

RETAIL PRICING STRATEGIES – A COMPARATIVE STUDY ON ORGANIZED

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Abstract- Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use. The price of a good or product when it is sold to the end user for consumption not for resale through a third-party distribution. Retail Prices are the prices that the customers buying good at retail outlets pay. Consumers respond to a lower retail price by switching their purchases of the manufactures product to the lower-priced retailer. Retailing is nothing but transaction of goods between the seller and the end user as a single unit or in small quantities to satisfy the needs of the individual and for his direct consumption. The goal of this work project is twofold. Researcher study the main pricing strategies currently in used in the organized and unorganized retail sector. In order to shed some light on how these pricing strategies work and when are they put into practice, researcher review both the empirical and theoretical literature on the topic. In addition, we also discuss the main effects of these strategies on profits and consumer welfare using graphical analysis. Researcher examines how the pricing strategies identified in the literature have been used in the different retail format in Haryana. From the literature review, this research paper focus on following pricing strategies: Discounted Prices, Odd Price, Even Price, Every Day Scheme of Low Price, MRP. Even though all these strategies have the ultimate goal of increasing a retail format profit. The study analyse the demographic profile of retail customers in Haryana.

Retail

Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use. Retailing is nothing but transaction of goods between the seller and the end user as a single unit or in small quantities to satisfy the needs of the individual and for his direct consumption. In the ever-changing globalized and liberalized world of retailing, competition becomes the major organizational principle of marketing activities. In this dynamic business environment, consumer behavior, trends and issues of retailing are undergoing a sea change. This demands retail pricing approaches to be altered accordingly. Thus all retail formats are challenged to formulate retail pricing strategies that will ensure them of achieving competitive advantage over other competing formats. The Indian retail industry has strong linkages with the economic growth and development of the economy. Consumer dynamics in India is also changing and this has created an opportunity for organized modern retail formats. These modern retail formats provide wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a same roof. Kokatnur (2009) and Satish and Raju (2010) explore that the organized market comprises of large players such as Future group, Pantaloon, Tata, RPG, Reliance, Trent, ITC, etc., having greater enforcement of taxation mechanisms and better labor law monitoring systems. They have an efficient supply chain management, with superior vender relationships, quality customer service, efficient merchandizing and timely promotional campaigns. Though Indian retail is dominated by a large number of small retailers, the last decade has witnessed the entry of a number of organized retailers, opening stores in various modern formats in metros and other important cities. Retail Formats compete across several dimensions and price is one of the most essential elements. Retail Formats are aware that any dollar that is not spent in one's store is spent in a competitor's store. Therefore, prices as well as quality of products and service are important elements to attract consumers' to one store. Organized Retail Formats use a combination of pricing strategies to lure in consumers and maximize their profits. A very common practice is to offer low prices on certain items on a

regular basis. However, this strategy induces a fierce undercutting price behavior which, in turn keeps profits permanently low. As a result, many organized retailers opt for more complex set of pricing strategies that ensures profitability and still appeals to price conscientious consumers.

Retail Pricing Strategies

Cost Plus Pricing Mechanism

Every organization runs to earn profits and so is the retail industry. In cost plus pricing strategy the retailer adds some extra amount to the actual cost price of the product to earn his share of profits. The final price of the merchandise includes the profit as decided by the retailer.

Cost Plus Pricing

- Cost plus pricing strategy takes into account the profit of the retailer.
- Cost plus pricing is an easy way to calculate the price of the merchandise.
- The increase in the retailer price of the merchandise is directly proportional to the increase in the cost price.
- The customers however do not have a say in cost plus pricing.

Manufacturer Suggested Retail Price (Also called List Price or Recommended retail price)

According to manufacturer suggested retail pricing strategy the retailer sets the final price of the merchandise as suggested by the manufacturer.

Competitive Pricing

The cut throat competition in the current retail scenario has prompted the retailers to guarantee excellent customer service to the buyers for them to prefer them over their competitors.

- The price of the merchandise is more or less similar to the competitor's but the retailers add on certain attractive benefits for the customers. (Longer payment term, gifts etc.)
- The retailers ensure that the customers leave their store with a smile to have an edge over the competitors.
- He tries his level best to offer better services to the customers for a better business in future.

Pricing Below Competition

According to pricing below competition policy

- The price of the merchandise is kept lesser than what is being offered by the competitors.

Prestige Pricing (Pricing above competition)

According to prestige pricing mechanism, the price of the merchandise is set slightly above the competitors.

Psychological Pricing

- Certain price of a product at which the consumer willingly purchases it is called psychological price.
- The consumer perceives such prices to be correct.
- A retailer sets a psychological price which he feels would meet the expectations of the buyers and they would easily buy the merchandise.

Multiple Pricing

- According to multiple pricing, the retailer sells multiple products (more than one) for a single price.
- The retailers combine few products to be sold for a single fixed price.

Discount Pricing

According to discount pricing, the retailer sells his merchandise at a discounted price during off seasons or to clear out his stock.

NEED FOR STUDY

Retailing in India is at a crossroads. The Indian retail scenario is presently facing the similar situations as the 'mom and pop' stores in the developing nations faced at the emergence of big box retailers. The new expansions of retail formats are adaptations of western formats fetching moderate to lukewarm success. The challenge lies in retailer's understanding of retail price as per customer's needs and motivations, and most importantly, such parameters and perceptible dimensions of the payment modes which customer considered important in evaluating a store. There is a vast scope for research and analysis as the retailing environment in the country is changing rapidly, leading to changed customer expectations and choice of retail store format. This phenomenon is quite significant in the Indian retail market with the introduction of larger and more diverse retail formats by organized players. Indian retail industry plays an important role for the economic growth of this study attempt to establish potential of Haryana for the growth of retailing with the focus on pricing strategies of retailers. In this study we getting the feedback from the different customers from organized as well as unorganized retail store by questionnaire and collect the data related to different factor which affect the purchasing decision of customers.

SCOPE OF THE STUDY

When enormous international retailers entered into the Indian retail market then all retail market divided into two categories traditional which is known as unorganized retail and organized retail. Customer preference for selection of food and grocery stores is mainly depends on price, quality product, availability of different items in grades, service provided by retailers and different promotional scheme for customers. The study is conducted to find out the pricing strategies adopted by different retailers in organized and unorganized retail sector. The study also focus on the demographic profile of customers shop from organized and unorganized retail with special reference to cities of Haryana (Sonipat, Panipat, Karnal and Kurukshetra).

OBJECTIVES OF THE STUDY

The main objective of this study is to analyze the retailers pricing strategies in organized and unorganized retailing with special reference to different cities of Haryana (Sonipat, Panipat, Karnal and Kurkshetra) with this overall objective the sub objectives of the study are as follows.

- To analyze the pricing strategies followed in organized and unorganized retail stores.

REVIEW OF LITERATURE

Swinyard is of the view that US retailers have been more responsive to market shifts now which resulted in mergers and consolidation, franchise options, joint ventures, vertical integration, increase in financial power, information technology explosion etc. The results highlight that the reason for retail market shift is the law of natural selection - adapt to the environment or die. Retailers that continually understand and meet the expectations of shoppers will succeed.

According to Levy et al, pricing optimization is currently one of the hottest topics in the retail industry. This study explores how retailers typically make pricing decisions using time-honored heuristics and attempt to infer the optimal decisions. The study also provides examples of the more sophisticated competitive pricing techniques that are currently being tested and the affect of advertising, competition, and substitute products on price. Brennan and Lundsten ,analyzed the impacts of large discount stores on small US towns, reasons for shopping and retailer strategies, and found that consumers shop at discounters for low prices and large variety and specialty stores for the unique items they cannot find elsewhere. Consumers prefer to shop more from new discounters than the existing stores.

According to Goldman, the retailing strategies of international formats have been transferred to the developing countries now experiencing a surge in modern retail formats. Retailers have pursued different format transfer policies. Some retailers transfer their total format unchanged while others introduce extensive changes as different segments of consumers' demands differently due to changing lifestyles.

RESEARCH DESIGN

Research methodology is a way to systematically solve the research problem. The researcher used to design a methodology according to research objective.

Sampling: Representative sample represents the characteristics of the population instead of taking every elements of population The basic task of the researcher is to decide on the sampling unit to be chosen which a crucial judgment. The following questions are to be answered first before choosing the sample units sample size and method of sampling.

Sample Size: The total sample size is 500.

Sampling Method: Convenience Sampling: Sometimes it is called grab or opportunity sampling; this is the method of choosing items arbitrarily and in an unstructured manner from the frame

Data Collection: The information collects through e mail as well as personal interview. This methods use during survey will be tabulated and plotted through graphs to represents the findings in a better way. The analysis will be done by calculating the percentage for each questionnaire out of 500.

Data Sources: The first step in data collection process is to look for the secondary data. These were the data that were developed for some purpose other than for helping to solve the problem at hand. Researcher secondary data were collected from the different articles magazines, books, internet data .The data that are still needed after the search is completed will have to be developed specifically for the research are known as primary data .An important source of primary data is e mail questionnaire and telephonic interview. Researcher primary data collected through email as well as a market survey with structured questionnaire.

Research Instruments:

Primary Data through: - E mail or personal interview

Questionnaire: - 500.

Secondary data through: - Internet, Newspapers, Magazines, Journals. The questionnaires will prepare keeping in mind the objectives. There are open-end questions to know the customers views, preferences and opinion about their buying habits, consumption patterns, Researcher used the structured questionnaire throughout the survey.

Statistical Tools used for Analysis

The extent of using the retail store between the different types of respondents based on their age, gender, educational qualification, occupation, monthly family income, family size, preferred type of stores, frequency of visit and type of product preferred was studied by means of Percentage analysis analysis were used appropriately.

Limitations

The hindrances and limitations the researcher came across during the entire research were:-

- ✓ The research was limited only to the Panipat, Sonipat, Karnal, Kurkshetra (HR) and few cities so the result can't be generalized to the whole market.
- ✓ The sample taken for research was concerned only for 100 customers rather than millions of customers scattered around the world.
- ✓ Some of the premium segments could not be met due to time lack and by not obtaining prior appointment due to tight schedule of the respondents.

FACTCS AND FINDINGS

PRICING STRATEGY FOLLOW BY THE RETAIL FORMAT

P R I C I N G S T R A T E G Y	O r g a n i z e d R e t a i l		U n o r g a n i z e d R e t a i l	
	Y E S	N O	Y E S	N O
D i s c o u n t e d P r i c e s	145	105	155	95
O d d P r i c e	166	84	165	85
E v e n P r i c e	152	98	142	108
E v e r y D a y S c h e m e o f L o w P r i c e	159	91	156	94
M R P	182	68	176	74

Retail Price is the final price at which a good is sold to customers for, those being the end users or consumers. The purpose of asking this was to know whether customers are satisfied with the schemes and offers given by Retailers. According to the concept of retailing, a retailer doesn't sell products in bulk; instead sells the product in small units to the end users. Different retail format follows different pricing strategies such as -

Discounted Prices, Odd Price, Even Price, Every Day Scheme of Low Price, MRP etc. According to the research made by the researcher, it has been analysed that 62 percent of the respondents states that organized retail format offers discounted prices, whereas in unorganized retail only 58 percent agree, that they offers discounted prices. Organized retail formats offers more discount on products, as they are giant in size and they are operated at large level so they are able to offer more discount to consumers as compare to unorganized retail stores. According to table number 10, 66.4 percent of the respondents give their concern that organized retail format offer Odd Price whereas in unorganized retail format only 34 percent of the respondents opined. Odd Price has psychological effect on customers buying behaviour. The above table exhibit that 60.8 percent of the opined that organized retail stores offers Even Price, where as 37.6 percent of the respondents opined even price strategy in unorganized retail store. Every Day Scheme of Low Price is a pricing strategy promising consumers a low price without the need to wait for sale price events or comparison shopping. The above table explains that organized retail (as per average rating score 63.6) offers more everyday scheme of low price to the customers, whereas in unorganized retail stores only 37.6 of respondents opined to give concern for the same scheme. As per the average rating scale Table No. 10, exhibits organized retail (70.4 percent) stores sell the product below the MRP whereas in unorganized retail stores the customers the retailers sell the product at MRP (72.8 percent). The margin of organized retailers because of bulk purchasing and direct purchasing from manufacturer (without any intermediaries). The products of organized retailers are moreover customized. That's why organized retailers are capable to sell below the MRP.

CONCLUSION

India is at the intersection of organized and unorganized retail with respect to the retail sector. Both modern and traditional retailers will co-exist in India for some time to come, as both of them have their own competitive advantages. The kirana has a low- cost structure, convenient location, and customer intimacy whereas modern retail offers product width and depth and a better shopping experience. One of the prime objectives of this study was to find the consumers' perception towards organized and unorganized retailers across demographic profiles. This study indicated that customers prefer to purchase from organized retailers because of the store image, product availability, and price discounts. From this study it was observed that due to changes in the disposable income and increased awareness of quality, the consumers' perception towards organized and unorganized retailers differ on the basis of quality and price. They preferred to buy different products from the organized and different from the unorganized retailers. From the study it was found that when compared to the unorganized retail format most of the respondent had a good image about the organized retailers. . Even the unorganized retailers had a good share in Market, but due to factors such as space, parking etc. a gap existed between both the formats. The customers wished for more outlets being opened

FUTURE DIRECTIONS

The study has been conducted for studying the customer perception for organized and unorganized retail outlet. Future researchers may take up a deep research on the products like apparels, fruits and vegetables etc. Moreover, the study has been carried out in Delhi NCR and the sample has been taken through convenience sampling techniques. A more representative sample can be taken in future studies.

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