

TOPIC: FACTORS INFLUENCING RETAIL PRICING AND
RETAIL PROMOTION MIX AND ITS COMPONENTS

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Retail Pricing

The retail price of a product is the price that a customer will pay when purchasing a product at a retail store. This is the final price that customers pay. The retail price is the price that the customers pay for the final product that is sold.

The price at which the product is sold to the end customer is called the retail price of the product. Retail price is the summation of the manufacturing cost and all the costs that retailers incur at the time of charging the customer.

Retail price is the final price at which a product or service is sold to consumers in a retail store. It encompasses various costs such as production, distribution, marketing, and profit margin.

Factors Influencing Retail Pricing

Retail pricing is influenced by a variety of factors that impact the final cost of goods for consumers. These factors can be categorized into three main areas: production costs, market conditions, and external influences.

Understanding these factors is crucial for retailers in determining the optimal pricing strategy for their products.

1. Production Costs

The cost of producing goods plays a significant role in determining their retail price. Factors such as raw material costs, labor expenses, manufacturing overheads, and transportation fees all contribute to the overall production cost.

2. Supply Chain Efficiency

The efficiency of the supply chain affects pricing as well. Retailers must consider the costs associated with sourcing materials, storing inventory, and transporting goods from manufacturers to stores. Streamlining these processes can help reduce costs and ultimately influence retail prices.

3. Distribution Expenses

Retailers need to account for distribution expenses when setting prices. This includes costs associated with warehousing, packaging, shipping, and delivery logistics.

4. Demand-Supply Balance

The balance between customer demand and product supply has a direct impact on retail pricing. When demand exceeds supply (high demand with limited availability), retailers may increase prices due to increased buying power among consumers.

5. Market Competition

Competitive forces within an industry also play a vital role in determining retail prices. If there are many competitors offering similar products or services at lower prices, retailers may need to adjust their own pricing strategies accordingly.

6. Seasonal Demand Fluctuations

Seasonality can significantly influence retail prices. For example, during peak seasons like holidays or special events when demand is high, retailers may increase prices to take advantage of the increased consumer spending. Conversely, during off-peak seasons when demand is low, retailers may offer discounts or promotions to stimulate sales.

7. Taxes and Tariffs

Government-imposed taxes and tariffs can directly affect the cost of goods for retailers. Increases in taxes or the implementation of new tariffs can lead to higher retail prices as businesses pass on these additional costs to consumers.

8. Economic Conditions

Broader economic conditions such as inflation, interest rates, and exchange rates can indirectly influence retail prices. Inflationary pressures may drive up production costs, which in turn could result in higher retail prices. Global events like natural disasters or political instability can disrupt supply chains and impact pricing.

Retail Promotion

A retail promotion is a persuasive marketing strategy designed to drive sales. Most retail promotions appeal to logic and urgency. They communicate to consumers, “This is a great deal, and you don't want to miss out.” When you run retail promotions, use integrated marketing to reach prospects on multiple channels.

Any communication by a retailer that informs, persuades, and/or reminds the target market about any aspect of that firm.

Retail Promotion Mix and It's Components

(a) Sales Promotion

Sales promotion programs are used by a wide range of organizations in both the consumer and business markets, though the frequency and spending levels are much greater for FMCG goods. Sales promotion describes promotional methods using special short-term techniques to persuade customers of a target market to respond or make purchases. As a reward, retailers offer goods at an affordable price or provide with certain gift items.

(b) Publicity

Publicity refers to any non-paid communication to promote an organization or its products and services in public media. The publicity differs from advertisement in following senses.

(i) In case of advertisement, sponsor bears all the expenses while in publicity, media is not paid for the presentation.

(ii) In advertisement, how the message will be shown, what text will be used and when and where it will be shown, everything by and large is in the control of the concerned company, whose products are to be shown and who is bearing the broadcasting expenses.

(c) Advertising

Advertising is multidimensional. It is a form of mass communication, a powerful marketing tool, a component of the economic system, a means of financing the mass media, a social institution, and an art form, an instrument of business management, a field of employment and a profession.

(d) Public Relations

It is essentially an art of persuasion in order to influence people. The process includes human behaviour and manner in which people react to certain situations. It is defined as “the management function which evaluates public attitude, identifies the policies and procedures of an organization for public interest and executes a programme of action (and communication) to earn public understanding and acceptance”.

(e) Personal Selling

Personal Selling involves person-to-person communication with the prospect. It is a process of developing relationships, discovering needs, matching the appropriate products with these needs and communicating benefits through informing, reminding, or persuading. Personal selling is thus, considered as a process that adds value.

Promotional Guidelines

1. Utilize promotions that are consistent with and enhance store image
2. Review success or failure of each promotion to help in developing future promotions
3. Test new promotions when possible
4. Use appeals that are of interest to your target market and that are realistic to obtain
5. Make your objectives measurable and obtainable
6. Develop total promotional campaigns, not just ads
7. New stores need higher promotional budgets than established stores
8. Stores in out-of-the-way locations require higher promotional budgets than stores with heavy traffic.

Promotional Objectives

1. Increase sales
2. Stimulate impulse and reminder buying Raise customer traffic
3. Get leads for sales personnel
4. Present and reinforce the retailer image Inform
5. customers about goods and services Popularize
6. new stores and Web sites Capitalize on
7. manufacturer support Enhance customer relations
8. Maintain customer loyalty
9. Have consumers pass along positive information to friends and others.