

An Imperative Study of Customer Satisfaction on Pricing Strategy

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Abstract— Pricing is the back bone of Customer Satisfaction. Capital, as one part of factors of production (land, labour, capital and organization) places an important role in the determination of rate of interest. Thus, the rate of interest is pricing of capital in which customer expectation is very high. The art of pricing may seem like a mundane chore to most retailers. But in reality, it is a complex task that involves an understanding of basic economic and business principles, a certain skill level, and a dash of basic creativity and perhaps evens a measure of extra sensory perception. Done correctly, pricing helps a business flourish and meet its financial objectives. Done poorly, pricing hampers a business's growth and cripples its capacity to operate effectively.

This paper intends to study different pricing strategies in retailing industry. Example of stores using either everyday low pricing (EDLP) or high/low pricing and factors affecting pricing decision for retailers will be discussed in this paper.

To strengthen the study, magic price points, private label, convenience shopping, consumer behavior towards price change and Efficient Consumer Response (ECR), an emergence strategy aim to add value to customers, are included in this discussion as well.

I. INTRODUCTION

Pricing is the back bone of Customer Satisfaction. Capital, as one part of factors of production (land, labour, capital and organization) places an important role in the determination of rate of interest. Thus, the rate of interest is pricing of capital in which customer expectation is very high. The strategy for a retail operation can states simply, "Sell high, buy low, collect early, and pay late"! While that statement doesn't fully describe the complex nature of retail management and marketing, it does reflect the challenges of running a retail sales organization.

In the field of housing loan, interest on loan helps the customer to make a choice of the lender. From the retail banking point of view, housing loans occupies an important place in the short term and long term asset of the loan. Income from the retail banking constitutes a major element of profit and loss account of the bank. In this article pricing in the field of retailing includes retail banking also.

Pricing is an essential part of any business strategy. Pricing creates the revenue to support existing and future opportunities. While it is often assumed that the goal of pricing is to generate the most revenue, there are a number of pricing objectives businesses pursue, each leading to a different pricing strategy.

In retailing industry, develop the correct regular pricing strategy is always challenging. Getting the value equation right for consumers is essential for successful growth and requires a thorough understanding of the regular pricing dynamics influencing the consumer decision making process.

II. RESEARCH PROBLEM

The allocation of loanable fund for housing in India is on rise. Interest plays a vital role in quantum and availability of housing loans to customers of retail banking (Jagpal Singh Benipal et al. 2012). To decide an effective pricing strategy for retailers and retail bankers, it is always not an easy task. In

fact, many retailers fail to set an appropriate pricing strategy for their companies. The unpredictable market demand, change of consumer behavior, stiff competition in the marketplace, understanding cost of the products and the amount of investment in the business has created anxiety for many retailers.

III. OBJECTIVE OF THE RESEARCH

The objective of this research paper is to study the pricing strategies in the retailing industry. Two major pricing strategies, everyday low pricing (EDLP) and high/low pricing and other strategies will be discussed. Apart from the pricing strategy, other elements such as promotion, customer services, private label, magic price points, convenience shopping, consumer behavior towards price change are vital in determining the success of the pricing strategy.

In today's competitive environment, the retailing industry is under intense pressure to add value to customers. The emergence of Efficient Consumer Response (ECR) is vital in meeting the unpredictable customer demand and at the same time reduce the retailers' operating cost so that the retailers can improve their profitability and consumers will enjoy great saving at lower retail prices.

IV. SCOPE OF THE STUDY

This research will focus on the different pricing strategies in retailing industry including housing loans as a part of retail banking.

V. SURVEY OF LITERATURE

Byrd's (1999) first law of pricing, "Always price competitively those items that your customers are most familiar with or are the easiest for them to obtain elsewhere". Byrd's second law of pricing, "Take a bigger mark-up on those items which are harder to obtain, scarcer and those which your customers are less familiar with". By pricing your product individually according to customers' perception, you

can make a higher profit and simultaneously make your customers happy. The two laws of pricing reflect the complexity of retail management in pricing strategy. In the field of retail banking, the RBI's observation on the penalty levied on pre-closure of housing loans was part of the 10 action points to improve customer service at banks, which was released by the central bank after the Annual Conference of Banking Ombudsmen in September 2011

John Conn, an FTD Association business consultant/instructor, says a particular pricing method is less important than ensuring that business costs are adequately covered and each merchandise piece contributes to the firm's profit margin. Carol Schroeder, author of "Specialty Shop Retailing" (John Wiley & Sons Inc., New York, 1997) and co-owner of Orange Tree Import, a Madison, Wis., gift and kitchen ware store, acknowledges that retailers generally find it difficult to remain profitable using a traditional wholesale-cost-doubled pricing formula. He notes that some items are more price sensitive than others. Thus, different product categories have to use different pricing multipliers. Example of different products in florist has been given in this article. Basically, the different markup in pricing is due to an item's market demand, consumers' general perceptions of the price and competition.

In the past two years, supermarket chains have shifted their marketing focus to convenience shopping because they realize that they can't just compete in price. For example, shopper can buy prepared food, bread and milk and does not have to wait in line behind customers with full shopping carts at Kroger's Quick Stop, a convenience-store segment of the larger supermarket. Also, Big Bear opens a 70,000-square-foot store at Sun Center on the northwest side last year with a dizzying array of features including a cappuccino bar and deli café, sound effects of thunder and rain over produce as it gets misted and a line of organic baby foods. However, this does not mean that supermarket pricing is not important. With 40,000 items in a typical supermarket, retailers have an extremely difficult task in pricing competitively to generate enough profits to stay in business and keep up with constantly changing consumer preferences. This article stresses the importance of supermarket chain in differentiating themselves with others due to the intense competition in the marketplace.

Corstjens and Corstjens (1994) suggest that positioning in a retail context involves developing multidimensional strategies appealing to all segments, while each element of the strategy may focus on a different consumer segment. This article has been discussed in the example of everyday low pricing (EDLP) and promotional pricing (PROMO). The article says that EDLP and PROMO are positioning strategies, rather than merely pricing strategies, with different elements such as price, promotion, service and communication. While the EDLP store uses basket prices to attract time constrained and cherry picking segments, and the PROMO store uses service and special prices to compete in the both segments. This is in contrast to the traditional view of segmentation in which different products in a product line are designed to appeal to different segments. In the retail banking, PROMO is

popular and EDLP is not popular. PROMO is offered to attract new customers to increase the process of retail banking.

Wal-Mart (2000) is an equal opportunity retailer which practices the everyday low pricing strategy (EDLP). To attract consumers into the store, the chain relies on its well-known Roll Back program, which offers consumers reduced prices on certain items for extended time period. In 1999, Roll Back's accounted for approximately 10 percent of Wal-Mart's domestic business (stores and Supercenters, excluding SAM's club). Apart from focusing to attract working class consumers, Wal-Mart is broadening its merchandise mix in order to target every other demographic group by using its standard 'good, better, best pricing structure. Connolly (2000) says the opening price remains the core emphasis for the chain. However, there are categories, particularly the ones that have technology attached to them, where the middle or even upper level price may be the most important area. Apparently, Wal-Mart still wants to be competitive on pricing on these levels.

Wal-Mart cannot deny the inventory management to be a competitive retailer. They implement the Retail Link, which serves as Wal-Mart's supplier communication network for information. The Retail Link allows Wal-Mart to monitor in-stocks, rate of sales, as well as share information with suppliers/vendors. About 90 percent of Wal-Mart's supplier uses Retail Link. Another tool to Wal-Mart's success is the role of store managers who are charged with maintaining their department's in-stock, stocking the floor and waiting on customers. In most areas, these managers have the ability to pull up sales, rate of sales and item movement. They may also order merchandise, increase replenishment and buy features.

Another success story of Wal-Mart is using the private label to supplement the national brand. For example, Tide is one of the best selling brands of detergent, commanding tremendous market share, but it is not an opening price brand. To offer an opening price product to the consumers who may not be able to afford Tide, Wal-Mart creates Sam's American Choice detergent which prices 35 percent below Tide's retail price. However, this is not to replace the Tide business. Wal-Mart will often acquire or lease a known brand to use as its private label item. Connolly believes that it is easier to acquire a brand or license rather than spending years developing a new brand.

In conclusion, Wal-Mart has implemented the EDLP successfully. These include customers perceive the prices are fair which is the most important element of EDLP - offer low prices on certain items for an extended time period and private label; excellence customer service – the role of store managers and good inventory management with Retail Link. RBI pushes easier credit norms for home loans particularly in the rate of interest. Once implemented, it would make loans cheaper for bank customers. This may result in more transparency in pricing, reduced customer complaints and better transmission of changes in the policy rate. (FRPT Research)

Zellers (1996) "lowest price is the law" slogan and determination remains the Canada's low-price leader. They are competing with Wal-Mart fiercely in Canada. However, Zeller's strategy is not more than low prices. This has cause the Zeller's profit are more than halved last year to an eight-

year low of \$79 million. Revenues have also been down lately, an unusual occurrence for the 307-store chain. This proves that low price is not the only element in determining the success of a pricing strategy. In this case, it has created a price war in the retailing market in Canada.

Asda (1999) has its origins in the 1970's as a value-based grocer. In the late 1980's, it attempted to raise prices close to the level of Tesco and Sainsbury. The strategy did not work and as a consequence, Asda came near to collapse. Asda repositioned itself in 1992 and the new mission was "To be Britain's best value fresh food and clothing superstore by satisfying the weekly shopping needs of ordinary working people and their families who demand value". To accomplish its goal, Asda launched the Rollback, which was the permanent price reduction scheme in its everyday low pricing strategy. Asda had been steadily rolling back prices across all categories in the store. To date, it has rolled back around 2,500 prices and is set to continue the momentum by rolling back a total of 10,000 prices by the end of the year 2000.

Apart from pricing, the article does not explain other values created by Asda to be successful. It is only highlighted in the diagram (like truly different stores, 25% unmatchable mix etc) and no further explanation is given.

Kid Source (1995), a growing chain of superstore offers everything for kids from birth to age 12 under one roof. In addition, this new chain of superstores starts thinking about Mom. They offer a place where women could find great prices, one-stop shopping and an environment that is enjoyable for both moms and kids.

The chain provides excellent service to customers by training the staff to know the merchandise well and enjoy with kids in the stores. The store atmosphere is fun. The chain includes a lot of special events at the stores like karate demonstration, face and finger painting and book readings. A theater in the center of the store continually offers VCR tapes for kids to watch while Mom shops, while tables, chairs and computers are available in the Book and Toys That Teach sections. More energetic kids can test pedal cars and tricycles on a racetrack. Activities are scheduled on a monthly basis and shoppers are greeted at the door with a calendar of events as well as a shopping cart.

Levy (1995) cites that the Baby Superstores chain as the biggest competition for Kid Source. However, Baby Superstores only go to age 3. Other competition is segmented by category. Discounters own a big chunk of the children's apparel business, Toys 'R' Us owns the toy business and both of them own a little bit of the hard goods business. Kid Source is competing by out-assorting and out-pricing almost everybody in the specialty store business. The pricing strategy at Kid Source is to be "at half or below the prices of our competition". The chain offers a guarantee that "if an item is found elsewhere for less, we will pay double the difference",

Basically, the KidSource's concept is fantastic as explained above. However, providing low prices for merchandise is not easy and this paper fails to explain how to have lower cost in order to offer such a lower price. The RBI reports on the decline in the rate of home loans in India in 2014.

Sears Roebuck & Co (1999) is changing its pitch from "The Softer Side of Sears" to a more promotional thrust with "The Good Life at a Great Price. Guaranteed". Sears assures customers that "if you find an identical branded item priced lower at another store, Sears will match that price. Just tell your Sears associate at the time of purchase, or up to 30 days after the sales. This aggressive promotional campaign has resulted in an important cutback in promotional planning from 17 to 21 weeks down to 13 weeks. Also new in the promotional campaign are Super Saturdays and two-day sales on specific value items. Another element designed to attract the younger shoppers, is Sears' sponsorship of the Backstreet Boys, which will be accompanied by national advertising, a national sweepstakes and gift-with-purchase program. This article only focuses on the promotional campaign by Sears. Other elements such as customer service, customer perception of the promotion and competition in determining the success of the pricing strategy are not discussed in the article.

Calvin Klein Home (2000), the secondary department/specialty store, is implementing the high/low pricing strategy with Collection and Khaki. Schmatz (2000) says the two brands are addressing two different customers and do not compete. In addition, Calvin Klein Home is using an extensive forecasting system which instituted seven to eight months ago. Schmatz notes that the delivery times have been streamlined to two to three weeks, with the ability to turn product around in one week if needed. This paper has illustrated the high/low pricing strategy used by Calvin Klein Home to target the two different market segments.

Ames Department Stores Inc (1999) is practicing the high/low pricing strategy. The core customers are the real forgotten women, age between 18 and 54 years old, and cannot qualify for credit cards and eke by on a total household income of \$25,000 to \$35,000. Ames greets her customers at the door and thanks them when they leave. They treat the customers as if they are shopping at Nordstrom with a gold American Express card in hand. This is the service that Ames renders to her customers.

Ames focuses on frugal females. They offer a large selection of plus-size clothing at low prices. The garden centers are devoted to patio furniture because their customers are women. The layaway program such as free toys has boosted Ames' holiday sales.

Ames tailor its stores according to the local markets needs. They vary the mix from store to store based on the ethnic make-up of the area.

In 1999, Ames is investing \$55 million in IT. They install Siemens Nixdorf POS system which is WK compliant in all of its stores. The Siemens system supports some innovative programs at the point of sale. One is a discount program for senior citizen – 55 Gold program. In addition, the Siemens system provides the infrastructure to link its corporate offices to its stores and has worked out a low risk strategy to support the on-line store. This includes the Microsoft Outlook e-mail at the stores, on-line flash sales reports etc.

We have learnt from the article that Ames knows her customers very well – the real forgotten women. They implement strategies that suit the customers' needs. In

addition, the investment in IT is not only creates excitement at the point of sales, it has helped Ames access the stores information quickly. This help Ames knows her customers even better and faster.

Mervyn's California (2000) is implementing one of the most simple, straightforward and fundamental approaches in retailing to strengthen sales. It is giving the customer what she wants. The company mission is "We offer great looks, national brands, quality and value". The core customers age between 25 to 54, female, average income of \$44,000 and have two to five children. Apparel and home department that includes bedding, bath, windows, area rugs and tabletop is the largest portion of Mervyn's mix.

Mervyn's California is fine-tuning its assortment. They are moving toward national brand penetration, then using private label to offer the same quality, but at a lower price point. In addition, they target the core customer in a more specialized way. Last summer, the company introduced the Hallmark line of sheets, bath items and other coordinates. The contemporary flora designs reflect the four seasons so that customers can frequently change the look of their homes.

Promotions are a major component of Mervyn's pricing strategy. They use the multiple-unit pricing in the promotion. For example, Caress bath towels are regularly priced at \$3.99; promotional price is three for \$8.

Late last year, the company begins an initiative to retrofit the home departments in all 267 units with new fixtures – including new, standardized signage, gondolas and shelving that lines the walls to display the core collection. The new look helps the company merchandise its three-tier strategy more effectively by using simple, standardized concepts such as three display beds in every department, with one dedicated to each tier.

Again, the high/low pricing strategy, incorporating promotion implemented by Mervyn's California shown the success of the company.

Circuit City (1994) differentiates the company by providing consumers with low prices and a high level of service before, during and after the sale. They establish and strengthen the company image with consumer that Circuit City is not only at the market price, but provides tremendous value on our promotions. One of the successful categories for Circuit City, such as audio, becomes everybody's target of aggressive pricing by competitors. Circuit City responds aggressively by pricing of another category, such as computers. This brings Circuit City from being just at market price to being competitive in the consumer's mind.

Circuit City motivates its sales counselors with a relatively high pay scale – averaging \$25,000 to \$30,000 with benefits – and an incentive-based commission. The company also invests significantly in employee training – product knowledge, sales techniques and other required skill.

Circuit City's customer information system has also enhanced service. A complete on-line transaction history of all of his or her purchases helps the customer who wants to buy something that is compatible to a product already owned. Another program is Answer City, which the customer can reach via a toll-free number and is staffed with trained service

representatives who have accessed to the company's on-line system. The Answer City helps business grow tremendously, as people may feel more comfortable with the purchase if they know someone is there to help.

Obviously, customer service is a very important element in pricing strategy in order to be successful.

Levinson (1997), whose firm specializes in furniture advertising, believes advertising plan that covers image, brand-building and short-term event is crucial. Breuners Arizona (1997), a furniture retailer, sends at least 50 to 60 hand-written invitations to customers every time the company runs a sale or some other type of promotional event. In the invitation, the salespeople offer a little incentive for the customers, either a dollar discount or a free gift. Meisel (1997) says we must be prepared before the day of promotion. These include (1) well-informed sales staff about the plans for the promotion, special values and anything else they can use to communicate their enthusiasm to shoppers. (2) Decorating of the stores. Banners, in-store advertising, customized signs and any other means to tell consumers what you have got and why it is special. (3) Event-specific tag.

Leiper Furniture (1997) wants to entertain and educate her customers rather than batter them with discount offer in the special event. They plan party rather than sale. In the party, Leiper Furniture provides food because they believe food is a wonderful way of breaking the ice. They also plan activities that help them think about fashions and lifestyles. For instance, Leiper Furniture put together a Dream Room Scheme contest, with participants attending three classes she led on interior design. Customers develop room plans and the designer of the best plan wins a custom sofa. Leiper Furniture understands that they cannot sell everybody who visits the store during a busy weekend. They give shoppers an incentive to sign a guest book or to fill out a contest entry form. This help Leiper Furniture builds relationship and contact with customers.

Promotion is a very powerful program to draw busy traffic to the store. However, it must plan carefully as explain above in order to be success. Having fun and the uniqueness of promotion will enhance the effectiveness. A very important element in promotion is that we must not overdo it. Customers must perceive that this is a special event that they cannot wait for longer time or cannot get in other places. All this elements are well described in the article.

Mt. Morris is a small furniture retailer who readies to take risk for any changes. They believe small retailers can react and adapt faster than larger retailers. For instance, he correctly recognized a style and merchandizing opportunity in 1979 when he opened a lifestyle store, called Houseworks. Also note that small retailers have an opportunity to put a personal touch on their business that larger stores can rarely match.

Davis & Shaw is a design-oriented furniture store. They target at the high middle to upper end customers. Jon Jessop (1997) says the company's priority is customers. They do everything from the customers' viewpoint. The customers have the right to work with whom they want to work with. Larger stores cannot render this personalized service to its customers. Furthermore, the store must be an exciting place

for customers to visit. Davis & Shaw has a very presentable display and always maintain the housekeeping of the store.

The linchpins to the continued success of Vermeulen's Furniture are service and relationship building with its customers. Most of the salespeople, and the entire staff, have been working at the store long enough and they treat their customers professionally with respect. When the customers come back to Vermeulen's with problem, their policy is to make them happy. Vermeulen's is also using the direct mail to boost its sales.

Wolf Furniture is a mid-price furniture store. Customer satisfaction is the key success of the store. They work hard for long hours. To draw customers and keep the store name fresh, Wolf Furniture advertises through a blend of newspapers, television and radio. Integrity also plays a critical role in small store's long-term success. Wolf is helping its customers in their selection when they are at a loss. For those customers who are uncomfortable or unsure of their furniture selections, Wolf staff encourages customers to take home a drawer, a wood or fabric sample, and they will take Polaroid pictures of the furniture. After the customer makes a decision, they always reassure the wisdom of the purchase. Following the delivery, Wolf sends the customer a questionnaire asking if the delivery people were helpful and courteous and if the customer is satisfied with the purchase. Enclosed in the questionnaire is a thank you card signed by the salesperson. Wolf's participation in trade organizations allows him to gather useful information and exchange ideas with non-competing furniture retailers to help his own business.

From the article, we notice that each small retailer has its own feature or uniqueness. In order to grow, the small retailers have to provide certain services that large retailers cannot match. This is because small retailers do not have the leverage to compete with large retailer in term of pricing and technology. Therefore, in the article, no pricing is discussed (I believe the small retailers are selling at moderate prices according to the store location and level of services provided). However, they can create their own identity and have personal touch with the customers. All these elements are well described in the article. One very important element for retailers, no matter the retailers are big or small, is to provide good services to customers. We can see this feature in all the examples above.

Another important element in pricing strategy is the change in cost of product. Symmetric and asymmetric pattern, substitution (a price change of one variant affects the demand for every other variant) and margin effect (the incentive to shift sales to higher margin variants) have been discussed in this article. In the discussion, the article finds that consumers will respond in the asymmetric manner rather than symmetric. This means that consumers may be more resistant to trading off some quality to obtain a better price than accepting a higher price to get better quality. Blattberg and Wisniewski (1989) popularized the concept, suggesting that quality tier competition is asymmetric. They provided empirical evidence that although lower quality brands are vulnerable to higher quality brand's price reductions, high quality brands does not show this vulnerability. This article provides very good

analysis on the consumers' behavior on the price change of products.

In today's competitive environment, the retailing industry is under intense pressure to add value to customers, anticipate their needs and at the same time eradicate unnecessary distribution and inventory management costs. Efficient Consumer Response (ECR) is a strategy to remove unnecessary costs from the goods distribution system and to make it more responsive to consumer demand. It aims to achieve an improvement in consumer choice, satisfaction and service and, at the same time, reduce total cost, inventories and physical assets.

In the US, Efficient Consumer Response (ECR) resulted in 10.8 percent reduction in consumer prices, derived from savings of about 8.2 percent in operation cost and 2.6 percent in financial cost. In Europe, operating and inventory costs were estimated to be 5.2 percent and 0.9 percent lower respectively, with the implementation of ECR. ECR has also been established in Hong Kong, the Philippines, Taiwan and Thailand. In Hong Kong, the adoption of ECR is expected to reduce consumer prices by 2.7 percent which is equivalent to HK\$5 billion in savings across the industry.

As we can see, due to the complexity of consumer demand and competition, ECR is an important strategy whereby suppliers and retailers must move concurrently towards capturing important cost savings, while at the same time focusing on more effective, consumer-oriented marketing and merchandising practices. This article provides us with a very good overview of what is ECR, but no detailed discussion on the implementation.

VI. RESEARCH METHODOLOGY

The research methodology is a descriptive study from secondary source of data obtained from website, articles, magazines, journals, online journals and textbook.

VII. DISCUSSION, ANALYSIS AND FINDING

Two broad pricing strategies are discussed in this paper; they are everyday low pricing (EDLP) and high/low pricing strategies.

In EDLP, the retailers offer the retail prices at a level somewhere between the regular non-sale price and the deep discount sale price of the competitors. The retail prices in EDLP are very stable and low all the time. EDLP stores often have a large number of items but a smaller selection of brands, less convenient format and very small fluctuation in prices. Normally, we characterize the EDLP stores as mostly having a low fixed utility (less assortment, less convenient) but a high variable utility (low prices). Recently, EDLP is getting very popular, especially adopted by large retailers like Wal-Mart, Asda and Sears as discussed in the survey of literature. Conventional wisdom attributes this success either to lower costs or to EDLP better serving time constrained consumers, while discouraging cherry pickers who seek promotions. Some feel that the rationale of this pricing strategy has been provided by claims that consumers' confidence in retailers' regular prices has been eroded by heavy price promotion, and that consumers do not want to study advertisements and shop

for a good price. EDLP avoids forward buying by consumer during promotion. It also reduces retailer's administrative expenses associate with negotiating and monitoring of promotion. Another factor is the segment of consumers who are price consciousness is getting larger. EDLP strategy would likely be much more successful in the future if substantial segments of consumers were shown to actually prefer low levels of variability in retail pricing. However, some feel that EDLP limits the stores ability to differentiate them from competition on the basis of price and to use price promotions as a means of injecting excitement into their store environments. In the field of retail banking, whatever the loan rate, the best trick in the trade is still to get a good bargain in a competitive market before finalising customer's loan. Even an interest discount of 0.3 per cent will save customers INR 100,000 over a period of 20 years. It is certainly worth the effort.

In high/low pricing strategy, the stores have a greater disparity between the highest and lowest price, relying on sales and promotion strategies to entice the buyer. This strategy allows retailers to discriminate between segments of consumers that vary in terms of price sensitivity. The stores can use skimming pricing so that the same merchandise would appeal to multiple markets. This will maximize the profit of company or high return of investment, especially the merchandise is high technology driven. The promotion in the stores will create excitement, and if the promotion is planned well, the sales of the store will boost up drastically. The retailers feel that price promotion is instrumental in attracting customers and gaining a competitive advantage. Some consumers prefer to buy on promotional pricing rather than EDLP because they believe that if they buy during the promotion they can get good quality products at a special price. Consumers feel that the service and assortment provided by the stores are far more superior than the EDLP stores. However, the recent finding of promotion is that it merely shifts the timing of consumers' purchase rather than leading to increased consumer sales.

From the articles above, we notice that retailers are varied in the degree to which they have adopted an EDLP or high/low pricing strategy across their product assortment. This means some retailers that are primarily high/low operators have adopted EDLP for a portion of their products and other retailers that emphasize an EDLP position offer occasional price promotions.

Apart from these two pricing strategies, other pricing strategies are important too but only have limited discussion in the survey of literature. The penetration pricing, which is setting a low initial price to stimulate sales and gain access to the market, is often associated with market share or sales growth pricing strategy. The markup pricing, a popular strategy used in retailing, a standard amount or percentage is added to the cost of the product in order to determine price. Usually, we can relate the markup pricing with the minimum pricing model, which select the minimum acceptable return on investment. To be more market oriented, target pricing or price matching is used with the objective to keep prices consistent with competitors' prices. The product life cycle

pricing strategy recognizes the products and product categories generally go through a cycle, including introduction, growth, maturity and decline. Different prices are to be set at different product cycle. For example, the price skimming strategy, which set high prices at the introduction stage and appeals only to those price insensitive consumers who most willing and able to buy the product. Other strategies like odd pricing, multiple-unit pricing (Mervyn) and price lining can be incorporated into any of the above pricing strategies that make the strategies more exciting to consumers.

All the pricing strategies must consider the elasticity of consumer demand which relates to the sensitivity of consumers to price changes in terms of the quantities they will buy. For example, if slight reduction of price to Item A will result a substantial buying from consumers, the law of demand tells us that we should decrease the price of the Item A so that greater sales and profit can be generated. To enhance the discussion, consumer behavior towards variants due to the price change is included in the survey of literature. The concept of asymmetric is introduced. When a variant's cost decrease, the prices and the profit margins for lower quality variants should decrease. However, the prices and the profit margins of higher quality should increase. When the cost of any variant (except the highest quality variant) increase, the range of prices in the line should decrease. When removing a variant from the line, the lower quality variant prices should increase, the higher quality variant price should decrease and the range of prices in the line should decrease.

Most of the pricing strategies stress the importance of customer service, especially the store using high/low pricing strategy and small retailer. For example, small retailer would like to have close relationship with customer by providing good service. Some of them will create 'personal touch' with customer so that repeated sale from the same customer can be achieved. They believe that it is always cheaper to maintain customer than to try to attract the new customer. For high/low pricing strategy, for example Circuit City, trains her staff, customer information system and Answer City, has help the store increase sales by building the confidence of consumers towards their purchase. Even though the EDLP stores provide less service so that the cost saving can pass to consumers through lower retail prices, they are also improving the stores services such as Retail Link and the role of store manager (Wal-Mart), one-stop shopping and special event at KidSource etc. Pricing draws the shopper, but in-store selling creates the sale. The retailer should emphasize to the sales force the importance of matching the shopper's needs to the offerings. Every effort should be made to sell up or sell to the point where the profits are best.

In any retail environment, there are certain price points for certain categories that are the magic price points at which customers readily purchase. For example, if the \$70 is the magic price for dresses, the store will ensure the cost of its inventory plus profit would be at this level because they will sell better and faster at \$70! Private label uses in the EDLP stores (example the Sam's American Choice detergent in Wal-Mart) and occasionally the high/low pricing stores (Mervyn) have proved its success in the retailing industry. Convenience

shopping, a recent trend of supermarket aims at providing more services for luring and keeping the customers, is getting more common in the marketplace. This will avoid the supermarket just compete in price and not more than any other things. In retail banking, the study on asset pricing finds that in the long run, real income significantly and positively influences the housing prices while real non-food bank credit adversely influences it. (Mantu Kumar Mahalik & Hrushikesh Mallick 2011)

In this research, Efficient Consumer Response (ECR) is also discussed. Basically, ECR focuses on three areas for continuous improvement:

- ❖ Supply Management
- ❖ Demand Management
- ❖ Enabling Technologies

Supply Management covers a number of initiatives designed to improve the flow of products through the supply chain. Three working groups 'Continuous Replenishment', 'Products with Short Shelf-Life' and 'Pallet Standardisation' have been set up to address issues in their respective areas.

Demand Management focuses on improving the assortment of products offered to consumers, effectiveness of product promotion, new product introduction and the efficiency of related demand management activities. The working group under this area is 'Category Management'. In the field of retail banking smaller home borrowers could get to see lower rates. But don't lick your chops yet. As is understood from banking sources, banks have yet to take a view on whether the interest rates for this category of home loans will get the benefit of the risk weight reduction offered by RBI in its credit policy. (Anusha Subramanian and Nitya Varadarajan 2007)

Enabling Technologies are improvements which render support to supply and demand management, which include rapid communication of accurate and complete information to all trading partners, through technologies such as Electronic Data Interchange (EDI). The working groups are 'Data Alignment', 'EDI Standard', 'Barcoding Standards' and 'Training and Education'.

The emergence of ECR is aimed at improving the retailers' profitability by capturing important cost savings, while at the same time focusing on more effective, consumer-oriented marketing and merchandising practices. For example, with the implementation of ECR, the inventory cost is greatly reduced through better communication and forecast among the retailers, wholesalers and manufacturers. This will increase the competitiveness of the retailers in the marketplace and their business results. With the help of Information Technology, the ECR can be done at the much quicker and efficient way.

VIII. LIMITATION

In this research, not all the pricing strategies are discussed in the survey of literature such as odd pricing, leader pricing, price lining, penetration pricing, markup pricing, target pricing and product life cycle pricing which are important also in the retailing industry. Furthermore, the examples of stores given such as Wal-Mart, Kid Source or Ames are from USA,

Canada and Europe and no examples of stores in Malaysia like Giant, Makro, The Store or Jaya Jusco are included in this paper. From the articles, it is interesting to study the ECR program. Only the overview is given and no detailed discussion is provided on the implementation, problems encounter and success of this program in the retailing industry.

IX. CONCLUSION

Pricing is an essential part of any business strategy. Basically, there are two common pricing strategies in retailing industry: everyday low pricing (EDLP) and high/low pricing strategies. The combination of other strategies, such as odd pricing, multiple unit pricing or price lining into EDLP or high/low pricing strategies is vital in order to make an effective pricing strategy. Promotion, an event to draw shopper into the store, especially the high/low pricing store, must be planned properly before it's commence to ensure the effectiveness of the event.

Other pricing strategies, such as penetration pricing, markup pricing, target pricing and product life cycle pricing can be used in the retailing industry as long as it reflects the market needs and the retailer objectives. For example, if the market is the upscale customer, we should not become a no-holds-barred discounter. Furthermore, pricing must fit a retailer's image, target market, consumer's needs, competition and any other opportunity in the marketplace. However, profit remains the primary consideration in pricing. This does not mean you have to meet a standard margin on every item but it does require factoring in all your costs and include cost of doing business. In the field of retail banking, in times of high interest volatility, households disinvest in government securities and invest in real assets, which yield a positive relationship between mortgage rate volatility and home mortgage loans. (Eric Hillebrand and Faik Koray 2008)

As everyone having a sale regularly and prices pretty much the same, some retailers find that they need something other than just price to distinguish the sale. Thus, customer service and convenience shopping are getting more important in the retailing industry. This has also resulted in the emergence of Efficient Consumer Response (ECR) with aims at improving unpredictable customer demand and at the same time, increases the retailer's profitability.

Lastly, pricing strategy by retailers or retail bankers must change from time to time in anticipation of the change in consumer behavior and competitor's strategy. If the retailers and retail bankers cannot match the lowest price in town, they must offer something better in return to compete in the marketplace. Correct pricing decision is a key to success in the retail management whether it is consumer retailing or bank retailing.

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