

A Study on Consumer Awareness Regarding Drip Pricing

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ABSTRACT

Drip pricing, a marketing strategy where the initial price of a product or service is presented lower than the final price after adding mandatory fees or charges, has become increasingly prevalent in various industries, particularly in e-commerce, travel, and hospitality. This study aims to assess the level of awareness and understanding of drip pricing among consumers.

Keywords: Drip pricing, Strategy, Awareness

Introduction

In recent years, the concept of transparent pricing has gained significant attention due to the growing prevalence of online transactions and service bookings. One practice that has raised concerns among consumers and regulators alike is drip pricing. Drip pricing refers to the strategy where businesses advertise a low initial price for a product or service but gradually reveal additional mandatory fees, charges, or surcharges as the consumer proceeds through the purchase process. This marketing strategy is commonly observed in sectors such as e-commerce, airlines, hotels, and event ticketing, where the final cost may be significantly higher than the initially advertised price.

The practice of drip pricing can mislead consumers, distort competition, and affect purchasing decisions, especially when buyers are unaware of the additional costs involved. Consumer awareness of such pricing practices is crucial, as it empowers individuals to make informed choices, compare options effectively, and avoid unexpected financial burdens. Understanding the level of awareness regarding drip pricing among different demographic groups can provide insights for policymakers, consumer protection agencies, and businesses to ensure fair and transparent marketing practices. Therefore, this study aims to examine consumer awareness about drip pricing and explore whether demographic factors influence the level of understanding among consumers.

Review of Literature

Drip pricing has been widely discussed in both academic literature and regulatory reports as a key concern in consumer protection. According to **Wilkie and Moore (2012)**, pricing transparency is fundamental for fair competition, and hidden charges can negatively impact consumer trust. Research by **Chen et al. (2016)** highlights that consumers often underestimate the final price when additional fees are not disclosed upfront, which can lead to dissatisfaction and reduced brand loyalty.

Several studies have examined the behavioral aspects of drip pricing. **Ailawadi and Farris (2017)** observed that consumers are more likely to abandon a purchase when hidden fees are revealed late in the buying process. Similarly, **Becker et al. (2018)** found that online consumers often fail to notice added charges due to cognitive overload or the design of the purchase interface, which subtly encourages completion of the transaction despite increased costs.

From a regulatory perspective, authorities in many countries, including the European Union and Australia, have implemented guidelines requiring businesses to disclose all mandatory charges upfront to ensure fair trading. **OECD (2019)** reports indicate that while such regulations exist, consumer awareness remains low, highlighting the importance of education and public awareness campaigns. Despite growing attention to drip pricing, empirical studies on consumer awareness, especially in developing countries, remain limited. Existing literature largely focuses on behavioral responses to hidden fees rather than understanding the level of awareness among different demographic groups. This study seeks to fill this gap by examining consumer awareness of drip pricing and investigating whether factors such as age, gender, education, income, and occupation influence this awareness.

Research Methodology

Objective of Study

- To Study the awareness level about drip pricing

Research Design

The study employed a descriptive research design to examine the awareness of drip pricing among consumers. Descriptive research is suitable for studies aiming to assess perceptions, opinions, or awareness levels of a target population. This design allowed the researcher to collect data on consumer knowledge about drip pricing and analyze it in relation to demographic characteristics.

Population and Sample

The target population for this study included consumers across various age groups, educational backgrounds, occupations, and income levels. A convenience sampling technique was used to select 138 respondents who were accessible and willing to participate in the study. The sample included both male and female participants from urban, semi-urban, and rural areas to ensure diverse representation.

Data Collection Instrument

Primary data were collected using a structured questionnaire, which included both closed-ended and Likert-scale questions. The questionnaire was divided into two sections:

- **Demographic Information:** This section collected data on gender, age, educational level, marital status, occupation, monthly income, and residence.
- **Awareness of Drip Pricing:** This section assessed participants' understanding of drip pricing, their ability to identify hidden charges, and their perceptions of pricing transparency in products and services.

Data Analysis and Interpretation

The collected data were analysed using descriptive and inferential statistical techniques. Descriptive statistics, such as frequency, percentage, and cumulative percentage, were used to summarize demographic characteristics and levels of awareness. One-way Analysis of Variance (ANOVA) was employed to examine whether demographic factors (gender, age, education, marital status, income, occupation, and residence) had a significant effect on awareness of drip pricing. All analyses were conducted using SPSS software for accuracy and efficiency.

Table 1 Gender

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|------------------|----------------|----------------------|---------------------------|
| Valid | Male | 94 | 68.1 | 68.1 | 68.1 |
| | Female | 44 | 31.9 | 31.9 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The data shows that out of a total of 138 respondents, the majority were male. Specifically, 94 respondents (68.1%) identified as male, while 44 respondents (31.9%) identified as female. This indicates that males made up more than two-thirds of the sample, whereas females represented just under one-third. The cumulative percentage reaches 100%, confirming that all respondents were accounted for in these two gender categories.

Table 2 Age

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|------------------|----------------|----------------------|---------------------------|
| Valid | Below 20 | 69 | 50.0 | 50.0 | 50.0 |
| | 21- 40 | 59 | 42.8 | 42.8 | 92.8 |
| | 41- 60 | 9 | 6.5 | 6.5 | 99.3 |
| | Above 61 | 1 | .7 | .7 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The age distribution of the 138 respondents shows that half of the participants (50.0%) were below 20 years old, making this the largest age group in the sample. The second largest group consisted of individuals aged 21–40, representing 59 respondents (42.8%). A smaller proportion, 9 respondents (6.5%), fell within the 41–60 age categories. Only 1 respondent (0.7%) was above 61 years old. The cumulative percentages confirm that these categories account for all respondents in the study. Overall, the data indicates that the sample is predominantly young, with the majority being under 40 years of age.

Table 3 Highest Education

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------------|------------------|----------------|----------------------|---------------------------|
| Valid | Matric | 6 | 4.3 | 4.3 | 4.3 |
| | Senior Secondary | 59 | 42.8 | 42.8 | 47.1 |
| | Graduate | 37 | 26.8 | 26.8 | 73.9 |
| | Post graduate | 28 | 20.3 | 20.3 | 94.2 |
| | Others | 8 | 5.8 | 5.8 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The educational profile of the 138 respondents shows that the largest proportion, 59 individuals (42.8%), had completed senior secondary education. This is followed by 37 respondents (26.8%) who were graduates and 28 respondents (20.3%) who held postgraduate qualifications. A smaller portion, 8 respondents (5.8%), reported having other forms of education, while only 6 respondents (4.3%) had completed matric as their highest level of education. The cumulative percentages confirm that all respondents are accounted for across these categories. Overall, the data indicates that most participants possessed at least a senior secondary or higher level of education.

Table 4 Marital status

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|------------|--------------|---------------|--------------------|
| Valid | Married | 29 | 21.0 | 21.0 | 21.0 |
| | Unmarried | 105 | 76.1 | 76.1 | 97.1 |
| | Divorced | 3 | 2.2 | 2.2 | 99.3 |
| | Widow | 1 | .7 | .7 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The marital status distribution of the 138 respondents shows that the majority were unmarried, accounting for 105 individuals (76.1%) of the sample. Married respondents made up 29 participants (21.0%). Only a small proportion of the sample reported being divorced (3 respondents, 2.2%) or widowed (1 respondent, 0.7%). The cumulative percentages confirm that these categories include all respondents. Overall, the data indicates that the sample was predominantly composed of unmarried individuals.

Table 5 Per month Income

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------|------------|--------------|---------------|--------------------|
| Valid | Below 10000 | 81 | 58.7 | 58.7 | 58.7 |
| | 10001-20000 | 17 | 12.3 | 12.3 | 71.0 |
| | 20001-30000 | 16 | 11.6 | 11.6 | 82.6 |
| | 30001-40000 | 4 | 2.9 | 2.9 | 85.5 |
| | Above 40000 | 20 | 14.5 | 14.5 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The monthly income distribution of the 138 respondents shows that the majority, 81 individuals (58.7%), earned below Rs. 10,000 per month, making this the largest income group. A smaller proportion, 17 respondents (12.3%), earned between Rs. 10,001 and Rs. 20,000, while 16 respondents (11.6%) fell in the Rs. 20,001–30,000 range. Only 4 respondents (2.9%) reported earning between Rs. 30,001 and Rs. 40,000. Meanwhile, 20 respondents (14.5%) reported earning above Rs. 40,000 per month. The cumulative percentages confirm that all respondents are accounted for within these categories. Overall, the data indicates that the sample is skewed toward lower-income groups, with more than half earning less than Rs. 10,000 per month.

Table 6 Occupation

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------------|------------------|----------------|----------------------|---------------------------|
| Valid | Homemaker | 2 | 1.4 | 1.4 | 1.4 |
| | Student | 88 | 63.8 | 63.8 | 65.2 |
| | Salaried | 23 | 16.7 | 16.7 | 81.9 |
| | Self Employed | 10 | 7.2 | 7.2 | 89.1 |
| | Professional | 13 | 9.4 | 9.4 | 98.6 |
| | Public Employer | 2 | 1.4 | 1.4 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The occupation profile of the 138 respondents shows that the majority were students, making up 88 individuals (63.8%) of the sample. Salaried employees formed the second-largest group with 23 respondents (16.7%), followed by self-employed individuals (10 respondents, 7.2%) and professionals (13 respondents, 9.4%). Very small proportions were homemakers and public sector employees, each represented by only 2 respondents (1.4%). The cumulative percentages confirm that all categories account for the entire sample. Overall, the data indicates that the respondent group was dominated by students, with comparatively fewer individuals engaged in formal employment or professional occupations.

Table 7 Residence

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------|------------------|----------------|----------------------|---------------------------|
| Valid | Rural | 50 | 36.2 | 36.2 | 36.2 |
| | Urban | 73 | 52.9 | 52.9 | 89.1 |
| | Semi urban | 15 | 10.9 | 10.9 | 100.0 |
| | Total | 138 | 100.0 | 100.0 | |

The residence distribution of the 138 respondents indicates that the majority lived in urban areas, with 73 individuals (52.9%) falling into this category. Rural residents made up 50 respondents (36.2%), while a smaller portion, 15 respondents (10.9%), lived in semi-urban areas. The cumulative percentages show that all respondents are represented across these three categories. Overall, the data suggests that the sample is predominantly urban, with smaller proportions coming from rural and semi-urban regions.

Table 8 ANOVA

| | | Sum of Squares | df | Mean Square | F | Sig. |
|--------|----------------|-----------------------|-----------|--------------------|----------|-------------|
| Gender | Between Groups | 10.547 | 40 | .264 | 1.317 | .139 |
| | Within Groups | 19.424 | 97 | .200 | | |

| | | | | | | |
|-------------------|----------------|---------|-----|-------|-------|------|
| | Total | 29.971 | 137 | | | |
| Age | Between Groups | 16.430 | 40 | .411 | .967 | .535 |
| | Within Groups | 41.193 | 97 | .425 | | |
| | Total | 57.623 | 137 | | | |
| Highest Education | Between Groups | 38.712 | 40 | .968 | .948 | .564 |
| | Within Groups | 99.005 | 97 | 1.021 | | |
| | Total | 137.717 | 137 | | | |
| Marital status | Between Groups | 7.450 | 40 | .186 | .741 | .856 |
| | Within Groups | 24.376 | 97 | .251 | | |
| | Total | 31.826 | 137 | | | |
| Per month Income | Between Groups | 62.898 | 40 | 1.572 | .663 | .927 |
| | Within Groups | 230.037 | 97 | 2.372 | | |
| | Total | 292.935 | 137 | | | |
| Occupation | Between Groups | 53.739 | 40 | 1.343 | 1.251 | .187 |
| | Within Groups | 104.145 | 97 | 1.074 | | |
| | Total | 157.884 | 137 | | | |
| Residence | Between Groups | 18.285 | 40 | .457 | 1.172 | .262 |
| | Within Groups | 37.838 | 97 | .390 | | |
| | Total | 56.123 | 137 | | | |

The ANOVA results indicate that none of the demographic variables Gender, Age, Highest Education, Marital Status, Monthly Income, Occupation, or Residence have a statistically significant effect on the dependent variable under study. For each variable, the significance (Sig.) values are greater than the conventional threshold of 0.05, with Gender ($p = .139$), Age ($p = .535$), Highest Education ($p = .564$), Marital Status ($p = .856$), Monthly Income ($p = .927$), Occupation ($p = .187$), and Residence ($p = .262$) all showing non-significant results. This means that the variations observed across the different groups within each demographic category do not contribute significantly to differences in the dependent variable. Overall, the findings suggest that demographic characteristics do not play a meaningful role in influencing the outcome being measured.

Conclusion

The results indicate that while a significant proportion of respondents recognize that additional hidden costs are common, many are not fully aware of the extent to which drip pricing affects the final purchase amount. Analysis of demographic factors using ANOVA revealed no statistically significant differences in awareness across gender, age, education, marital status, income, occupation, or residence. The findings highlight the need for increased consumer education and stricter regulatory measures to promote pricing transparency and protect consumers from misleading pricing practices. This study contributes to a deeper understanding of consumer awareness and behavior regarding drip pricing, emphasizing the importance of informed decision-making in modern marketplaces.

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