

**Retail Management**  
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**Module No # 07**  
**Lecture No # 32**  
**Price in Retail (Continued)**

Hello everybody welcome to this NPTEL swam course on retail management this is professor Swagato Chatterjee from the IIT, Kharagpur just taking this course for you. This is week 6 lecture 32 and I am discussing about pricing in retail. So in the last class I was discussing about yield management, in this particular session I will talk about a new topic which is on everyday low price.

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Pros and Cons of Everyday Low Pricing	
<b>Pros:</b>	<b>Cons:</b>
<ul style="list-style-type: none"><li>• Reduced advertising expense</li><li>• More predictable sales levels</li><li>• Fewer peaks and ebbs of sales distribution</li></ul>	<ul style="list-style-type: none"><li>• Decreased excitement</li><li>• Potentially less store traffic due to specials</li><li>• Less “cherry-picking” by consumers who only purchase specials</li></ul>

So everyday low price is also an image that the customers the companies want to keep they say that we will not give lots of discounts. Our prices are everyday the prices is low there is no special extra discount that is bring we are bringing in. Whenever you come in there will be a low price so this is a strategy that companies like Walmart or brand store this kind of companies will try to follow. What are the pros of this policy that the advertisement expenses are low?

So do, you not want to go for big billion sale kind of advertisement that comes in your newspaper or other places. Everybody knows that whenever I step in this retail store I will get products at a lower price so that is one pro's. The predictable sales level if there is no fluctuation in price then the sales are also does not fluctuate a lot sales phase might it

fluctuate a little bit based on the demand that is done in the market based on the economic condition.

But in general because of the pricing that you are trying to doing the sales fluctuate that will not happen in this case. So you can manage your services you can manage your manpower you can manage your whole business accordingly. And what are the pro's fewer peaks and ebbs in the sales distribution. If the sales are predictable you know that what when will be the sales then the ups and downs are more or less managed.

Because whenever there is up you can say that I will give the special discount on every month probably or every week I will give a special discount on certain day in the week. And the ups will basically higher demand will basically come on the particular day and it will get management. So the peaks and ebbs are lesser in the context of the everyday low pricing but everyday low pricing as a problem also the excitement goes away as I was telling.

So people actually look forward for this kind of discounts or huge discount and they want to feel want to feel that they got a very good deal. So if that very good deal kind of excitement goes away then people sometimes get bored, because shopping is not only the product that you are purchasing. Shopping has other components also the excitement the enjoyment that you are getting during the shopping is also very important which goes away.

Potentially less stores traffic due to specials so nobody comes to buy the special and less cherry-picking by customer who only purchase special. So special people who, only purpose special products will not do cherry-picking here. So, there are some of the basically any kind of excitement any kind of enjoyment will not happen and that is why sometimes people do not want to go. But it is a very well accepted strategy in a place where there are residential complex and people may need certain products.

You know that is a huge I would say huge amount of residential people who normal people stay there and they can buy products. For garments for groceries for low involvement products low involvement garments I would say not very high 5 garment. Probably day to day usage kind of garments or groceries or probably certain FMCG products this of retail strategy will play a good role.

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## Reasons to Use Multiple-Unit Pricing

- A firm could seek to have shoppers increase their total purchases of an item.
- This approach can help sell slow-moving and end-of-season merchandise.
- Price bundling may increase sales of related items.

Then there is something called multiple unit pricing so a firm could seek to have shoppers increase their total purchase of an item. So how what will you do? You will say that one particular product one soap will cost you let us say 5 Rupees or 10 Rupees or 5 Rupees is too low let us say around 30 rupees. But 5 soaps together will cost you only 80 Rupees or less 100 Rupees. So that is a basically multiple unit pricing the pricing is different when you are buying multiple unit.

Sometimes that is related to economic scale sometimes that is also related to the fact that I want to make sure that the product the people purchase in bulk. So this approach can help sell slow moving and end of season merchandise. So, when you are merchandise are not selling you can give this kind of discounts price bundling may increase sales of related item also. So in the multiple unit pricings there is another strategy called price bundling where let us say soap and shampoo is bundled together and priced.

The soap is probably high frequently purchased product but let us say the shampoo is not getting sold a lot. So what you can do is that you can make them a bundle they can price let us say 5 Rupees extra on the high frequently bought product unit. And then you can with that 5 Rupees you can basically sell. So the low moving or slow moving item so basically you are clearing your stocks of the slow moving item by giving discounts through bundling or through basically this kind of multiple unit pricings.

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# Price Adjustments

- Adaptive mechanism
  - Markdown
  - Additional markup
  - Employee discount

Then another kind of pricing strategy which is called price adjustments, so price adjustments are related to the markdown price the additional market price or the employee discount. So employee discounts are given to the employees obviously again this is heavily focused when you want to clear the sales clear inventory that you have. Additional mark up means you are sometimes you can charge a little bit extra markup for certain services and markdown prices.

Basically you can give your own discount so the probably the company is not giving but the retailer is giving the discount. So in some cases that is allowed in some cases it is not allowed let us say if the markdown is so high that it is impacting the image of the brand then the manufacturer will not allow mark down prices. So however certain companies go for mark down prices to clear the sales or to basically adapt to the change in the market situation.

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Price Line



Plans	BASIC FREE	BRONZE \$ 9 per month	SILVER \$ 19 per month	GOLD \$ 29 per month	PLATINUM \$ 50 per month
Disk space	5 GB	20 GB	50 GB	100 GB	500 GB
Databases	1 database	5 databases	10 databases	50 databases	unlimited
Bandwidth	50 GB	100 GB	200 GB	500 GB	unlimited
E-mail accounts	1 acc	20 acc	50 acc	100 acc	unlimited
Subdomains	none	3 subdomains	10 subdomains	20 subdomains	unlimited
24/7 support	✗	✓	✓	✓	✓
	Sign Up	Sign Up	Sign Up	Sign Up	Sign Up

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So that is another strategy that the company can take then another very important strategy is called price lining this is something which is that is very common we have seen. That there is a basic plan roll plan silver plan and so on and in the silver plan there are so many different aspects that comes up there or certain features that comes up and the features have different kind of I would say levels of the those features.

So that is called price lining so price lining is again important strategy this is used to basically check that which feature is in needed by the customers in a service context it is very heavily applied. And which feature is needed by the customer and you try to sometimes price it in such a way such that the most committed one will have the optimal number of features. The higher ones from that most coveted ones will have high price.

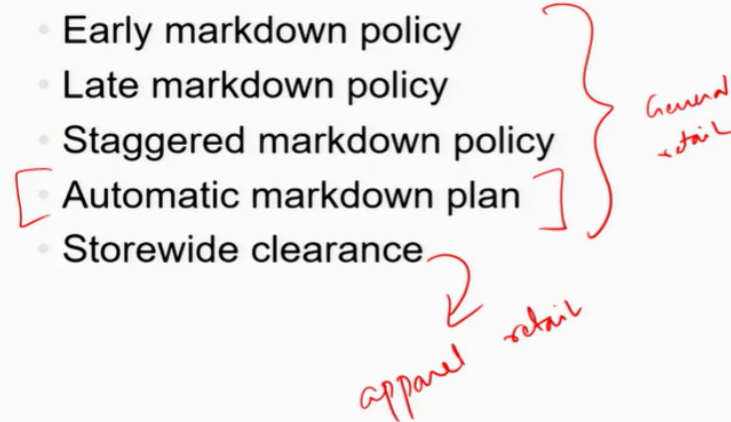
But a few more features which are not so important and the lower ones will have lower price but very less amount of features. So you reduce the free plan and bronze plan the feature is very low and the medium plan is has the optimal price and feature mix. And the higher one has higher prices but the feature extra features are not so important. So when people see this choice you basically try them to come into the most coveted choice which is coveted for the company.

So that is what that kind of a link that kind of a probably signal that we try to give that come to silver come to silver do not go for gold platinum. Do not go for basis or bronze come to silver the advantage of that is that if more amounts of people come to the middle and we generally come to the middle consumers generally come to the middle. So it is better to so another classic discussion here it happens is a psychological discussion that what will happen?

If you have given free bronze, silver and gold then some people will go for bronzes and some people will go for silver. So people have this strategy to go to the middle. So here there are 2 middle points when there are 4 choices. So it is better always to give a odd number of choices and so that people can come to the middle one. So that is the price lining strategy that service companies take.

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## Timing Markdowns

- Early markdown policy
  - Late markdown policy
  - Staggered markdown policy
  - Automatic markdown plan
  - Storewide clearance
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Markdowns can sometimes be done as a timing based for example early markdown's, late markdown's when you will give the markdown, early markdown means that in the early arrivals. You are creating the markdowns so that a little bit of buzz gets created late. Late mark down you are giving the mark down so that some people the inventories can be cleaned. Staggered mark down so that excitement and then people so that people wait for the excitement.

There is some excitement then there is low excitement again there is high excitement even low excitement. So people wait for the excitement so staggered mark down will be clear focused on that. Automatic markdown is basically your mark down is in sync with the inventory level and the demand level. So that this is what the analytics and estimation of demand and pricing will come up when you are trying to do automatic mark down.

Store wide clearance is when you try to clear the inventory of all the items not only the particular product where you have put in the mark down not all whole all the products you are trying to clear. So that you can bring in phrase items this is heavily applicable while auto this is will these mark downs are more applicable in general little stores. This is heavily applicable in apparel retail store.

Where you have to change the whole fashion and your new fashion trends are coming up. So you are basically clearing the whole all the products that you have in your retail store. So that is called store wide clearance which is also another pricing strategy that we try to take. So these are various pricing strategies that have discussed for the last 3 classes I will stop here in

the next class we will talk about some different aspects of retail management. Thank you for being with me I will see you in the next video.