prices according to their customers' buying behaviors (Sun & Hu, 2014). A common example to illustrate this case is when airline companies adjust their ticket prices based on the time of customer purchase. Cheaper tickets are offered for customers who appreciate economic value over flexibility and tend to buy tickets in advance. Business travelers, who often value flexibility over economic benefits, are willing to pay for more expensive tickets when the time is closer to their travel dates. The dynamic pricing method has been developed steadily in the last few years, and it has been practiced by online retail stores more often (Kramer & Kalka, 2017).

Thirdly, *psychological pricing* has also been a part of the rising pricing approach in B2C businesses. This topic persists in maintaining its interest and importance to both researchers and practitioners (Parsa & Njite, 2008), even though there was only a two percent of increment in psychological pricing studies from the year 1997 to 2017 (Kienzler & Kowalkowski, 2017). Psychological pricing is a segment of pricing research that pays special attention to the human factors in the pricing process (Miyazaki, 2003, p. 473). The most common psychological pricing techniques are price framing, price endings, comparative pricing, buy-one-get-one, and charm pricing (Ziari et al., 2022). For example, recent research on price endings, after examining more than ten thousand grocery products selling on e-commerce, found out that seventy percent of those product prices used the nine-ending technique (Hillen, 2021). In general, the human psychological facets of pricing have an impact on customers' perception of value, product quality, and price discounts (Shapiro, 2000).

Next, *competitive pricing* is one of the broadest categories of pricing approaches. Several common pricing techniques in this approach are predatory pricing, price wars, competitive legal behavior (Kienzler & Kowalkowski, 2017), penetration pricing, price signaling, geographic pricing, and experience curve pricing (Tellis, 1986). Competitive pricing is a pricing approach that is based essentially on a company's competitive position (Tellis, 1986). For example, a company that sets its price lower than its competitors with an objective to drive its competitors out of the market and construct a monopolistic position for itself is considered to be using the predatory pricing method. In other cases, companies with new products might apply penetration pricing to establish a position for their new products in highly competitive markets. Overall, competitive pricing approaches aim to help businesses to gain market shares and position their products.

Finally, *price promotions and discounts* were a popular pricing approach, especially in B2C business. However, unlike the first three approaches mentioned above, promotions and discount pricing's popularity declined by five percent during the studied period (Kienzler & Kowalkowski, 2017). Promotions and discount pricing practices often include high-low pricing, everyday low pricing, price promotions, and discounts. Generally, companies apply the price promotions practice to temporarily offer their products at lower prices with the purpose of bulk selling or attracting attention. This pricing approach tends to show a positive and immediate impact on sales numbers. However, hidden costs for the companies might present themselves in the long run. Many studies have proved that price discounts and promotions might impact the relationships with old customers, lessen the consumer's willingness to get the product at a normal price, produce inconsistent profit, and ultimately destroy the product image (Gijsbrechts, 1993; Chen et al., 2022; Quach et al., 2022; Snow, 2022). In conclusion, pricing managers should pay extra attention before adopting these promotions and discount pricing approaches.

2.4 Research model

The purpose of this study was better defined with the help of a research model. An illustration of the threefold objectives of this study is presented in figure 4 below, which outlines the theoretical framework and the threefold objectives of the study.

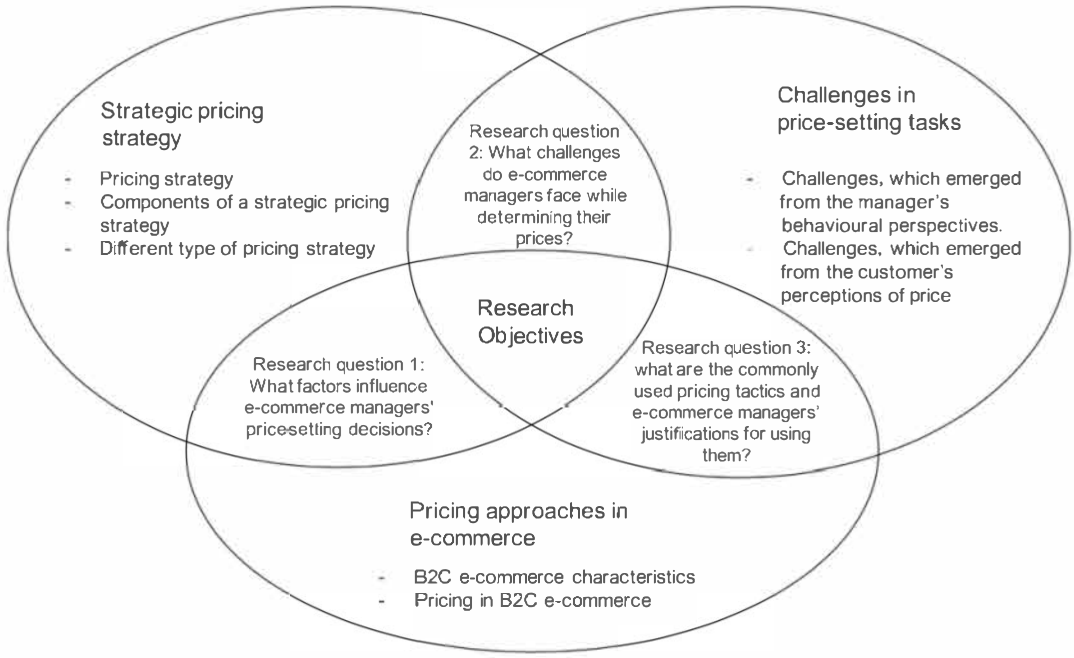

Figure 4: Research model

3. METHODOLOGY

The purpose of this study is to explore e-commerce store owners or pricing managers' perspectives while setting their product prices. As mentioned in the research gap section, there is a significant gap between research studying customer's perspective versus manager's perspective. Moreover, topics concerning managers' challenges and how their habits and values influence pricing strategies have not been thoroughly investigated. Therefore, this study aims to collect data that can represent managers' personal obstacles and experiences while performing price-setting tasks.

To serve this motive, the author adopts an interpretivism approach and exploratory qualitative as the research method. This chapter explains the research methods applied in this study and the data collection procedure. In the first subchapter, the research designs and methods are introduced. Next, the author describes the process of data collection and implementation. Finally, the methods for data analysis and interpretation are discussed.

3.1 Qualitative research

This study embraces interpretivism as its research philosophy. Because interpretivism is one of the main research philosophies that concentrates on exploring meanings. Under this research philosophy, we generally assume that people have diverse experiences of social reality; due to their distinct conditions, culture, or other variables, which in turn affect their establishment of meanings (Saunders et al., 2019). Interpretivism's intention is to investigate people's behaviors, understand their interpretation of meanings, and form better perceptions of social phenomena (Mathiason, 2005; Saunders et al., 2019). Furthermore, under the interpretivism philosophy, the author also selects subjective ontology as its epistemology. Epistemology is defined as the examination of human knowledge to separate opinions and rationalized beliefs (Coghlan & Miller, 2014). Subjective epistemology focuses on an individual's interpretations and perceptions, which in turn construct the social reality (O'Gorman & MacIntosh, 2016, p. 56).

Generally, there are two different research methods: qualitative and quantitative. While the quantitative research method's objectives are testing hypotheses and generalizing the results, the qualitative research method aims to discover the connections and differences within a narrow set of data (Braun & Clarke, 2013). Qualitative research focuses on studying specific situations and contextualizing people's perceptions of reality (Braun & Clarke, 2013). This research method is most applicable when the studies require investigating meanings under specific settings, and previous understanding of the studied subject is moderate (Eriksson & Kovalainen, 2008). Because of its exploratory nature, qualitative research can also be used to construct greater conceptions of the studied subjects (Hirsijärvi et al., 2007). Data collected for qualitative research is usually under textual structures, namely observations, interviews, transcripts, and documents (Braun & Clarke, 2013). Finally, qualitative research under the interpretivism research philosophy concentrates on gathering extensive information from a small group of participants instead of expanding and generalizing results from a bigger group (Hennink, Hutter & Bailey, 2020).

The qualitative research method is the most suitable and applicable for this study because it allows the author to explore the social contexts of each participant and later utilizes it to interpret the research findings (Eriksson & Kovalainen, 2008). As this study aims to explore e-commerce managers' experiences while setting product prices, a qualitative research approach is considered most suitable and appropriate. According to Eriksson & Kovalainen (2008), the compound of business-related subjects can be framed by the qualitative research method. This, in turn, illustrates and supports the justification for choosing this particular research method. Moreover, in spite of the prospective benefits offered by qualitative research approaches to better understand pricing strategy formulation, this type of research approach is infrequently implemented in pricing strategy research (Kienzler & Kowalkowski, 2017). The article then continues to suggest future researchers adopt qualitative research approaches so that they can obtain a better comprehension of the complex and context-dependent pricing development process (Kienzler & Kowalkowski, 2017).

3.2 Data collection and implementation

3.2.1 Developing interview questions

In qualitative studies, interviews are the most common and beneficial method to collect data, especially when the study needs to explore and discover the nature of complex issues (Hair et al., 2015). Because this study aims to investigate e-commerce store owners' motivation and personal experiences in a price-setting context, interviews are the most appropriate and effective data collection method. This method allows for two-way interactions between the researchers and the participants; therefore, it enables the possibility of exploring each interviewee's opinions and perceptions (Hair et al., 2015). Moreover, by conducting interviews, the researcher can acquire not only unique and in-depth interpretations from the interviewees but also be able to elaborate on the data when needed to further understand the concepts (Adams et al., 2014; Hair et al., 2015).

Interviews in qualitative studies can be fully structured, in which questions are well prepared in advance, and interviewers need to ask them in a particular order. Structured interviews focus on collecting facts and aim to generalize and conceptualize the results. Contrastingly, unstructured interviews in qualitative studies are more flexible and aim to thoroughly discover information from a broader perspective. An advantage of unstructured interviews is that the research can explore formerly unaware themes and acquire rich data. Finally, semi-structured interviews are a compromise between highly structured and unstructured interviews. Semi-structured interview methods allow interviewers to guide the interview process with both prepared and spontaneous interview questions from relevant themes. (O'Gorman & MacIntosh, 2016.)

Semi-structured interviews were selected to be applied as the data collection method for this study due to their advantages and flexibility. By being able to ask extra questions after the interviewee's initial answers, the researcher can collect in-depth information about topics that might not be covered in the pre-prepared interview guideline. Moreover, the flexible nature of semi-structured interviews also allows respondents to have some extra room and explain themselves further, which might enrich research findings. This interview method is an informal approach and is especially useful when the interviewers have some understanding of the research topic but are inexperienced in conducting research. The advantages of this semi-structured interview method are that it can cover important points, enhance reliability, and increase comparability. Some disadvantages of this interview approach are that it is time-consuming, and the collected data might prove difficult for generalizability. Additionally, a lack of interview skills from researchers might cause irrelevant data collection and interview bias. To minimize these risks, the researcher took extra steps before and during the interviews to ensure that interview questions had neutral wording and exploratory nature. (O'Gorman & MacIntosh, 2016.)

The interview questions of this study can be categorized into three primary themes. These themes were developed based on the research questions and the theoretical framework of this study. The first theme consists of questions about the interviewees' experiences in their price-setting process and their general opinions regarding the pricing strategy topics. The second theme aims to explore the participants' obstacles and challenges while determining their prices. Finally, the third theme includes more specific questions about the store owners' current pricing methods and their reasonings for utilizing those methods. Additionally, there are warm-up questions at the beginning of each interview to collect general demographic information and also create a friendly and comfortable atmosphere for the participants. According to O'Gorman & MacIntosh (2016), it is more straightforward and undemanding to collect valuable information from a relaxed participant compared to a participant who is tense and nervous. Besides, closing questions were implemented for the benefits of the snowball sampling method mentioned in the previous subchapter. The list of interview questions is shown in *Appendix 1*.

After interview questions and relevant prompts were established based on the literature, the researcher recruited one voluntary interviewee to participate in a pilot test. The purpose of this pilot test is to evaluate the suitability and comprehensibility of the interview questions. By ensuring that the questions were outlined accurately and served the research objectives, the researcher can improve the quality of the study and confidently conduct the interviews (O'Gorman & MacIntosh, 2016). After executing the pilot study with n=1, the researcher was able to gain a better understanding of the possible responses and improved interviewing skills. As a result, academic or unfamiliar terms in some questions were replaced with more common and popular expressions to avoid confusion and misunderstanding from the respondents. Additionally, the researcher also added interview questions that were worded in a different way and suitable prompts to better assist the conversions and ensure that the interviewees had a thorough understanding of the topics being asked. Information gathered in this pilot test was not analyzed and included in the data set of this study as advised in O'Gorman & MacIntosh's study (2016).

3.2.2 Selecting interviewees and implementing the interviews

Research quality greatly depends on the understanding of sampling methods (Berndt, 2020). Sampling is defined as a process in which a researcher systematically selects participants for their study from a pre-established population (Sharma, 2017). This particular sample aims to represent the whole population group that is addressed in the research. The selection of sampling methods varies among different studies because it depends on the nature, category, and meaning of each study (Etikan, Musa & Alkassim, 2016). Based on the characteristics of this study, the author purposefully selects non-probability as a sampling method since qualitative research questions are restricted to this sampling method (Berndt, 2020). This method means that researchers subjectively choose participants for the study based on the researchers' justifications, and random selection is not applied in the whole process (Elfil & Negida, 2017). Furthermore, the non-profitability sampling method is most suitable for exploratory research, whose objectives are to better understand a population and initiate new insights (Berndt, 2020).

There are four familiar types of non-probability sampling methods: purposive, quota, snowball, and self-selection sampling (Berndt, 2020). For this study, purposive, snowball, and self-selection sampling was implemented. Snowball sampling refers to the practice of asking current participants if they could introduce someone else who is suitable for this research (Berndt, 2020). This sampling method proves extremely useful in enlisting participants from a difficult-to-recruit population. To execute this snowball sampling method, the author adds an extra question at the end of every interview, asking for potential introductions of new participants. Moreover, to speed up the selection process, the author also implemented the self-selection sampling method. After specifying the inclusion criteria and publishing it in e-commerce groups on various social media channels, four people reached out, and eventually, three of them participated in the study. One advantage of the self-selection sampling method is that volunteered participants are more likely to feel engaged and give more honest answers during the interviews (Berndt, 2020).

Furthermore, the purposive sampling method is also performed to support the author during the sample selection process. Purposive sampling, also known as judgment sampling, is defined as the process in which participants are selected based on the researcher's judgments and objectives (Berndt, 2020; Saunders et al., 2019, p. 237). In purposive sampling, Etikan et al. (2016) highlighted that the carefully selected interviewees must be able to express their point of view in a descriptive and rationalized manner. Therefore, to meet this standard, this study only selected the most suitable participants who are experienced in the price setting tasks in an e-commerce context.

The eight participants selected for this study are B2B and B2C e-commerce owners based in Finland. All of them have been managing their online stores for at least two years, and the most experienced ones have had their online store for more than seven years. All of the interviewees have been involved in the price-setting tasks, and they have the most responsibility in the companies regarding marketing and pricing strategies. This resulted in an advantage that the participants were able to provide substantive and meaningful answers because they have a comprehensive perspective of overall activities in their company.

To recruit suitable participants for this study, the author first created a list of preliminary conditions in which potential interviewees had to meet in order to participate in the study. The first screening condition was that the potential participants have experience in operating a B2C e-commerce store for at least one year, during which they were responsible for setting and adjusting prices for their products or services. The participants can either be pricing managers or owners of online stores which are targeting customers in Finland and/or the European countries. Another screening condition was that the participants should be able to communicate effectively in English, and they should have enough time to devote approximately sixty minutes to the interviews.

The recruiting process was performed in March 2022. The first three interviewees were recruited by the purposive sampling method. After screening their own connections, the author identified twelve potential participants for this study and personally contacted them, asking for an interview. As a result, three of them agreed to be a part of this study. On top of that, to apply the self-selection sampling method, the author also posted recruitment messages on ten different social media groups that consist of e-commerce store owners. In the end, there three participants were selected using this method. Moreover, by utilizing the snowball sampling method, the author asked for new connections from each participant after the interviews. Correspondingly, there were two participants recruited by using this method. To sum up, eight participants were successfully enlisted to assist and contribute to the data collection process of this study.

Before the actual interviews, the researcher briefly informed the interviewees about this study topic and arranged interview schedules according to the interviewees' wishes. Next, to better prepare for the data collection process, the researcher examined the web stores of every participant and took notes on several available information such as product categories, price ranges, pricing tactics, and so on. By examining the participants' stores beforehand, the researcher aimed to minimize the introductory time at the beginning of each interview and reserved the valuable interviewing time for more productive questions. Besides, the researcher also pays special attention to the pricing tactics that are being practiced on the interviewees' web stores. This action assisted the third theme of the interview questions and ensured that all the pricing tactics would be discussed during the interview.

At the beginning of each interview, the researcher notified the interviewees about the privacy and anonymous issues regarding this study. Specifically, the researcher explained that this study is a thesis project from the University of Jyväskylä, and it is strictly following the University's privacy guidelines. Besides, the participants were also aware that any personally identifiable information, such as their name or their brand name, will not be used in the data analysis process and will not be published along with the study. To ensure the anonymity of the respondents, the researcher pseudonymized all participants' names and brands into Respondent 1 - Company 1, Respondent 2 - Company 2, and so on. After informing the participants about their privacy rights and the ways their collected data would be used and stored, the researcher then proceeded to ask them for permission to record the interviews. The recordings and data collection process only began after the participants verbally agreed to be recorded. Finally, to closely follow the General Data Protection Regulations, all the recordings and transcribed data were kept off the cloud servers and were immediately deleted after the completion of this study.

All eight interviews were conducted during weeks 12 and 13 of 2022. Most of the participants requested to view the study's objectives and a sample of interview questions beforehand. Therefore, at the beginning of the interviews in these cases, the researcher only needed to briefly mention the study's objectives again and then rapidly proceed to the actual interview questions. For the participants who do not know the study's objectives in advance, the researcher thoroughly explained the study's aims, objectives, and structures. Besides, the researcher also informed the participants about their right to leave the interview at any time if they felt uncomfortable, even though the interview questions were not meant to be invasive or sensitive.

There are many means to conduct semi-structured interviews, such as phone calls, online videos, or face-to-face interviews. The most appropriate method is the one that matches the available resources and is suitable for the study context (O'Gorman & MacIntosh, 2016). For this reason, the researcher considered Zoom as the most realistic technology to reach the participants in a secure and timely manner. Each online interview session lasts approximately sixty minutes. The Zoom audio recordings were then transcribed for data analysis using the software offered on Otter.ai to enhance the accuracy level. After the transcriptions were ready, all the Zoom audio recordings were deleted to minimize any security risks.

The most frequently applied notion for evaluating the number of sample sizes in qualitative studies is data saturation (Guest et al., 2020). Data saturation is referred to as a stage in the data collection process in which collecting new information does not assist in the data analysis anymore (Guest et al., 2020). Multiple research has stated that the majority of findings emerging from the dataset were collected during the first five or six interviews, and roughly ninety percent of the themes became apparent during the initial ten interviews (Guest et al., 2020). Because this study is exploratory in nature, in which the researcher aims to discover and understand a specific concept thoroughly, five to ten in-depth interviews are adequate for exploring major themes and reaching the data saturation point. Finally, it is worth highlighting that assessing a data saturation point is largely a subjective decision based on the researcher's experiences, and data in qualitative studies can never reach the ultimate saturation point because of the uniqueness of participants' experiences and perspectives (Sebele-Mpofu, 2020). Therefore, researchers can depend on empirical research, which examines the appearance rate of new information and essential themes in their data collection process (Guest et al., 2020).

3.3 Data analysis

3.1 Thematic analysis

In their study, Braun & Clarke (2006) suggested that thematic analysis should be noticed as a fundamental method when analyzing data in qualitative studies. Thematic analysis is a process of identifying, analyzing, organizing, describing, and reporting themes found in a dataset (Braun & Clarke, 2006). An advantage of thematic analysis lies in its flexibility, meaning that it can possibly contribute to the emergence of diverse and complicated accounts of data through its theoretical freedom (Braun & Clarke, 2006). However, because the thematic analysis is flexible, there are unlimited ways to examine qualitative data (Guest et al., 2012, p. 17), and this might cause instability and inconsistency during the process of generating new themes from the dataset (Holloway & Todres, 2003). Therefore, researchers should define boundaries and follow guidelines when implementing thematic analysis so that it can retain the advantage and minimize the risk of incoherence (Braun & Clarke, 2006).

According to O'Gorman & MacIntosh (2015) and Braun & Clarke (2016), there are six recommended steps when utilizing thematic analysis: (1) understand the data, (2) create preliminary codes, (3) explore themes, (4) analyze themes, (5) describe themes, and (6) report themes. A theme is defined as a representation of a patterned answer derived from the dataset and consists of essential information related to the research questions (Braun & Clarke, 2006). Following the recommended steps, the researcher first transcribed the audio recordings into written form and removed all pause fillers and hesitation markers. Next, the researcher began to familiarise herself with the dataset by reading it several times and eventually generated a list of initial codes. Follow-up, repeated responses were organized into themes and subthemes. There were three themes formerly established based on the theoretical framework to guide the data collection process, and one theme emerged from the dataset. In the next step, all themes were carefully reviewed to ensure that they were consistent and meaningful. Finally, the themes were precisely described and reported in the findings chapter.

3.2 Data coding

Collected data were first sorted out into chunks, and with the support of coding, it was then categorized into broader themes (Uusitalo, 2020). The data coding procedure is a critical and inevitable step in qualitative research despite the methods of data collection (Belk, Fischer & Kozinets, 2013). Tuckett (2005) describes coding as a process of systematically arranging your collected information into meaningful and relevant segments. In their study, Braun & Clarke (2006) suggested three fundamental recommendations for researchers to follow during their data coding process. First, researchers should attempt to identify all possible patterns from the dataset as time permits because it might prove useful in a later stage. Secondly, loss of context is a usual risk due to the extraction of data; therefore, data should be coded inclusively to minimize this particular concern. Finally, a piece of information can be coded into more than one theme if it's relevant, and it can also be encoded if necessary.

The coding approach is significantly influenced by the theme development, whether they are driven more by the theory or by the data (Braun & Clarke, 2006). In case the themes were derived from theoretical frameworks, researchers should begin their coding process with research questions and objectives in mind and aim to recognize specific characteristics from the dataset (Braun & Clarke, 2006). This concept is also known as a priori coding scheme or a deductive approach to coding, in which the codes are established before exploring the data based on theory, research questions, and the study objectives (Mills, Durepos & Wiebe, 2010, p. 927; Johnson & Christensen, 2007). In this study, prior codes were extracted from the literature review section regarding the pricing strategy topics and guided by the research objectives. By adopting this deductive coding approach, the researcher aims to productively distinguish information that is directly related to the three research questions. Furthermore, the researcher also employs the inductive coding approach, which is driven by the data rather than the theory part. While reading through the dataset, the researcher paid equal and consistent attention to each response and took notes on repeated items that have the potential to form new themes.

In practice, codes in qualitative studies can be in the form of a few words or even a few paragraphs, as long as they serve the purpose of assisting the researchers in identifying, distinguishing, and later on grouping them into themes (Belk et al., 2013). To better visualize and distinguish between different codes, the author also employs the nominal color coding concept. Nominal means that the codes are not listed in any particular order, and color coding refers to assigning each code with a distinct color (Bianco, Gasparini & Schettini, 2015). By applying these concepts, while working through the dataset, the researcher marked similar responses with colors and also wrote a few sentences to amplify the meaning of those codes. After all the relevant information was coded, the researcher then proceeded to group them into themes and subthemes. Finally, it is worth noting that the coding process includes repetitious actions, in which the researchers have to constantly refine and adjust their initial codes to better suit the context as they work through the whole dataset (Belk et al., 2013).

3.2 Interpretation

The final step in the data analysis process is to interpret and report the results. Interpretation is the stage where the researcher builds a description of the established themes from the collected data and explains the results based on the research objectives and research questions (Belk et al., 2013). During the interpretation stage, generalization is commonly used in both quantitative and qualitative research (Polit & Beck, 2010). Generalization is defined as an action in which the researcher attempts to derive general conclusions from specific pieces of information (Polit & Beck, 2010). Specifically, this study applied analytic generation as an approach to interpreting data, as it is most frequently connected with qualitative research. Through the analytic generalization approach, with support from meticulous inductive analysis and applying confirmatory strategies, researchers can draw meaningful conclusions about the subjects being investigated (Polit & Beck, 2010).

Additionally, there are a few criteria that the researchers should keep in mind while constructing their outcome report. The first and most important criterion, according to Guest et al. (2012, p. 242), is to know your type of audience because it will direct everything in the report, from building the discussion to the type of language. For academic audiences, asserting the related theory along with the findings is commonly considered a primary objective while reporting the results. Moreover, the authors also suggest researchers explain the established themes by using direct quotes to better distinguish between data and interpretation as well as to avoid any possible biases from the researcher's side. Finally, creating a description of the studied sample with general information regarding their demographic, culture, and background would equip readers with a better context. (Guest et al., 2012, p. 242-254.) Adopting this recommendation, the research summaries present basic and relevant background information of the eight participants in this study in table 1 below.

All participants were interviewed via Zoom with an average duration of 62 minutes for each interview section. All interviews were conducted in English. Additionally, all respondents were owners of their e-commerce stores and were responsible for the price-setting tasks.

Table 1: Participants´ background information

Respondent	1	2	3	4	5	6	7	8
Interview duration (minutes)	76	61	62	72	53	58	62	55
Years of operation	2	3	2	2	3	4	8	2
Store’s location	Finland	Finland	Finland	Finland, USA	Finland	Finland, US	Finland	Finland
Owner’s Nationality	Filipino	Russian	Vietnamese	Finnish	Finnish	Finnish	Finnish	Vietnamese
Target customer’s location(s)	Finland	Finland	Europe	Europe, North Americ	Europe	Europe, North Americ	Europe	Europe
Type of business	B2C	B2B, B2C	B2C	B2B, B2C	B2C	B2C	B2C, B2B	B2C
Industry	Fashion goods	Photography	Cosmetic	Cleaning products	Fashion goods	Pet products	Kitchen ware	Books
Price range € (min. - max.)	20 - 52.42	200 - no limit	1.80 - 70	5.25 - 49.90	7 - 853	19 -169	29.90 - 149	6.99 - 38.99

4. RESEARCH FINDINGS

This chapter will report and discuss the research results. All findings are categorized into three main themes, which were established based on the theoretical framework and the collected data. The first theme aims to explore the participants' overall experiences in their price-setting process and their general opinions regarding the pricing strategy topics. Data collected for this theme are utilized to answer the first research question: what factors influence e-commerce managers' price-setting decisions? The second theme includes the interviewees' obstacles and challenges while determining their prices. Finally, the third theme presents in-depth discussions about the store owners' current pricing methods on their web stores and their reasonings for utilizing those methods.

4.1 Influencing factors

In the first part of the interview, participants were asked to describe their price-setting process with a special focus on the factors that influenced their pricing decisions. These influencing factors can be divided into two fundamental groups: monetary and non-monetary. To better serve the research objectives of this study, the researcher paid close attention to the non-monetary influencing factors that were mentioned during the interviews. Furthermore, the participants were also encouraged to describe their experiences or opinions regarding the five components of a strategic pricing strategy. Allowing the research to have an overall picture of their pricing strategy and ensuring that all pricing aspects were examined. The purpose of this first part of the data aims to provide insights for the first research question: what factors influence e-commerce managers' price-setting decisions? This first theme was further developed into three sub-themes, which reported the three emerging influencing factors during the data collection process.

4.1.1 Influencing factor 1: Product's value

The product's value is a factor that all participants considered the most fundamental and influential during their price-setting journey. To precisely understand what values their products offer, sellers usually look at the economic values and the product designs to answer the question of how special their products are on the current market. E-commerce sellers who offer common products, such as shoes, bags, and cosmetics, feel that they have limited choices in deciding their product prices. This group of sellers has to consider the fact that, because their products are common and familiar, there are many existing competitors, and the search cost for potential consumers is extremely low. In other words, these sellers have to compete with other stores, and their competitor's prices act as crucial references when thinking about their own prices. On top of that, if the products have expiration dates, it would also add extra pressure on the owners and inevitably affect their pricing decisions.

> "*Fashion is a very competitive industry. So, my prices will be based on what I see the competitors are setting their prices. If I want to have it competitive, at least I should meet on that range.*" - Respondent 5

> "*The maximum would be at least the price that the competitors are offering to their customers. But sometimes it's also like, if I have cheaper sources, I will try to double the buying price. And then make it lower than competitors.*" - Respondent 6

> "*So most of the time, we have to be aware, because these cosmetics products have expiration dates. And in case we don't sell it in time, then it can go to waste.*" - Respondent 3

E-commerce owners who offer unique or patterned products have more freedom in deciding their product prices. Because there are none or only a few competitors allowed to sell the exact same products online, this group of unique-products sellers reported experiencing less pressure in using prices from other stores as references while setting their own prices. Moreover, this advantage in the competition also encourages and allows them to conveniently implement the value-based pricing strategy rather than the cost-based strategy.

> "*I opened a few websites of my competitors. They are not directly my competitors because they are not specializing in the same products. But anyway, they are in the same industry. So, I wrote down the prices from about five to six other stores in Helsinki, tried to understand their price range, and calculated the middle price. Then I made our prices a little higher than their prices because our products are exclusively designed, and we also have patterned products.*" - Respondent 7

Additionally, participants were aware that additional and meaningful features can always boost customers' perception of the product value, especially when the additional features do not cause a price increment. Seven out of eight interviewees responded that they provide free shipping on their stores as an added value to the products. Several stores also present a free return policy, gift wrapping, or personalized services. Creating and adding extra value to the products contribute to consolidating the e-commerce owners' confidence in their product value, which in turn, creates more justification for the prices.

> "*Yes, we have free shipping with a minimum purchase of 100 euros.*" - Respondent 1

> "*I know that customers sometimes can make a buying decision just by looking at the shipping fee. So, if the order exceeds 50 euros, then we have free shipping.*" - Respondent 8

> "*They really love free shipping. This is already not new to the retail industry. People are happy with free shipping, and we know exactly how it works.*" - Respondent 6

> "*When they see the word free, it is a four-letter word that makes things different. It makes a big impact on your company, and you know, people really love to see that word.*" - Respondent 4

4.1.2 Influencing factor 2: Customer segmentation and feedback

After the e-commerce store owners form a judgment of what values their products offer, they proceed to estimate their consumers' willingness to pay for the products. Different customer segments have different characteristics, which lead to differences in their amounts of willingness to pay. Financial characteristics of their target customer groups, such as income, occupation, family situation, living location, etc., heavily influenced pricing managers while determining prices for their products. For products aimed at customers who have good economic conditions, store owners often set up a higher price. Some participants hold a belief that one of the psychological characteristics of a high-income customer group is that the customers would perceive the high price as a sign of high value and quality. In contrast, sellers with products that are aimed at people with tight economic conditions always have to prioritize low prices to match their customers spending ability.

> "*When we run Ad campaigns, we set our focus on big and modern cities population. We set the target on people with higher than average incomes and preferably have their own house or apartment. It's important because we*

know that our prices are much higher than other alternative solutions, and we need to position our products accordingly." - Respondent 4

"Later, I understood that if I want to work with bigger customers, I have to raise my prices and not be that suspicious. Because customers don't trust the low prices, they look at you and think something is wrong. The price is too cheap." - Respondent 2

"Mostly all of my customers right now are entrepreneurs, those who are starting their own business, we usually call them self-employed. Because they are usually the people who don't have big capital at the start of their business. So I offer my personalized service with a minimum price." - Respondent 1

"The products are for working women in Finland; I would say the target age group is from 26 to 40. And a small target as well, like up to 50. I would separate them by interest and lifestyle as well. They want foreign products that fit their philosophy but at a competitive price. When I first had the store launch, I set it as minimum as I could. So you know, to lower the price as much as I could." - Respondent 3

Positive customer feedback also influences e-commerce owners' pricing decisions. After newly launching their online store, managers tend to implement introductory prices, in which they would sell the products at minimum prices in exchange for popularity and reputation. However, after they have gained a few positive reinforcements, such as organic buyers, and especially positive online reviews of past customers on the web stores, pricing managers tend to feel more confident in their products and decide to expand their profit margin.

"I'm trying to explore a little bit. There are a few people, for example, who have ordered a handbag and I slowly come up with a little bit higher price for example, but not through drastically change it." - Respondent 1

"I have been working for five years, and I am slowly improving. I have more exclusive clients with bigger budgets that require luxury services. In my opinion, I want to have higher prices. That will be perfect for me." - Respondent 2

"I increased the price, but people are still buying. So I suppose they can see the real benefits of the products." - Respondent 3

> *"Like in one example, somebody gave my contact, and they said it's really good and recommend my products. Then I felt more confident about my shop. And then I wanted to play around and increase my profit margin from around 30% to 50%."* - Respondent 8

4.1.3 Influencing factor 3: Managers' cultural background

Even though all participants were located in Finland at the point of the interview, four out of eight interviewees have foreign backgrounds. These four interviewees were born and raised in different countries and cultures and later relocated to Finland. A noticeable difference between these two groups of interviewees was that all participants in the foreign background group mentioned culture as an important influencing factor while choosing their price strategies. The group of e-commerce store owners with Finnish backgrounds did not bring up culture as an influencing factor in any manner during the interview. Cultural differences and running businesses in a fairly unfamiliar place could affect managers' risk-taking levels, and the differences were reflected in their pricing strategy choices.

> *"In Asia, we have a different market. I've been doing business since 2015. But in Finland, I feel like I started from zero experience. I feel like that because of different markets and different languages, and they figure different costs. And then I realized that during the time that I've been setting it up, I realized that the cost of living is so high, and the cost of production is so high, especially right now that the gasoline is high. So my objective now is different. I want to be more focused on the brand in a way that people don't care anymore about your price when they see it. When they see that you need it, they just pay it, you know. It's kind of a lot of work for me to do that. But I'm anyway I want to try that."* - Respondent 1

> *"So I have to make my price a little bit lower than their price because first of all, they are Finnish. And I'm not a Finn. So I'm a foreigner here, and I don't have that that many connections."* - Respondent 2

> *"I still feel myself a foreigner here. I still feel myself weak here because I don't speak Finnish that well. My webpage is still in English. So it's kind of been hard for me to reach out to the locals."* - Respondent 8

> *"I have a different pricing perspective from an Asian mindset that makes me think how other Asians like me looking for foreign products that they are familiar with in the market. So even if it's more expensive than the price in*

their home country, but like comparing all the extra costs, like shipping and cost structure, then how much they are willing to pay in a foreign country." - Respondent 3

4.2 Challenges

Besides the economic challenges that arise from the market and the competition, there are significant obstacles managers must deal with from the behavioral perspective as well. Managers' perceptions are tremendously essential and influential during price-setting processes. Simply because their individual characteristics and mindsets can affect managerial decisions, including pricing decisions. Additionally, besides all the obstacles that arise from their own perceptions, pricing managers should also be aware of the consumer's perceptions of price and the complexity of pricing itself. As we mentioned earlier in the literature review, the role of price in a customer's buying decision is neither clear nor straightforward; therefore, managers can struggle while attempting to establish an understanding regarding their customer groups.

4.2.1 Challenges arise from managers' perceptions

When asked how confident they were with their current prices, the majority of participants reported not being fully confident in their prices. One of the main reasons was that there were too many unknown factors in their pricing decisions that the e-commerce owners did not have enough time and resources to investigate. Six out of eight interviewees described using cost-based and competitor-based pricing strategies rather than customer- or value-based strategies. Even though the latter option would likely be the most sustainable and profitable in the long run, it requires substantially more time and effort to set up in the beginning. As a result, e-commerce owners tend to skip several parts of a strategic pricing strategy and prefer to move straight to the last step, where they could set up a number for the product.

"To be honest, a very painful part of the business is to make the price list. First of all, I still don't know how to charge. Some businesses charge per unit, and some businesses charge per package. And, I still not sure how I should charge." - Respondent 2

"I think my price is too low for the amount of work and the quality of my products. I don't have enough confidence to say, hey guys, actually, this amount of products have to be 200 euros, not 120." - Respondent 5

"Again, I did the research and understood that for this type of product, some of my competitors are selling two times more than me, and I don't know how they got the customers." - Respondent 6

With a lack of systematic pricing decisions, it is challenging for e-commerce owners to avoid being vague and subjective in measuring their products' value. Owners and sellers are undoubtedly the people who have the best understanding of their product's value, and they are probably the most conscious about their products' features. However, by working and spending an extended period of time with their products, sellers might unconsciously develop biased opinions regarding the products. Moreover, objective measuring standards or opinions from a third party are often missing from the sellers' claims of products' value. Finally, because of lacking data, when being asked about their products' value, e-commerce sellers tend to only list out the products' features rather than the actual products' value perceived by consumers.

"Okay, how do I measure the quality of my products? When I know that my products are being used, that means that they (the customers) approved, that means that they paid for something and they are using it." - Respondent 4

"I would say on the range of ten, it would be something like eight. Because when I choose the products for the store, I pay attention to a lot of things. I have to pay a lot of attention to the quality. So yeah, like, in that sense, I am confident in my product quality." - Respondent 8

Pricing can be a stressful task for many managers. Especially in an e-commerce business, everything is digitalized so that one person can run the whole business. An e-commerce owner usually works under many roles in their business, such as marketing, sales, logistics, customer services, etc. Several interviewees shared that they often feel that by working alone on most tasks, they let their personal characters negatively affect the pricing decisions.

"I'm an artist, so it's basically I always put emotion into whatever I do, whatever I sell or whatever, I give service. So yeah, it's kind of a big, big impact actually here." - Respondent 1

"For the years that I am working, I could achieve more than I achieved. I'm too inflexible. I'm not as communicative as I have to be. And in my opinion, it's hard for me to convince the customers that my products are cost-worthy." - Respondent 5

4.2.2 Challenges in handling customers' perceptions and the complexity of price

Another common challenge that e-commerce sellers have to frequently deal with is their customers' perception regarding prices. Customers do not know the original costs to acquire the products, and they do not know how the business calculates to come up with its selling prices. Therefore, they tend to make an instant and subjective judgment based on their own personal experiences. This created a situation where pricing managers often feel the risk and pressure of presenting the products either too cheap or too expensive according to their potential customers' perceptions. On top of that, it is also challenging for e-commerce owners to separate between their genuine understanding of the customer groups and their own assumptions. For the lack of time and resources to conduct proper consumer research, managers can only make assumptions about their customer's wishes and expectations rather than obtain direct information from them.

> "*My clients, they cannot calculate how many hours I spend researching and creating the products. So they don't trust me when I give them a high price.*" - Respondent 7

> "*Our customers don't know that there was a time the product prices were so low that we even made some loses per sales, but still there are always people who would complain that our products are too expensive for what it is.*" - Respondent 5

> "*We have not done any customer surveys. We gathered as much as possible data from social media and Google Analytics to make an educated guess about our customers' interests and expectations. And then we built customer profiles based on that.*" - Respondent 6

> "*All the time, I think about my customers' views. I didn't know what to say. Sometimes I think that my potential customers think that I'm either over-pricing or under-pricing. But usually, I'm just not getting many customers because their expectations of my price are not real. Let's be honest. It's so hard to predict what is in my customers' heads. I'm not reading their minds, but sometimes I think that I even cannot say what they think, to be honest.*" - Respondent 2

Additionally, pricing is not a straightforward task, and more than often, e-commerce owners find themselves in paradoxical situations. Especially when it comes to small e-commerce or start-ups, the owners have to pay extra costs for being small. For example, costs for bulk ordering a small quantity from wholesalers and costs for shipping are also more expensive because they only have one warehouse location. However, at the same time, being new and/or small in the market, they are frequently under pressure to offer introductory and competitive prices to gain reputation and market shares.

4.3 Pricing tactics

During the last part of the interviews, participants were asked to share the current pricing tactics on their web stores and their reasons for doing so. By obtaining this piece of information, the research aimed to draw a fuller picture of the e-commerce owners' pricing strategies and attempted to understand the justifications behind their pricing decisions. The first part of this section lists the interviewees' pricing strategies and tactics, while the next part describes the interviewees' reasonings.

4.3.1 Applied pricing tactics

Table 2, which starts on the next page, presents a summary of the collected data regarding the participants' current pricing strategies and tactics. This table is not a comprehensive list of pricing strategies and tactics; it only includes the most common practices that the author derived from the literature review and the practices mentioned during the interviews.

Respondent	1	2	3	4	5	6	7	8
Pricing Objective	Branding & market share	Branding & market share	Branding & market share	Profit maximization	Branding & market share	Branding & market share	Profit maximization	Profit maximization
Cost-based	Yes	No	Yes	No	No	No	No	Yes
Competition-based	No	Yes	No	No	Yes	Yes	No	No
Value-based	No	No	No	Yes	No	No	Yes	No
Cross-selling	No	No	Yes	Yes	No	Yes	No	Yes
Down-selling	No	Yes	Yes	Yes	Yes	No	No	Yes
Up-selling	Yes	Yes	No	Yes	No	No	No	No
Product-line pricing	No	No	No	Yes	No	No	No	Yes
Differential pricing	No	Yes	No	Yes	No	No	Yes	Yes
Psychological pricing	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Competitive Pricing	No	Yes	No	No	Yes	Yes	No	No
Promotion and Discount	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes

Table 2: Respondents' pricing strategies and tactics

There were mainly two pricing objectives being reported by the respondents. The e-commerce owners want to focus either on maximizing their profit or building brand awareness and gaining market shares. The majority of respondents answered that their current pricing objective is to gain popularity; only three out of eight participants responded that profit maximization is their current goal. Moreover, all stores reported using more than one pricing tactic; however, the combinations of the tactics are unique in every store. Details of the combinations are listed in the table; while "Yes" indicates that the owners were using the approach in their stores, "No" indicates that the owners were not using the approach in their stores. The promotion and discount pricing tactics were used the most among the eight e-commerce stores, with only 1 out of 8 stores reported not using the tactics. Contrastingly, the product-line pricing tactics received the least attention, with only 2 out of 8 respondents reporting utilizing them in their e-commerce stores.

4.3.2 Justifications for using those pricing tactics

There are four types of justifications being repeatedly mentioned by e-commerce owners. When being asked why they chose to use their current pricing tactics, the first and most common answer was that because it is kind of common sense to use them. In other words, because everybody else is practicing these pricing tactics and there is no doubt that the tactics bring benefits; therefore, e-commerce owners feel that it is only natural to apply those common pricing tactics to their stores as well. Especially this type of justification usually covers those pricing tactics that belong to the promotion and discount category. For example, some e-commerce owners responded that they were quick to accept and apply tactics, such as holiday sales and free shipping, because these tactics have been implemented virtually in all e-commerce stores, and they have become a piece of common knowledge among sellers.

> "*I would say that people will always look for a discounted price. People all the time they like something discounted, and especially for fashion products.*" - Respondent 5

> "*Discounts, everybody asked me for discounts. Especially if they are making bulk orders. Or, they will ask, this is the second time we order from you, can you make a discount? Of course, I'm making a discount because it's such a common thing to be expected.*" - Respondent 8

Another justification for utilizing the pricing tactics was because their competitors and/or other successful companies were using them on their web stores. This type of justification was particularly true for the e-commerce stores which were implementing competition-based pricing strategies. Participants responded that they often feel a little bit of pressure to keep up with their competitors in all aspects, including their prices and pricing tactics. For example, if a seller notices that their competitors are using a price bundling tactic, that is a good enough reason for the seller to implement the same thing in their store. A similar justification was when the e-commerce owners observed and learned from big and successful retailers, such as Amazon and Alibaba, they would then attempt to utilize what they have learned in their stores.

> *"And I think soon; we also will consider the weekend deals because that's when the sales come slower, like, it cannot be shipped as fast as you know if you make the order within the week. So I've seen other competitors doing that. And I think we will do it soon as well."* - Respondent 4

> *"Yes, we use the same free shipping policy like many other competitors have."* - Respondent 6

> *"Perhaps some time, maybe weekly, I would check my competitors to see what similar products that I have in store compared to them? Are they having some huge discount that like I haven't had, and perhaps I should have it? So, again, it's about competitive."* - Respondent 8

Thirdly, interviewees reported another common justification for using/not using their current pricing tactics was that the tactics have proven to be beneficial/not beneficial before. There are several pricing tactics that are hard to measure the benefits that they bring to the stores, such as price framing, price endings, etc.; in this case, e-commerce owners have to base their decisions on other factors rather than the actual benefits. The group of pricing tactics that are direct and straightforward to calculate its benefits, such as product-line pricing, promotion, discount pricing, etc., sellers could then easily base their judgments on the actual numbers and profits.

> *"We don't use product bundling anymore because we want customers to try and explore our products and selections. Before, when we have product bundles, we see that customers only check one or two products in the bundle, and we don't want that."* - Respondent 7

> *"Yes, we do offer personalized pricing. They just need to send me a message, and then I make a quotation, and I just send them the invoice. I think our customers appreciate that, and I think that is one of our advantages that we can personalize the price."* - Respondent 4

> *"I usually send small gifts with the orders because it makes customers happier and more friendly to our brand. Most of my customers' positive reviews mentioned that, and that's how I know that it works."* - Respondent 2

Finally, not all justifications were logical; some could be based on intuition. Some interviewees responded that they utilized a number of pricing tactics just because they felt like it would bring some kind of benefits, even though they could not describe exactly what the benefits were. Particularly, when the pricing tactics do not seemingly have any potential to create harm to the web stores, e-commerce owners could then confidently implement and test their intuition on the web stores. For example, some tactics that fall under the psychological pricing category are usually hard to measure their actual benefits, such as the price presentation tactic, in which sellers would modify the size and font of the price number being presented on their web stores with a hope that customers would associate the smaller font with a smaller price. While it is hard to measure the benefits of this particular tactic, at the same time, e-commerce owners believe there is no harm in trying it.

> "*I think this is just like some instinct. After the calculation, I just made it more even. That's all. So it's a bit like a personal reference there as well. Like, okay, let's set the price like this.*" - Respondent 3

> "*I don't know. I think I just like the numbers that way. I didn't really think much about it. Customers are still buying, so I think it's working fine.*" - Respondent 8

5. CONCLUSIONS

5.1 Theoretical contributions

As discussed in the literature review chapter, the relationship between price and perceived quality has provoked a substantial amount of studies. According to Gijsbrechts (1993), normally, the relationship between price and quality is most likely positive; however, the link between these two variables seems very weak and tends to greatly fluctuate, especially within different product categories. This thesis took an unconventional road and looked at the products' perceived quality from the managers' perspective instead of from the customers' perspective. As a result, the way pricing managers distinguish their products' value also influences their pricing decisions. Managers tend to use the objective price numbers as a signal to communicate with their potential customers regarding the products' value. If they are confident with their product's value, the prices will reflect that confidence and vice versa.

To ensure that an organization is generating its maximum amount of profit, there are many correct pricing decisions managers need to make. However, in most cases, pricing managers simply do not have enough data to make informed pricing decisions; therefore, they need to base their judgments on other factors, such as their own experiences. E-commerce owners' confidence regarding their prices also largely depends on their customer's segmentations and reviews.

As stated in Reibstein et al. (2009), there is a noteworthy amount of obstacles from behavioral perspectives that pricing managers encounter; however, there are rather few attempts from academic researchers to examine the issue. Due to various individual characteristics and mindsets, managers' perceptions play an enormous role in price setting. It is crucial that managers' perceptions are taken into account in price-setting processes simply because their characters and mindsets can significantly influence managerial decisions, including pricing decisions. Aside from their own perceptions, pricing managers' decisions are also influenced by their consumer's perception of price and the complexity of pricing.

5.2 Managerial implications

Products' selling prices play an essential role in the existence and growth of an e-commerce store because it directly affects the revenue and profit of the store.

If the selling prices are too high, sellers risk losing customers; if it is too low, sellers will risk damaging their business. The chosen pricing strategies also reflect the organization and management skills of the e-commerce owners. Moreover, prices are also a measurement of the product value, and it certainly affects brand images and the popularity of online stores in a competitive market. Therefore, pricing decisions are vital strategic decisions that would directly impact the store's survival and development.

There are many factors that can shape retailers' pricing decisions. Undoubtedly, retailers should first consider economic factors such as acquisition costs, competitive pricing, profit margins, etc. However, price-setting tasks are often more than just pure math. Calculating costs and profits and comparing prices to competitors might be the most straightforward step during the price-setting process because numbers work in a logical way. Factors that are related to humans, such as personal perspectives and judgments, are often more complicated.

This thesis pays special attention to e-commerce managers' perspectives during their price-setting process in an attempt to illuminate things that e-commerce managers have to go through before setting their selling prices. Besides being affected by economic factors, e-commerce owners' own judgments also impact their pricing choices. Managers should be aware of their perceptions regarding products' value and value creation because it shapes the price ranges of the products. Besides, customers' expectations and feedback could also interfere with managers' pricing decisions. Lastly, e-commerce owners should notice how their cultural background influences their mindsets and the way they approach the pricing topics.

E-commerce owners tend to struggle while deciding on a suitable pricing strategy. One of the reasons is because some of their products' value is intangible and, therefore, it was difficult for businesses to accurately put a number on it. Moreover, managers' perspectives are a human factor that can consciously or unconsciously influence their pricing decisions. E-commerce owners tend to not relocate enough time and resources to establish a strategic pricing strategy and their pricing decisions are usually pragmatic. Eventually, this leads to managers choosing cost-based and competitors-based pricing strategies instead of a customer- or value-based strategies. Additionally, another obstacle that can arise from pricing managers' perspectives is that their opinions regarding their products' value tend to be vague and subjective. On top of that, pricing managers also tend to make assumptions about their customers' expectations rather than acquiring direct information from them. All in all, besides all the economic challenges that arise from the market, e-commerce owners also have to be aware of the obstacles generated by their own perspectives about pricing.

Pricing tactics under the discount and promotion pricing category was utilized the most by e-commerce owners; however, they were not the only one. In all cases, pricing managers normally use a combination of pricing tactics. Their justifications for choosing which pricing approaches to use were mostly based on others, such as their competitors and/or other companies. In some cases, pricing managers also based their pricing decisions on the data collected from their web stores. Lastly, intuition plays a noticeable role in a manager's decision-making process as well. To sum up, managers should be conscious of how their human factors are involved while deciding on their pricing tactics and be encouraged to justify their pricing decisions based on data.

In conclusion, there was never a black-and-white approach to establishing an effective pricing strategy. A single pricing strategy is never right for all types of retail businesses - every entrepreneur will need to invest time and resources to decide what works best for their product, marketing strategy, and target audience. Determining the price of a product is a difficult but important issue; therefore, the pricing strategy must be developed based on the study of different influencing factors. Finally, a strategic pricing strategy does not only need to be profitable; it also needs to be sustainable over a long period of time.

5.3 Limitations of the study

There are several limitations of this thesis. First, the study was mostly focused on B2C e-commerce stores that sell tangible products. Even though there were a few B2B store owners and one participant who sells services as their products, the study focused on B2C e-commerce's characters and pricing of tangible products. Therefore, the findings of this study might not reflect all types of e-commerce retailers. Secondly, this thesis does not cover any influencing factors or challenges that arose from a competitive market or from a practical standpoint. Because this study belongs to behavioural pricing in the school of thought, its main focus was on the human factors, or in other words, the pricing managers' perspectives. Finally, there was a limited amount of time and resources to conduct the study, as well as the unconscious biases of the researcher that might influence the research process.

5.4 Recommendations for future research

Firstly, future researchers who are interested in behavioural pricing topics can attempt to establish a comprehensive list of influencing factors that arise sorely from a manager's psychology. Moreover, researchers can also expand this topic by including psychology studies side by side with marketing studies in order to better understand e-commerce owners' pricing decision-making process. Furthermore, a thorough investigation into managers' justification while setting their prices and the advantages or disadvantages of those specific justifications would also greatly benefit future pricing research.

Secondly, future researchers are recommended to include service providers and B2B e-commerce owners in their data collection process. Each group has its own characters and perspectives that can be different from each other. By expanding the participant group, future researchers can solve the limitations of this study and produce more relevant findings.

Finally, there are many pricing tactics divided into several categories; each category would benefit from further examination. Moreover, future researchers can expand the topic by studying the combinations of pricing approaches and their suitability according to different strategic pricing strategies. There are several popular pricing tactics that are commonly used by e-commerce owners, such as tactics under the discount and promotion pricing category. While being the most used pricing approach, pricing managers tend to apply these discount and promotion tactics without much consideration for long-term goals. Future researchers could look into managers' pricing motivations in providing discounts and promotions and its real harms/benefits.

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APPENDIX 1

Questionnaire for small and medium e-commerce

General information/ Warm-up questions:
- Can you tell me a little bit about your products and their price ranges?
- How long the e-commerce store has been operating, and what is your position in the company?

Questions about the price-setting process:
- How did you originally generate your product prices?
- How confident are you that your prices capture the quality of your products?
- What are the company's main objectives while setting product prices?
    - Are these objectives the same for all goods/services that your company sells, or do you have different objectives for different types of products?

Questions about pricing strategy elements:
- Who are your customers? And, how do you classify your customers?
- In your opinion, how do your prices affect your customers' buying decisions?
- From a potential customer's perspective, what values do your products offer?
- How do you measure those products' values and how do you ensure that your potential customers understand the product values that you just mentioned?
- Do you have any general principles for setting prices for your products/services?
- How do you respond to your customer's expectations regarding your product prices?

Questions about challenges:
- How often do you adjust your product prices?
- How often do you consider changing your product prices?
- Which employment roles contribute to the price-setting decisions at your company?
- From your customer's perspective, how much do you think they would appreciate it if you offer promotions and discounts on your products?
- How often do you discuss pricing topics with your team members or your superior?

Questions about current pricing practices:
- What are the pricing practices you are exercising on the current web store?
- Why did you choose to exercise those pricing practices?

Closing question:
- Is there anything you would like to add about this pricing topic?
- In your opinion, who else should I ask to interview?