

PRICE COMMUNICATION IN DEPARTMENT STORES

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Abstract:

The price communication in department stores is very important, taking into consideration that the decision to buy is taken, in many cases, where the acquisition is made. The distributors have created numerous methods to communicate the products' prices in department stores. The work presents certain means of price communication in department stores. The most frequently methods used in cross-country and international retail business were selected. The analyzed methods are: Odd pricing; Low-high price; Asterisk price; The “starting from...” price. Besides the analysis of such communications regarding the prices, we have also discussed in the paper the morality of such means of price communication.

Key words: price, communication, department store

JEL Classification: E3

1. INTRODUCTION

The price can be considered as one of the marketing variables that can be manipulated at one's discretion, without any other restraint than that of the buyer's level of acceptance. It represents one of the fundamental elements of the marketing activity.

The price directly intervenes in the completion of the selling-buying action, sometimes being decisive in buyer's option, providing the product's image by aligning the economic activity to the market's exigencies.

The price, as a variable of the marketing mix does not represent the fundamental factor by which the manufacturer adapts or is imposed on the market, this role belonging to the product, but by price, the manufacturer can correlate with the market's conditions. Although most frequently it appears as an external factor, uncontrollable by the market, by the consumer, with an evolution being difficult to anticipate, the price is finally the meeting point of the product's utilities perceived by the consumers and the possibilities to fit in certain production costs, borne by the manufacturer.

Generally, the producers' possibilities regarding the price remain scanty, with the exception of those who hold the market's monopole.

The price is very important on the markets that show transparency. The buyers' sensitivity towards the price is greater as their incomes are more reduced. Although it is an essential factor, the price-quality relation is difficult to be exactly established.

It is appreciated that the priced are created and not born, therefore being, most of the time, opened for discussions (negotiable).

The companies can use the price as an economic lever, but they must not overbid the force of this instrument, in order to attain the economic objectives (the unjustified increase of prices can be successful in the case of a reduced offer, of the monopole, etc. but is valid on short term only), being able to build in this sense useful decision patterns regarding the prices, upon well-defined strategies.

2. THEORETICAL BASIS

In the specialized literature, it is stressed that the price fulfills three main roles, namely:

- Market regulator;
- Informational, in the process of decision-making;
- Quality indicator.

In this paper, we have analyzed the price by its informational role in consumers' decision making.

The consumers facing a price, react differently, as they hold or do not hold complementary information. When the information's quantity increases, the role of the price diminishes. It becomes essential when the information is scarce and when the volume of complementary information is abandoned.

Depending on the consumers' sensibility towards the price, it will represent a more or less important attribute in taking the acquisition decision. As the price sensibility is greater, the more the importance of this marketing instrument increases in the detriment of others, like: quality, liability, after-sale services, etc.

In time, the economic reality and the specialized literature have proposed many methods of establishment of products' sale prices. Although every territorial market, each type of product and each company has a certain characteristic, certain particularities, there were still emphasized some generally valuable methods of establishment of prices.

The methods come from constraints that the company must put up with.

The main constraints with which the company comes across in the decision of establishment of prices are linked to the request, the costs and the competition.

Thus, there were formed three categories for the establishment of the sale price: starting from the request, costs and competition.

This paper does not have the goal of analyzing the means of price settlement, they representing a subject that is too extensive, but only wishing to render evident and analyze a few (technical) means of price communication, frequently encountered in the distribution, but less or even never debated by the specialized literature.

3. METHOD AND RESULTS

Price communication in department stores represents a field receiving more and more interest. We consider that increasing interest as being fully justified.

Bill Almon said: "Today's buyers want everything, and a commercial center, by its stores, would better give that to them, if it hopes to survive and move forward."

Maggi Penix deems that a lot of buyers refuse to search too much or to "dig deep".

In the case of the stores that are not individually settled, even if there is a wide variety, the price maintains its influence. A good example to this is offered by Lyons, who says that "people come to the center, they look, they recognize a brand and they enter. Then we offer them the possibility of selection, but we must be honest, not false, concerning the prices."

Batts, another retail business specialist, has reached the conclusion that offering supplementary price reduction has better results if it is promoted by using price points instead of percentage. "It is less confusing for the clients and they will say more easily: that's right, they are not false prices."

The innovations and the preoccupations of the persons working in the field to find more and more attractive means of price communication have lead to the occurrence of a wide range of very interesting means of communication. These means have as purpose to make the product very attractive from the point of view of the pricing. What they are after, is the consumer's perception of a price that is lower than the real one. For this reason, they will be hereinafter referred to as "masked prices". Among these price communication means, we have analyzed below:

- Odd pricing;
- Low-high price;
- Asterisk price;
- The "starting from..." price;

3.1. Odd pricing

It is the mean of communication, by which the merchants post the price only by one or two units below the rounded number.

For examples, in countries that use a powerful currency (also in the case of Romania, once with the denomination of the Leu), there are many cases where are proposed prices like 1499 for an electronic appliance, 299 for wearing apparel, 19999 for a vehicle, thus creating a first impression that the prices are considerably lower than in reality. Thus, the consumer can stick to the conviction that, in the above mentioned examples: 1499 is a lot lower than 1500, 299 represent considerably less than 300 or that 19.999 is definitely below 20.000. On the basis of this conviction, the instantaneous demand can occur, or the consumer that is interested in the product will most probably come back to make the purchase in the same place.

3.2. Low-high price

According to this mean of communication, the merchants display with large fonts, easily visible, the product price without VAT, and a lot smaller, the VAT-including price. This technique is encountered especially in the case of cash&carry supermarkets' operators (Metro, Selgros), the excuse of these organizations being that the acquisitions destined to be resold (to the legal entities, to the companies) beneficiate of the VAT recovery, by selling the respective products. But what the management of these operators ignores is that in the structure of their sales, a significant quota is represented by the sales destined to final consumption (individual consumers), and they will not be able to recuperate that VAT from anywhere.

3.3. Asterisk price

This mean of price communication is encountered in various places of consumer's information regarding the pricing offer, not only in department stores. The method supposes the posting of a price, and at the end, the attachment of a small sign linking to a footnote. At a fair distance below, and in a lot smaller fonts, various conditions are stated, under which the product can be purchased for the respective price.

The presented mean is encountered, as we have already mentioned, not only inside the department store, but on various advertising supports, like prints (leaflets, flyers), outdoor advertising (banners, panels, man-stops, posters), but also on media support (newspapers, magazines, television, etc.).

This approach is encountered among the majority of mobile telephony providers, which display a certain "asterisk price" for a type of mobile phone, and in the footnote we can find further explanations, like: *only with connection to a certain type of network or subscription, or *in the limit of the available supply or *the price does not include VAT.

Also, the vehicle manufacturers are partisans of such communication, the majority presenting the CIP price (no taxes and no equipment included).

3.4. Starting from... price

The method supposes the grouping of a certain number of similar products and displaying for them a singular price communication, respectively the price of the cheaper product. The buyer will be drawn by the price he/she reads, will search through the products the one is better suited for his/her needs and at the cash register will he/she notice that it costs more. If he/she wishes only to pay the initially read price, then he/she will have to choose a less suited and less wanted, simpler product.

This technique is often used by the clothes' merchants, especially in the off-seasoning period of products.

4. DISCUSSIONS

As we have noticed, the distributors and the sellers adopted in the last years various means of “masking” the exact dimensions of the products’ prices. The aim is, as we have mentioned before, to attract the consumer, to make him/her purchase the products under the initial impact of the perception of a lower price than in reality.

But what we wish to discuss in the present paper is the morality of such price communication means. We appreciate in this sense that such decisions to communicate the price are found at the very boundary of the marketing ethics, sometimes going way off, taking into account that finally, such strategies can be considered as means of deception (tricking) the consumer.

5. CONCLUSIONS

Concluding, we would like to stress the fact that no matter if these masked means of price communication do or do not have an impact, regardless the fact that they are or not justified or they represent a distributors’ trend, price communication should make the object of periodical studies in the case of various segments of consumers, for various categories of products. We consider this because the proper price communication seems an imperiously necessary prerequisite, at least at the retail distribution level.

We hold the opinion that if the price is important in general stores, then the price communications are extremely important. In our opinion “it is foolish to juggle with the prices in a department store without loudly announcing each jugglery”.

In the end, we have one more thing to say and that is “modifying and proposing good prices, without properly announcing it, is like taking beautiful pictures for the blind”.

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