

Strategic Online and Offline Retail Pricing: A Review and Research Agenda[☆]

Dhruv Grewal,^{a,*} Ramkumar Janakiraman,^b Kirthi Kalyanam,^c P.K. Kannan,^d
Brian Ratchford,^e Reo Song^f & Stephen Tolerico^g

^a Babson College, Babson Park, MA 02457, USA

^b Mays Business School, Texas A&M University, College Station, TX 77843, USA

^c Leavey School of Business, Santa Clara University, Santa Clara, CA 95032, USA

^d Robert H. Smith School of Business, University of Maryland, College Park, MD 20742, USA

^e School of Management, The University of Texas at Dallas, Richardson, TX 75080-3021, USA

^f Mays Business School, Texas A&M University, College Station, TX 77843, USA

^g Sewell Automotive, USA

Abstract

In the increasingly complex retailing environment, more and more retailers operate in more than one channel, such as brick-and-mortar, catalogs, and online. Success in this dynamic environment relies on the strategic management and coordination of both online and offline pricing. This article provides an overview of findings from past research in both offline and online domains and presents an organizing framework, as well as an agenda to spur additional research.

© 2010 Direct Marketing Educational Foundation, Inc. Published by Elsevier Inc. All rights reserved.

Keywords: Retail Pricing; Promotion; Online; Offline

In the turbulence of recent months, global economies have faced unprecedented crises in the forms of severe liquidity, fluctuating gas prices, inflation and deflation, massive increases in the cost of goods, foreclosures, soaring unemployment levels, and fluctuations in stock prices. These factors reinforce the need for retailers and manufacturers to manage and coordinate their pricing policies strategically.

Varied and rich streams of retailing research tackle a host of pricing topics, ranging from promotional prices to competitive pricing practices. Yet a lot of the research pertains to the domain of brick-and-mortar retailers, even as the emergence of pure online play (e.g., Amazon) and bricks-and-clicks (e.g., Staples) retailers has grown steadily in the past decade. In particular, retailers have begun

using their Web sites for not only transactions but also as advertising vehicles for their brick-and-mortar stores and as hubs for managing customer relationships. Because of these multiple objectives, a retail Web site demands careful management and coordination.

Several review articles summarize key insights from the retailing domain (e.g., Ailawadi et al. 2009; Brown and Dant 2008a,b; Grewal and Levy 2007, 2009), as well as from means of leverage across channels (Achabal, Chu, and Kalyanam 2005; Neslin et al. 2006; Neslin and Shankar 2009) and the specific pricing arena (e.g., Kopalle et al. 2009; Ratchford 2009). Drawing on such insights, we offer an organizing framework (see Fig. 1) that we propose may guide further research into multichannel pricing strategies and issues.

Our review begins with a description of what we know about the development of appropriate price and promotion strategies; we summarize some representative articles in the Appendix. We also note some key lessons from behavioral research regarding promotional prices and their effects on perceptions of value and purchase intentions. We then introduce three key antecedents—firm factors, product (good/service) factors, and channel factors

[☆] The order of authorship is alphabetical.

* Corresponding author.

E-mail addresses: dgrewal@babson.edu (D. Grewal), ram@mays.tamu.edu (R. Janakiraman), kkalyanam@scu.edu (K. Kalyanam), pkannan@rhsmith.umd.edu (P.K. Kannan), som-Ph.D.@utdallas.edu (B. Ratchford), strada@tamu.edu (R. Song).

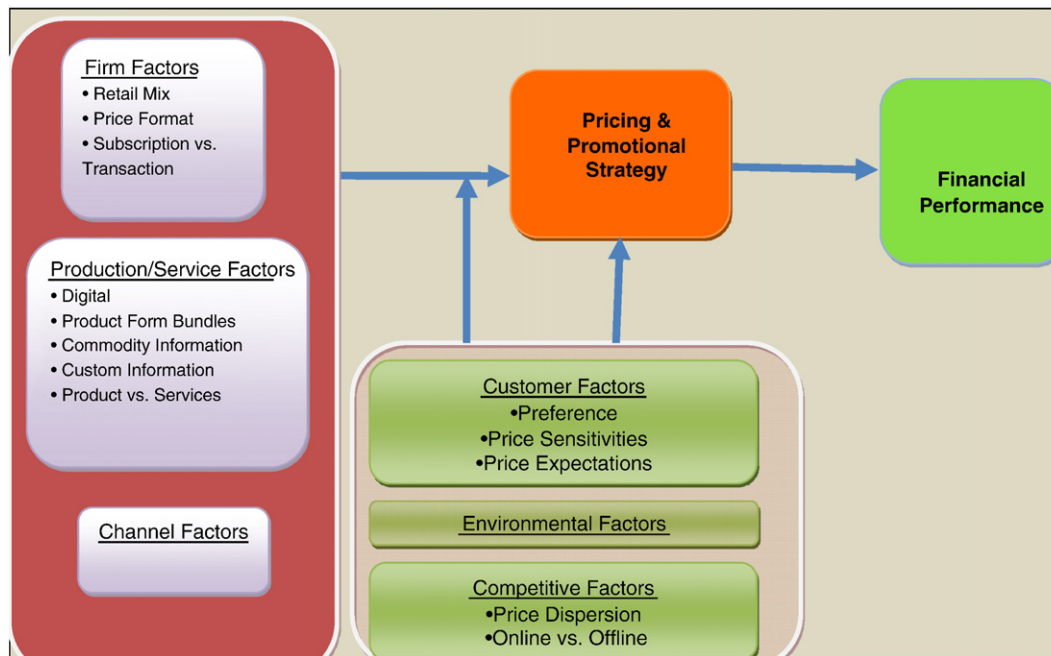


Fig. 1. Strategic pricing and promotional organizational framework.

—that likely have important ramifications for developing a retail pricing strategy. These antecedents should influence consumer reactions, which in turn affect pricing strategies. In addition, we posit that the effect of specific antecedents on pricing strategies may be moderated by customer, environmental, and competitive factors, which also might have direct effects on the retail pricing strategy and overall financial performance.

Recent research also suggests a need to move away from backward-looking, aggregate financial metrics (e.g., past store sales, profits) and toward forward-looking, customer-level financial metrics (e.g., customer lifetime value (CLV)) (Kumar, Shah, and Venkatesan 2006). As retailers integrate their online and offline pricing, forward-looking CLV metrics should become steadily more important as means to evaluate the effectiveness of pricing strategies for multichannel customers. A key to the development of effective strategies is the use of appropriate customer data and analytics (Verhoef et al. 2010). We develop and present various avenues for further research within in each domain or subdomain, and we summarize these findings in Table 1.

Price and Price Promotions

Retailers must develop their pricing strategies carefully to ensure that their prices optimize their profits and convey their desired image. For example, a firm like Wal-Mart pursues a different image than does Neiman-Marcus and therefore promises the lowest prices on an everyday basis. In contrast, the upscale chain emphasizes its up-to-date fashions, designer labels, and superior service, without overemphasizing the promotional aspects of its prices. High-end chains still serve a promotional segment; however, their strategy must align with their specific pricing image.

Setting prices and developing a consistent strategy is much more complicated for a retailer than for a manufacturer because of the vast number of stock keeping units involved (Levy et al.

2004). Retail optimization software attempts to help retailers strategically manage their prices to achieve and convey a certain image, as well as make appropriate tactical decisions (e.g., short-term promotions, bundled offers).

Marketing researchers also investigate various price- and promotion-related issues, mostly with regard to offline pricing (Bolton and Shankar 2003). The most common research area pertains to comparative price advertising (Compeau and Grewal 1998) and considers the effects of advertised reference prices, sale prices, and discount sizes on dependent variables such as internal reference prices, perceived value, and behavioral intentions (Compeau and Grewal 1998; Grewal, Monroe, and Krishnan 1998; Howard and Kerin 2006). Prior research suggests that the type of advertised reference price matters; regular advertised reference prices convey a sense of urgency and may be more effective in stores than are “compare at” prices (Grewal, Marmorstein, and Sharma 1996; Grewal, Lindsey-Mullikin, and Roggeveen 2009). The visual presentation of the price promotions similarly may influence consumer perceptions (e.g., Coulter and Coulter 2005, 2007; Chandrashekar et al., 2009; Lam, Chau, and Wong 2007; Suri, Chandrashekar, and Grewal 2009). For example, Chandrashekar et al. (2009) demonstrate that the color of the sale price (e.g., red or black) can engender different value perceptions for men than for women. If the color of the price attracts consumers to the deal, retailers should determine the most effective colors. If they consider gender differences, online retailers should customize the colors of the advertised prices accordingly.

Future Research Issues

An important research avenue attempts to understand the customer experience or shopping process (e.g., Grewal, Levy, and Kumar 2009; Hanson and Kalyanam 2007; Puccinelli et al. 2009). Shoppers likely see advertised promotions of retailers in flyers or

Download English Version:

<https://daneshyari.com/en/article/886184>

Download Persian Version:

<https://daneshyari.com/article/886184>

[Daneshyari.com](https://daneshyari.com)