

PRICING POLICY AND MARKETING STRATEGIES AS A PART OF COMPETITIVE ADVANTAGE OF RETAILS STORES IN THE SLOVAK REPUBLIC

Gburová J., Štefko R., Bačík R.*

Abstract: The paper deals with price and marketing pricing strategies of retail chain stores in the Slovak Republic. The aim of this paper is to highlight the perception of the impact of economic recession in the retail chain stores. To determine the most used marketing pricing strategies has been used analysis of variance ANOVA. The global finance crisis does not have influence to selection and implementation of pricing strategy, which is used by branches of chain stores marketing management of in area of Presov region.

Key words: price, pricing strategies, marketing, chair stores

Introduction

Pricing is becoming an integral part of daily management of sales and marketing chains worldwide. Pricing and its increasing or decreasing is currently confronted with the state of the economy, but also the expansion of trade over the Internet.

According to Foret [5] the price presents in marketing term "amount of money, the volume of products or services that the buyer is willing to give the seller as consideration for the right to use a particular product or service."

Price is the only one element of the marketing mix, which is a source of income. Other elements produce only costs. It is also one of the most flexible elements of the marketing mix. In contrast to the properties of the products and commitments to the distributor is it possible to change it rapidly. Price decisions do not accept isolation. They always have to be in accordance with the micro environment and macro environment business [3].

Today, companies have to face a constant change in the prices of its competitors. The strategy often depends on whether the firm produces homogeneous or heterogeneous products. Market leadership can companies gain especially in the way of providing lower prices than its competitors [7]. The price plays an important role in trading strategy. Prices vary according to the objectives, company priorities and other situational factors such as the intensity of competition and economic conditions and therefore they can address different objectives. Legal and ethical issues related to prices play in selecting pricing strategies a crucial issue [2]. Today, organizations approach pricing in various ways. The owner is pricing in small enterprises. Manager of division or product lines is usually pricing in bigger enterprises. But even in these cases, top management sets out the general objectives

* PhDr. Jaroslava Gburová PhD., Prof. Ing. Dr. Róbert Štefko, Ph.D., PhDr. Radovan Bačík, PhD. MBA, University of Presov in Presov, Faculty of management

✉ corresponding author: Richard.Fedorko@gmail.com, Robert.Stefko@unipo.sk, RadovanBacik@yahoo.com

and principles of pricing policy [1]. Pricing is a science where a discipline of marketing, cost accounting, business strategy and economics converge [4]. For selecting final price managers should have information about pricing objective, demand curve, probable quantities it will sell at each possible price and competitors' costs, prices and offers. Marketing managers have to estimate how its costs vary at different levels of output, at different levels of accumulated production experience and for differentiated marketing offers. Then they select a pricing method and final price that could be established like:

1. Overprice – lose a sale that would have been profitable at a lower price,
2. Underprice – make an unprofitable sale or
3. Price appropriately – make a sale and make a profit.

According to Jedlička [6] it is necessary to understand, which crucial roles carry the price on the market and from that derive a target orientation of price strategy as broader and fuller understanding than a price which forms only particular item. The price serves on the market as:

- **communicator** between supply and demand (between consumer and entrepreneur), to reflect the economic positions of both sides of market communication.
- **quantifier** to determine the amount of a particular exchange value of the goods in the chosen monetary or non-monetary unit in order to facilitate business relationships on the market.
- **qualifier** to determine the overall utility of the product (compared to the other comparable products), while respecting the other quality parameters (trade, fashion, etc.) that are incorporated in the expressed price level.

When pricing policy is creating, the company must consider many factors. Six steps of pricing objectives/pricing methods [8]:

1. Selecting the pricing objective
2. Determining the method demand and estimating costs
3. Analyzing competitors costs, prices, offers
4. Selecting a pricing method and selecting the final price.

Impact of economic recession on the retail chain stores in the Slovak republic

The survey aims to identify price and marketing pricing strategies in retail chain stores in the Prešov region. The basic group consisted of all retail chain stores in the Prešov region, located in district towns. The sample was obtained by selection of easy accessibility. Total of 195 retail chain stores were interviewed. The survey was conducted during 2013. Enquiry was used to obtain the primary data. Regional managers of retail chain stores were enquired in the total number of 107 respondents. Structure of respondents by age and regional managers' gender presents Table 1.

Table 1. The sample structure of the regional managers in retail chain stores by age and gender

	<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>18-29 years</i>	11	10,3	10,3	10,3
<i>30-39 years</i>	36	33,6	33,6	43,9
<i>40-49 years</i>	41	38,3	38,3	82,2
<i>50-59 years</i>	19	17,8	17,8	100
<i>male</i>	41	38,3	38,3	38,3
<i>female</i>	66	61,7	61,7	100
Σ	107	100	100	x

Source: Own processing

The sample consists of 107 retail chain stores. Most numerous in the sample have the district towns Prešov (24, 22.40%), Poprad (18, 16.80%) and Bardejov (16, 15.00%). 84.10% (90) retail chain stores in the Prešov region comprising a sample of max. 25 employees. 15.00% (16) chain stores of the surveyed branches employ 26 to 49 employees and 0.90% (1) chain store employs 50 to 249 employees. Table 2 shows the distribution of the sample according to the location of the retail chain store as well as the number of employees working in retail chain stores.

Table 2. The sample structure of surveyed retail chain stores according to the location

	<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Bardejov</i>	16	15,00	15,00	15,00
<i>Humenné</i>	8	7,50	7,50	22,40
<i>Kežmarok</i>	4	3,70	3,70	26,20
<i>Levoča</i>	4	3,70	3,70	29,90
<i>Medzilaborce</i>	4	3,70	3,70	33,60
<i>Poprad</i>	18	16,80	16,80	50,50
<i>Prešov</i>	24	22,40	22,40	72,90
<i>Sabinov</i>	3	2,80	2,80	75,70
<i>Snina</i>	6	5,60	5,60	81,30
<i>Stará Ľubovňa</i>	4	3,70	3,70	85,00
<i>Stropkov</i>	5	4,70	4,70	89,70
<i>Svidník</i>	5	4,70	4,70	94,40
<i>Vranov n/T.</i>	6	5,60	5,60	100,00
<i>1 - 25 zam.</i>	90	84,10	84,10	84,10
<i>26 - 49 zam.</i>	16	15,00	15,00	99,10
<i>50 - 249 zam.</i>	1	0,90	0,90	100,00
Σ	107	100	100	x

Source: Own processing

The next examined question under examination, which should read as follows: "In your opinion – Has the global financial crisis affected your retail chain in the selection of marketing pricing strategies?" Respondents should comment on the five-point Likert scale, where 1 - definitely yes, 2 – rather yes, 3 - I do not know, 4

– rather not and 5 - definitely not. Their view was expressed by a figure identified that best fit their opinion. Configuration of responses is presented in Table 3.

Table 3. Impact of the crisis in the selection of marketing pricing strategies

		<i>N</i>	<i>%</i>	<i>Valid %</i>	<i>Cumulative %</i>
Valid	<i>1- definitely yes</i>	27	25,2	25,2	25,2
	<i>2 – rather yes</i>	52	48,6	48,6	73,8
	<i>3- I do not know</i>	3	2,8	2,8	76,6
	<i>4- rather not</i>	24	22,4	22,4	99,1
	<i>5- definitely not</i>	1	,9	,9	100,0
	Σ	107	100,0	100,0	x

Source: Own processing

Nearly half of respondents 52 (48.6%) and 27 (25.2%) assessed that the financial crisis has affected the selection of marketing pricing strategies. 24 (22.4%) and 1 (0.9%) of respondents are inclined to claim that the financial crisis had no impact in the selection of marketing pricing strategies and 3 (2.8%) respondents could not assess whether the financial crisis had an impact in the selection of marketing pricing strategies within their retail stores.

Table 4. Development of the Slovak business environment after the resolution of crisis symptoms

		<i>N</i>	<i>%</i>	<i>Valid %</i>	<i>Cumulative %</i>
Valid	<i>1- definitely yes</i>	3	2,8	2,8	2,8
	<i>2 – rather yes</i>	43	40,2	40,2	43,0
	<i>3- I do not know</i>	5	4,7	4,7	47,7
	<i>4- rather not</i>	50	46,7	46,7	94,4
	<i>5- definitely not</i>	6	5,6	5,6	100,0
	Σ	107	100,0	100,0	x

Source: Own processing

Based on the results, which are processed in Table 4, we can say that according to respondents, i.e. 50 respondents (46.7%); 6 (5.6%) Slovak business environment is still not developing favourably after the crisis. Conversely 43 (40.2%) and 3 (2.8%) respondents had the opposite view, according to which the Slovak business environment began to resolve slowly and favourably after the crisis.

Marketing pricing strategies

The aim of the next question: “*How do you react to price changes of your competitors*” was to find out how the surveyed retail chain stores react to price

changes of their competitors. Respondents could choose one of our options from A - F. Evaluation of responses to this question shows Table 5.

Table 5. Responding to competitors' price changes

		<i>N</i>	<i>%</i>	<i>Valid %</i>	<i>Cumulative %</i>
Valid	<i>maintain the current price</i>	11	10,3	10,3	10,3
	<i>increase/decrease price</i>	27	25,2	25,2	35,5
	<i>maintain price and increase perceived quality</i>	28	26,2	26,2	61,7
	<i>increase price and improve quality</i>	1	,9	,9	62,6
	<i>intensify promotion</i>	40	37,4	37,4	100,0
	Σ	107	100,0	100,0	x

Source: Own processing

Most respondents (40, 37.4%) evaluated, that their reaction to price changes of competitors is to intensify promotion, 28 (26.2%) maintain price and increase perceived quality, 27 (25.2%) decrease / increase prices of their products, 11 (10.3%) maintain the current price and 1 (0.9%) increase price and improve quality.

Marketing pricing strategies (S1 - S13) were initiated as the subject of the survey:

- skimming (creaming) strategy (S1)
- penetration pricing strategy (S2)
- premium pricing strategy (S3)
- main competition pricing strategy (S4)
- high price / quality pricing strategy (S5)
- promotional pricing strategy (S6)
- geographical pricing strategy (S7)
- price matching guarantees (PMG, S8)
- everyday low pricing (ECLP, S9)
- cost-plus pricing strategy (S10)
- real-time pricing by competition strategy (S11)
- price discrimination strategy (S12) and
- discount pricing strategy (S13).

Based on the results we can conclude that skimming strategy is in the average most used marketing pricing strategy across retail chain stores focused on assortment of food, the least utilized is in retail chain stores with general merchandise. Penetration pricing strategy is most often used in retail chain stores with general merchandise and at least is used in retail chain stores focused on electronics.

Promotional pricing strategy is the most stressed in sales area of flooring, carpets, floor coverings, garden tools and electronics, at least toy retailers. When creating marketing pricing strategies, retail chain stores with an assortment of food and

drugstores are based on marketing pricing strategies of major competitor and on the contrary, electronics retail chain stores are not based on the main competitor pricing strategies. Retail chains focused on selling floors, carpets and floor coverings are using the most discount pricing strategy, compared with stores with other range of goods.

Premium pricing strategy is in the average mostly used in groceries and the least used in retail chain stores with electronics. Based on premium pricing strategy S3 firm sets higher prices for their new products, which wants to maintain throughout their life cycle. Everyday low pricing strategy S9, where long-term prices are set at a low level, company is not using price promotion and sale events too often. It is based on the fact, that long-term constant prices represent confidence for the customer.

Price matching guarantees strategy is at an average most used in the food and drug stores, but on average is at least used in assortment of food, furnishings and carpets. Strategy of price adjustments and price discounts is used the most in a large extent of electronics retail chain stores and is utilized at least by grocery retail chain stores.

Table 6. Examined marketing pricing strategies

	N_i	Average	Min.	Max.	Std. Dev.
S1	107	3,131	1,000	5,000	1,237
S2	107	3,000	1,000	5,000	1,197
S3	107	3,477	1,000	5,000	1,022
S4	107	2,168	1,000	4,000	1,023
S5	107	2,850	1,000	5,000	1,164
S6	107	1,710	1,000	4,000	0,813
S7	107	2,841	1,000	5,000	1,074
S8	107	2,654	1,000	5,000	1,229
S9	107	2,720	1,000	5,000	1,180
S10	107	2,841	1,000	5,000	0,837
S11	107	2,336	1,000	4,000	1,081
S12	107	2,879	1,000	5,000	1,187
S13	107	2,178	1,000	5,000	0,989

Source: Own processing

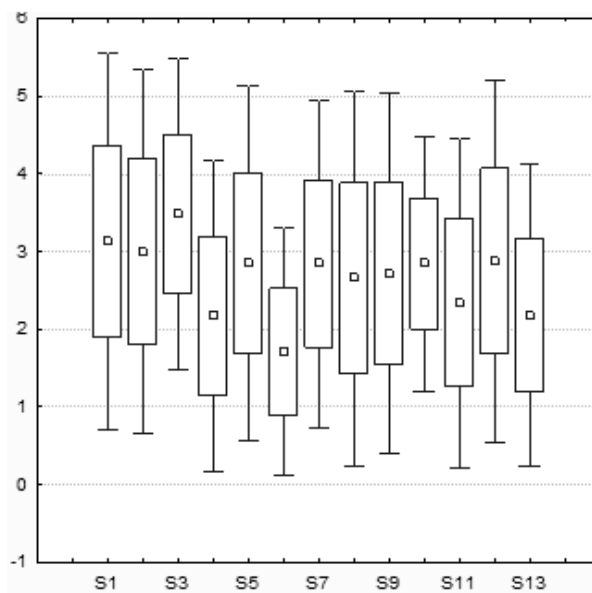


Figure 1. Marketing pricing strategies – box plot

Source: Own processing

Marketing managers of retail chain stores ranked promotional pricing strategy (S6, 1.710, Table 5) among the most frequently used marketing pricing strategies. Main competition pricing strategy (S4, 2.168) was identified by respondents as the second most common marketing pricing strategy and discount pricing strategy took the third place (S13, 2.178). The least used marketing pricing strategies were premium pricing strategy (S3, 3.477) and skimming strategy (S1, 3.131) based on respondents' answers in the surveyed locality (in the Prešov region).

Promotional pricing strategy is the most stressed in sales area of flooring, carpets, floor coverings, garden tools and electronics, at least toy retailers. When creating marketing pricing strategies, retail chain stores with an assortment of food and drugstores are based on marketing pricing strategies of major competitor and on the contrary, electronics retail chain stores are not based on the main competitor pricing strategies. Retail chains focused on selling floors, carpets and floor coverings are using the most discount pricing strategy, compared with stores with other range of goods.

Based on the results we can conclude that skimming strategy is in the average most used marketing pricing strategy across retail chain stores focused on assortment of food, the least utilized is in retail chain stores with general merchandise. Penetration pricing strategy is most often used in retail chain stores with general merchandise and at least is used in retail chain stores focused on electronics.

Premium pricing strategy is in the average mostly used in groceries and the least used in retail chain stores with electronics. Based on premium pricing strategy S3 firm sets higher prices for their new products, which wants to maintain throughout

their life cycle. Everyday low pricing strategy S9, where long-term prices are set at a low level, company is not using price promotion and sale events too often. It is based on the fact, that long-term constant prices represent confidence for the customer.

Price matching guarantees strategy is at an average most used in the food and drug stores, but on average is at least used in assortment of food, furnishings and carpets. Strategy of price adjustments and price discounts is used the most in a large extent of electronics retail chain stores and is utilized at least by grocery retail chain stores.

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

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

Source: Own processing

The value of $P < 0,05$, so **we accept** the alternative hypothesis. The measured difference in responses to individual questions is on the chosen level of significance large enough to be merely coincidental. The difference of means in the questions is statistically significant.

Summary

The chain stores (as big business subjects which own and operate great number of shops) in Slovak republic constitute the business network, which is dense enough and is easily available for all customers. By the implementation of their business policy they significantly change and influence the classical business structure. By the fact that they buy goods directly from the manufacturer, they omit the wholesaler and represent the competitor not only on the retail market but also on the wholesale market [9].

The paper presents the results of survey that was conducted in Presov region in 107 branches of chain stores. The participant asked to applying marketing pricing strategies and price adjustments strategies. The most used is main competition pricing strategy, promotional pricing strategy and discount pricing strategy. Many factor come into play in determining price, specifically customers, costs and competition. The marketing managers select final price and need to change prices too. There resonates a question of the need for change in connection with the obtained results to determinate marketing pricing strategies in retail chain stores depending on the offered assortment by retail chain stores in the Prešov region. It is mainly based on the customary assumption of finding, that the uniformity of marketing pricing strategies determination is not sufficient and competitive enough in retail chain stores operating in the Prešov region.

References

- [1]. Bartáková G. et al. *Základy marketingu*. Bratislava: 228 s.r.o., 2007. 279 p.
- [2]. Cravens D. W., Piercy, N. F. *Strategic marketing*. New York, 2009. p. 369.
- [3]. Cibáková V., Bartáková G. *Základy marketingu*. Bratislava: Iura Edition, 2007. 279 p.
- [4]. Daly J. L. *Pricing for profitability: activity – based pricing for competitive advantage*. Wiley, 2002. 271 p.
- [5]. Foret M., Prochádzka P., Urbánek T. *Marketing – základy a princípy*. Brno: Computer Press, 2003. 193 p.
- [6]. Jedlička M. *Marketingový strategický manažment*. Trnava: MAGNA, 2003. 365 p.
- [7]. Kotler P. et al. *Marketing management*. London, 2009. p. 607
- [8]. Kotler P., Keller K. L. *Marketing management*. Praha: Grada Publishing, a.s., 2007. 792 p.
- [9]. Štefko R., Gburová J., Jurková J. Some aspect of pricing strategies in marketing of the branches of chain stores in Slovak republic. In *Global Trend in Finance. The First On-line International Conference*. ASERS : 2011, p. 82 - 88.

POLITYKA CENOWA I STRATEGIE MARKETINGOWE JAKO CZĘŚĆ PRZEWAGI KONKURENCYJNEJ SKLEPÓW DETALICZNYCH W REPUBLICIE SŁOWACJI

Streszczenie: Artykuł ten zajmuje się strategiami cenowymi i marketingowymi sieci sklepów detalicznych w Republice Słowackiej. Celem niniejszego artykułu jest zwrócenie uwagi na postrzeganie wpływu recesji gospodarczej w sklepach sieci detalicznej. Do określenia najczęściej używanych strategii cenowych, wykorzystana została analiza wariacji ANOVA. Globalny kryzys finansowy nie ma wpływu na wybór i realizację strategii cenowej, która jest wykorzystywana departament marketingu sieci sklepów detalicznych w regionie Preszowa.

Słowa kluczowe: cena, strategie cenowe, marketing, łańcuch sklepów

定價政策及營銷策略零售門店在斯洛伐克共和國：競爭優勢的部分

摘要：論述了零售連鎖店在斯洛伐克共和國的價格和市場定價策略。本文的目的是要突出經濟衰退的零售連鎖店的影響的看法。為了確定最常用的營銷定價策略已用於方差分析。全球金融危機並沒有影響到選擇和實施定價策略，這是由連鎖店銷售的普雷紹夫地區的區域管理的分支機構。

關鍵詞：價格，價格策略，市場營銷，專賣店