

Price and marketing pricing strategies in Slovak retail

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Abstract The aim of the article is to evaluate the use of marketing pricing strategies of retail chains in branch stores within district towns of Prešov region. Based on the carried out research results, the article highlights not only theoretical, but especially on the practical side of using marketing pricing strategies within the retail chains. Another intention of the article is to point out, that the branch stores of retail chains using lesser-known marketing pricing strategies, which can also be a source of competitive advantage.

Key words Marketing pricing strategies, price, detail chaos, marketing

1. PRICE AND MARKETING PRICING STRATEGIES

Raising or lowering prices is currently contingent not only to the state of economy, but also the expansion of trade over the Internet. Information flow through networks of mobile phones or the Internet presents opportunities to reduce costs, speed up production or supply of goods and services. Consumers and producers largely have to face to the increased level of risk and uncertainty. Price and pricing strategies thus become an integral part of daily management sales of retail chains and networks around the world.

Pricing and pricing strategies are considered to be much accentuated problems, which is also marketing facing. There are many companies that do not proceed the best pricing. The most common errors are: pricing is very cost-oriented, price adjustments are not quick enough and do not reflect the market changes, prices are determined without reference to other marketing mix components and are not sufficiently differentiated with respect to various products and market segments (Kotler, Armstrong, 2004). Currently, the internet has growing influence on pricing. It facilitates dynamic pricing in real time thanks to the increasing number of auctions, spot markets and the creation of group purchasing power. Prices of goods offered through e-commerce are usually lower than the prices of identical goods that are offered in stores. Internet trading presents a major competition and dilemma for classic stores (Jakubíková, 2008).

Pricing strategy is a “long-term plans and decisions that top management is applying in the economic management of firm in the market, and there are close links to the hierarchy of other corporate objectives” (Jedlička, 2003). Pricing strategy in marketing

determines the basic concept of pricing decisions for the firm. It can be characterized as “a summary of procedures, policies and rules that firm takes into account and uses to shape pricing policy in order to achieve these long-term strategic business objectives” (Bartáková et al., 2007). Today, companies face a constant change in the prices of its competitors. The strategy often depends on whether the firm produces homogenous or heterogeneous products. Companies can gain market leadership especially in the way of providing lower prices than the competition (Kotler et al., 2009). Firms apply various strategies of price adjustments to accommodate the differences between consumer segments and different situations. One of them is a geographic price, where the company is considering about pricing according to the customers distance. The second strategy is pricing with discount or deduction, in which the firm offers discounts, various types of rebates and bonus. The third strategy is price differentiation, where the firm determines the different prices for different consumer segments, places or time. The fourth strategy – psychological price – the firm adjusts prices to better conveys the product market position. The fifth strategy is special price (Kita et al., 2010). Development of a quality price strategy requires knowledge of different situations, considerable material and the results verified in practice. Utilization and a good theoretical knowledge are precondition for successful processed procedures in prices of each entrepreneur (Oláh et al., 2009).

1.1 Using of marketing pricing strategies of retail chains in branch stores

The aim of our research was to determine, which of the marketing price strategies are frequently applied in management of retail chain branches. The basic group consisted of branches of regional chains operating in district towns of Prešov region. Primarily we have focused on branch stores of retail chains with general merchandise and food. The objects of research were the regional branch stores of retail chains operating in Prešov region. The research sample for our research consisted of 107 respondents. Respondents were regional retail store managers operating in the district towns of Prešov region. Research participants were selected by available (occasional) selection.

Representation of respondents in the district towns of Prešov region figures in Table 1. We were investigating this demographic issue, from which district town in Prešov region come individual respondents.

Table 1: Representation of respondents in terms of the position in branch store of the retail chain

	Frequency	Percent	Valid Percent	Cumulative Percent
Bardejov	16	15,00	15,00	15,00
Humenné	8	7,50	7,50	22,40
Kežmarok	4	3,70	3,70	26,20
Levoča	4	3,70	3,70	29,90
Medzilaborce	4	3,70	3,70	33,60
Poprad	18	16,80	16,80	50,50
Prešov	24	22,40	22,40	72,90
Sabinov	3	2,80	2,80	75,70
Snina	6	5,60	5,60	81,30
Stará Ľubovňa	4	3,70	3,70	85,00
Stropkov	5	4,70	4,70	89,70
Svidník	5	4,70	4,70	94,40
Vranov n/T.	6	5,60	5,60	100,00
Σ	107	100	100	x

Source: own processing

The largest representation in the sample of respondents was from the town of Prešov (22,4%). The following towns in order in terms of respondents number was Poprad (16,8%), Bardejov (15%), Humenné (7,5%), Snina and Vranov nad Topľou (5,6%), Stropkov and Svidník (4,7%), Kežmarok, Levoča, Medzilaborce and Stará Ľubovňa (3,7%) and the lowest number of respondents i.e. 3; 2,8% were from Sabinov.

The aim of the inclusion of the following demographic questions was to determine the respondents' age range in the position of regional branch manager of retail chain in the Prešov region.

Table 2: Composition of survey sample in terms of age

		N	%	Valid Percent	Cumulative Percent
Valid	18-29 years	11	10,3	10,3	10,3
	30-39 years	36	33,6	33,6	43,9
	40-49 years	41	38,3	38,3	82,2
	50-59 years	19	17,8	17,8	100,0
	Σ	107	100,0	100,0	

Source: own processing

The position of regional branch manager of retail chain occupy the greatest number of respondents i.e. 41(38%) from 107 asked respondents, who are in the age range 40 to 49 years. The second most numerous group, consisting of 36 (34%) respondents aged 30 to 39 years, the third group with the number 19 (18%) respondents in the age range 50 to 59 years and the least respondents, i.e. 11 (10%) occupy the position of regional manager in the age 18 to 29 years.

Determination and choice of marketing price strategies is an essential part of the operation, as well as for achieving profit in every branch of the retail chain. Respondents had to comment on the five-point Likert scale, where they had these options: 1 – definitely yes, 2 – rather yes, 3 – I do not know, 4 – rather not and 5 – definitely not. Their opinion was expressed with marking option that best fit to their opinion. Tables 3–5 describe 3 mostly used marketing pricing strategies in terms of regional branch managers of retail chains in the Prešov region. The mean value of all marketing

pricing strategies, which are using branches of retail chains in the Prešov region, is clearly demonstrated in Table 6 and Figure 5.

Table 3: Price adjustment strategy

		N	%	Valid Percent	Cumulative Percent
Valid	1	55	51,4	51,4	51,4
	2	44	41,1	41,1	92,5
	3	4	3,7	3,7	96,3
	4	4	3,7	3,7	100,0
	Σ	107	100,0	100,0	

Source: own processing

We can see in Table 3 that the vast majority of respondents clearly favour the strategy of price adjustments option, which is very frequently used form in the retail surveyed branches. It mainly serves to attract and retain customers. According to 3,7% respondents, the strategy of price adjustments is not using in the surveyed branches of retail chains and 3,7% of respondents were unable to express to the surveyed strategy in the branch of retail chain where they work.

Table 4: Promotional discounts

		N	%	Valid Percent	Cumulative Percent
Valid	1	2	1,9	1,9	1,9
	2	24	22,4	22,4	24,3
	3	25	23,4	23,4	47,7
	4	42	39,3	39,3	86,9
	5	14	13,1	13,1	100,0
	Σ	107	100,0	100,0	

Source: own processing

Based on the results shown in Table 4, we can conclude that most of branches of retail chains i.e. 39,3% do not use promotional discounts, 22,4% branches of retail chains use promotional discounts and 23,4% respondents did not know whether the branch of retail chain where they operate uses also promotional discounts, therefore opted for option I do not know.

As can be seen in Table 5, the larger half of the respondents i.e. 81 respondents rated, that developing pricing strategies of own branch store are based on the marketing pricing strategies of its main rival, 20 respondents are not based on marketing pricing strategies of their main competitor when developing pricing strategies in their branch of retail chain, 6 respondents were unable to express that question.

Table 5: Marketing pricing strategies of main competitor

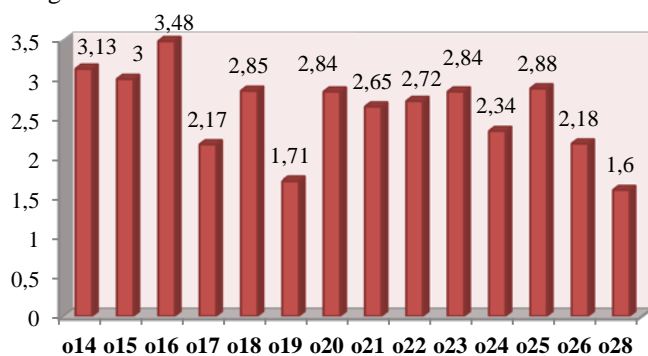
		N	%	Valid Percent	Cumulative Percent
Valid	1	28	26,2	26,2	26,2
	2	53	49,5	49,5	75,7
	3	6	5,6	5,6	81,3
	4	20	18,7	18,7	100,0
	Σ	107	100,0	100,0	

Source: own processing

Table 6: The mean values of the most used marketing pricing strategies

Assessed question	Mean	Standard deviation	N
Q14) strategy of high introductory prices	3,13	1,24	107
Q15) strategy of intersection prices	3,00	1,20	107
Q16) premium pricing strategy	3,48	1,02	107
Q17) marketing pricing strategies of main competitor	2,17	1,02	107
Q18) use of psychological factor	2,85	1,16	107
Q19) promotional discounts	1,71	0,81	107
Q20) geographical location of store	2,84	1,07	107
Q21) single price strategy	2,65	1,23	107
Q22) use of EDLP method	2,72	1,18	107
Q23) standard addition method of surcharge to the cost	2,84	0,84	107
Q24) current prices of main competitor	2,34	1,08	107
Q25) price differentiation	2,88	1,19	107
Q26) special prices	2,18	0,99	107
Q28) price adjustment strategy	1,60	0,74	107

Source: own processing

Figure 1: Graphical illustration of the most used marketing pricing strategies

Source: own processing

Based on the results processed in Table 6 and Figure 1 we can conclude, that the mean values indicate, that the most frequently strategy in surveyed branches of retail chains in the Prešov region is price adjustment strategy; the branch stores of retail chains also often use promotional discounts when determining the marketing pricing strategies. The results show that the development of

marketing pricing strategies of the branches of retail chains is based on the marketing pricing strategies of its main competitor. Based on the above processed results we can conclude that at least used marketing pricing strategy in the surveyed branch stores of retail chains in the Prešov region is premium pricing strategy and strategy of high introductory prices.

We used analysis of variance (ANOVA) for repeated measurements to determine the use of various marketing pricing strategies. The result is in the following table.

Table 7: Analysis of variance (ANOVA) using marketing pricing strategies

Source of variance	Sum of squares	df	Mean square	F	p
Model	10117,122	1	10117,122	4807,050	0,000
Error	223,092	106	2,105		

Source: own processing

The chosen level of significance is the measured difference in responses to individual questions, large enough to be merely coincidental. The difference of means in questions is statistically significant.

Retail chains in their consideration, initiating changes and marketing pricing strategies must take into account the reactions of customers and competitors. Reactions of competition result from corporate policy and swift analysis of the situation. Firms that initiate changes in prices must also anticipate the likely reactions of suppliers, intermediaries and government. Marketing pricing strategy is an essential element of any retail chain and firm, whose goal is profit and differentiation from competitors.

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