

Abstract

“Effects of high-low pricing”

Area

Price management, marketing

Keywords

High-low pricing, spillover effects, pricing policy, sales effects, volume effects

Study/project

Project, part of the “Retail Management Projects” module

Starting point/project assignment/objective

High-low pricing is a popular retail pricing strategy. Often, only the effect of the price change on the product itself is measured. What effects does it have on substitute or complementary products, both within and outside of the particular product group? The study was carried out in the food sector.

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Procedure

- Identification of “typical” products from the food sector
- Identification of suitable comparison periods
- Generation of the data from enterprise resource planning and its consolidation
- Determination of sales changes among the selected products
- Answering of the question as to the extent to which there is an impact on substitute products
- Determination of the effects on complementary products within and outside of the same product group
- Derivation of findings and their consolidation

Results/findings

One result was that sales of the promoted products more than doubled in the period under consideration. There was hardly any reduction in sales in similar products within the product group. Any correlations found with the analysed products were surprising in terms of the products affected. In some cases, these were products without any logical link to the analysed products. Knowledge of such correlations and the associated level of change in sales is important, as greater sales must be taken into consideration during stock planning for the products affected in order to avoid an out-of-stock situation.

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