



JOIN THE DEBATE

Add your views to the top stories online
retail-week.com/latestcomments

RETAIL LIFE LETTERS

EDITOR email george.macdonald@retail-week.com



The retail success stories of 2011 were of premium brands such as Apple

order to weather the storm.

It is from the 2011 success stories of premium brands, such as John Lewis, Apple and Burberry that we can take heed. The success is a result of the brands' abilities to deliver a consistent performance across all available channels rather than price reduction.

While there is no doubting that the quality of the product will be maintained at the same time as cutting costs, how this reflects on consumer perception of the brand remains to be seen and will be an interesting point to watch in 2012.

Jeremy Michael,
Managing director,
SMG

Pricing is king in grocery, but it must be strategic

The news that Tesco has issued its first profit warning in more than 20 years may come as a surprise to some. The retailer has previously been seen as infallible – able to withstand the recession and to continue opening new stores, hiring staff and, ultimately, being hugely successfully. However, the fact remains that the economy is suffering and, as a result, consumers are continually searching for the best bargains. Pricing has become the supermarket differen-

tiator. Customer service and other aspects are important, but the truth is consumers will go where the best deals are.

Tesco knows this and has announced it will be pushing its Big Price Drop initiative to attract customers. This will undoubtedly mean a continuation of the price wars that have dominated the industry over the past few years. However, the problem with this kind of pricing strategy is that there is very little strategy involved. It is reactionary and rarely leads to long-term gains for the businesses involved or their customers.

Businesses need to take a more strategic stance and optimise pricing to ensure that they are hitting that sweet spot of matching consumer expectation without spiralling into a price war. Pricing strategies need to be flexible, taking into account various factors such as consumer demand and competitor pricing – while continually adapting to these variables. Only with that kind of model in place will the business be protected against situations like the one Tesco is currently experiencing.

Bill Kotrba
Vice-president of industry strategy,
JDA



To join the debate, visit
retail-week.com/comment