

Pricing Strategies – In Retail Sector



Marketing

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ABSTRACT

In the present market, modern retailer of fast-moving consumer goods faces more pressure than ever to compete and succeed. Understanding the impact of optimization-enabled pricing strategies and the powerful options that this strategy can unleash empower retailers to achieve new levels of business success. This paper deals in critical role of pricing strategies for all sizes of retailers. As advances in current trend, retailers to integrate real-time consumer demand data, competitive activity, along with pricing rules, creating and implementing a sophisticated price strategy in emerging as a powerful opportunity for retailers to increase revenue and profit. By leveraging the intelligence and discipline of the latest price optimization tools, along with the insights of a qualified price strategist who is responsible for the design and management of the strategy

WHY IS A MODERN PRICING STRATEGIES SO IMPORTANT?

In the highly competitive retail world to survive and thrive, retailers must become more attentive and meticulous with their pricing. More than ever before, the financial success of companies selling retail goods depends on their price strategy.

Consumers demand fair prices in exchange for their business and are constantly comparison shopping. With the ever present pressures from rising costs, shrinking margins, and competition are today demands price strategies that reliably and frequently guide retailer's decision making.

New advances in price optimization science and technology offer retailers an unprecedented opportunity to align pricing policy with strategic business objectives. Aligning business goals and pricing policy seems common sense, but too often retailers lack the insight and technical ability to plan and price strategically. Smart retailers know they should set prices in line with their own business objectives instead of simply reacting to competitors, cost changes and margin objectives.

Competition is by no means removed from the equation in a modern, optimization-based price strategy, but modern price strategies reflect an analytical, big picture approach. They include a far wider variety of factors such as pricing gaps, ending number psychology, brand sensitivity and product movement. These factors enable retailers to manipulate pricing to align with their broader strategic business objectives. These options were previously not available in traditional pricing systems.

Price strategy must accomplish its objectives without negatively impacting customer expectation and perception. Retailers need to articulate (internally and externally) their price message and position.

A modern pricing policy must vigilantly protect the consumer's perception that they are choosing the best place to shop for their families. Many retailers inadvertently confuse customers by setting prices without a comprehensive policy, by being reactionary to competition or pricing strictly on margin goals. Although few customers may be able to articulate why they feel confused in a given retail environment.

ESSENTIAL COMPONENTS OF A MODERN PRICING STRATEGY

These four attributes characterize today's most effective pricing strategy.

- Balance short-term proactive tactics with long-term margin enhancements in other areas.
- Embraces a long term approach that creates a perception of value in the customer's minds.

MEASUREMENT AND ADAPTATION

It's one thing to develop a powerful strategy or deploy a robust optimization system, but many retailers find execution and

measurement equally challenging. To some retailers, price recommendations generated by their optimization systems, there fore retailers must choose a system that measures the impact of their price changes. Retailers need to regularly measure and evaluate these results, to ensure not only pricing consistency (a key factor in generating increased revenue and profit) pricing is a very personal activity. It represents the relationship to the community, suppliers and manufacturers and the results create the corporation's financial report.

KEY OPPORTUNITIES TO LEVERAGE PRICE OPTIMIZATION

Most retailers understand that being competitive on price sensitive items helps build store traffic, but staying competitive on price sensitive items can result in minimizing or sacrificing profit on those items. So, how can retailers attain profitability and maintain a competitive footing? Emerging price science helps retailers create a personalized strategy in a wide variety of dimensions.

CATEGORY GROUPINGS

Retailers tend to apply a general margin goal to categories of like items when using price management systems. Mature category management systems, new product innovations, health and wellness attributes, green products, and convenience foods are creating opportunities with new segments with in standard categories. Today, it benefits retailers to look inside categories for margin opportunities.

New-era price optimization systems are designed to consider how categories and product groupings should be priced and manage them much earlier than older systems. By breaking up traditional categories and price families and creating groups based on product benefit, health and organics or convenience, retailers create profit opportunities in areas not typically leveraged in the past.

CREATIVE PRICING

Creative pricing pushes consumers in to action when they consider making a purchase. Should I buy it now are later? Is a question that too often is answered, "Later?" Should I buy one or two? Is often answered by "one". For items not promoted through advertising, retailers can build their pricing strategy to leverage specialized, creative appeals that drive product movement. Based on the perception of added value or savings.

Successful retailers in every market use tactics like offering better single price points only if multiple purchases are made, cash discounts for purchasing a "suite of products" discounts on fuel for purchases made in-store, and any other strategies to generate larger orders and take customers out of the market on key items, since these prices are built around large purchases, smaller orders can become more profit table as those offers do not apply.

CONCLUSION

The historic reliance on human knowledge to set pricing is now giving way to tried-and true price optimization science. This

new retail knowledge source is arriving just in time. Broader economic and societal pressures and competition from larger, increasingly sophisticated retailers is forcing retailers of every size to develop and execute strategic, proactive pricing.

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