DegreeLive Logo

B.Com Honours | Semester III | Calicut University

RETAIL BUSINESS MANAGEMENT

Course Code: COM3MN208 • Module 3 Notes

Module III: Retail Pricing and Promotion

Retail pricing directly affects profitability, sales velocity, and brand perception, requiring strategic balance between profit margins, competitive positioning, and consumer value perception.

Unit 11: Retail Pricing – Pricing Policies & Elements of Price

1. Key Price Elements: Cost of Goods Sold (COGS), Operating Overhead Expenses, Expected Profit Margin, and Taxes (GST).
2. Pricing Objectives: Profit maximization, sales volume growth, market penetration, or premium prestige positioning.

Unit 12: Price Sensitivity, Elasticity of Demand, & Mark-Down Policy

1. Price Elasticity: Sensitivity of consumer demand to price changes.
2. Mark-Down Policy: Planned price reductions to clear slow-moving, seasonal, or obsolete inventory.

> **Mark-Down Percentage (%) = [(Original Retail Price - Reduced Sale Price) / Original Retail Price] × 100**

Unit 13: Retail Pricing Strategies – EDLP vs. High-Low & Solved Margin Math

Every Day Low Pricing (EDLP): Continuously low prices without temporary sales discounts (e.g., DMart, Walmart), building shopper trust and stabilizing supply chain demand.
High-Low Pricing: High initial prices combined with frequent promotional discounts (e.g., Shoppers Stop).

Unit 14: Retail Sales Promotion Strategies – Loyalty & Activations

In-store promotions: Buy One Get One (BOGO) deals, digital coupons, end-of-season clearance sales, co-branded credit cards, and tier-based customer loyalty reward programs.

Practical Problem 2 (Retail Mark-Up, Selling Price, & Clearance Mark-Down Math): A fashion retailer purchases designer shirts from a garment manufacturer at a wholesale cost price (COGS) of Rs. 800 per unit.
Part A (Initial Price): The retailer applies a 60% Mark-Up on Cost. Calculate (i) absolute rupee mark-up, and (ii) initial retail selling price.
Part B (Clearance Mark-Down): At the end of the season, 100 unsold shirts are put on clearance sale with a 25% Mark-Down on the initial retail price. Calculate (i) reduced clearance selling price, and (ii) total gross profit earned on selling these 100 clearance units.

Step-by-Step Solved Retail Pricing Math:

- **Part A (Initial Retail Price Calculation):**
  Cost Price = Rs. 800 per unit. Mark-up % on Cost = 60%.
  Rupee Mark-Up = (800 imes 60% = mathbf{ ext{Rs. 480 per unit}}).
  > **Initial Selling Price = Cost (800) + Mark-up (480) = Rs. 1,280 per unit**

- **Part B (Clearance Sale Mark-Down Computation):**
  Initial Selling Price = Rs. 1,280. Mark-down % = 25%.
  Rupee Mark-Down = (1,280 imes 25% = mathbf{ ext{Rs. 320 discount}}).

  > **Clearance Selling Price = 1,280 - 320 = Rs. 960 per unit**

  Profit per Clearance Unit = Selling Price (960) - Cost Price (800) = **Rs. 160 profit/unit**.
  Total Gross Profit on 100 Clearance Shirts = (100 imes 160 = mathbf{ ext{Rs. 16,000}}).