
PRICE REDUCTIONS-AN EFFECTIVE METHOD OF ATTRACTING CUSTOMERS AND IMPROVE THE LEVEL OF SALES

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ABSTRACT

We are tempted to buy the desired products at a lower price. But how small can the price be? Up to what level might decrease the price of a blouse or a shirt from company X? Reducing the price decreases the quality level of the product concerned? These questions have led to case study that will be presented in this paper.

KEYWORDS: *price, discount, sales, international affairs.*

JEL CLASSIFICATION: *F10, F23, M16, Q21*

1. INTRODUCTION

The range of products which is covered by the study is clothing and footwear for adults and children and the work paper shows the comparative aspects of trade in Belgium, France, Romania and Serbia. Discount periods are somewhat similar, respectively in January-February and July-August. Differences from own experience are major and will be described below.

2. CASE STUDY

In Romania, the prices of clothing and footwear are close to those of sales abroad. To exemplify this, we got as a first example, the retailer C&A, which is present in Romania, France and Belgium but not only. From the beginning, we can specify that the products are the same, with small differences in the variety of products. The prices are the same in France and in Belgium (in euro) and in Romania are set out in lei, at a course close to the existing exchange rate and rounded at psychological values. Based on these aspects, we expect that in the period of reductions it will be happen the same things in all stores - irrespective of the country where is the shop. Wrong!

For the begining, let's examine the case of January-February: enter the discount on merchandise from the season which just ending, for the unsold goods remaining from previous periods (older collections). In Romania, during the period mentioned, we find several types of products at prices more attractive than usual, but not spectacular reduced. As a rule, the reduction is up to 50%.

After the end of that period, for a glorious finale, for the goods remaining in stock yet, it will be apply a new discount, 20% sometimes, other times up to 50% of already reduced prices of goods. Thus, in the best case, you can get to pay for an item of clothing even 25% of the initial price. For example, a product costing 100 lei originally can be bought at a final price of 25 lei (after successive price cuts). The disadvantage is that you cannot have the certainty that you will find the desired product (even if that product is going to be in the low-priced assortment is difficult to find the desired measure, possibly the color, etc.).

In France, the same discounts policy of the retailer stores C&A resembles the one in Belgium, that is to say: in a first step, it will be select the range of products which will be apply the reduction in prices, much more diversified than the range offer from stores in Romania. The reduction is applied in successive reduction stages, namely: in the beginning are granted a 10% discount for selected goods, for a period of 1-2 weeks. After that, the remaining unsold goods together with other goods that had not been exposed initially receive 25% discount from initial price, for a period of time-approximately a week. After this period the third wave comes with discount where products will be divided into those who receive 40% discount and those with 70% discount. The offer is valid for a few days

Interestingly, the company C&A offers its clients permanent not only goods sorted by customers through acquisition, but also goods out of stock that have not been previously exposed to sale, which attracts a considerable number of customers in stores. It is easy to understand that once you enter the store, customers will be able to buy not only low-priced goods but also other items that seem appealing and interesting.

But, let's get back: when the offer with 40% and 70% discount expires, it comes the next wave of discounts which refers to prices called WHAW. These prices WHAW are price which are writed again by the products label and represents the initial prices to which it has been applied the last reducing (between 40% and 70%). At this stage, the shops are full of goods, attractive and up to this moment are sold a lot of stocks of the firms. But the story doesn't stop here: at WHAW prices it will be applied the reduction of 10%, 25%, 50% or 75% respectively, in the waves followed at a few days (figure. 1).



Figure. 1. Example of label product which the price was reduced successively

Thus, for example, a product which costing initially 30 euro, after the successive reductions applied, in the best case, can be purchased at 2.25 euro, which corresponds to a rate of 7.5% of the initial price, so far below the value of a quarter of the price in respect of the rebate policy from Romania. (Initial Price 30 euro, reduced by 70% means a price of 9 euro, WHAW it reduced 75% means 2.25 euro). In Figure 1 and Figure 2 you can see the symbols of the successive reductions, respectively, the initial price of a mauve hearts orange respectively (representing a reduction of 40%, i.e. 70% of the initial price), a price tag affixed to WHAW additional at the cash register and the final price was 50% of the price of WHAW. This means a much greater reduction of 25% which is the maxim discount applied in rebate policy from Romania. (Initial price 30 euro, reduced by 70% it means a price of 9 euro - the price WHAW, which was reduced supplementary with 75%, it means 2.25 euro). In the Figure 1 and the Figure 2 you can see the symbols of the successive reductions, respectively the initial price, the symbol of a mauve hearts or orange (representing a reduction of 40%, i.e. 70% of the initial price), a

label with WHAW price applied. The product has been purchased with the final price reduced with 50% versus the price of WHAW.

In the case of reductions in summer in Belgium (and France) they are applied in the July-August period, in a similar mode with the discounts applied in the January-February period. In the following Figure are presented successive price reductions for two products that have been purchased in the final with 50% discount versus the lowest value written on the product label, in accordance with ticket from cash register, which is presented in Figure 3.



Figure. 2 An example of the label of the product which reflect the reductions in price from C&A Belgium - July 2016

Thus, in Figure 2 you can see two examples, an initial price 49 euro, the price which has been reduced at 29 euro and, after that, at 19 euro. In the last, the product was purchased at 9.5 euro (ticket - Figure 3). An another product that has had a price of initial 159 euro had 70% reduction symbol (orange little heart) and then the last price was 69 euro - WHAW price. That product was purchased with 34.5 euro (50% from the lowest price on the label). In the first case, 9.5 euro from 49 euro represents 19,38%, for the second case, 34.5 euro reported at 159 euro represents 21.69% (or reduction of initial price for 4.6 times).

These are examples from starts of discounts period because the client has not risked to waiting the price reduction, because he can lose the desired products (either measure, color, etc). But are produced from low-price where the final price represents less than 10% of the initial price.

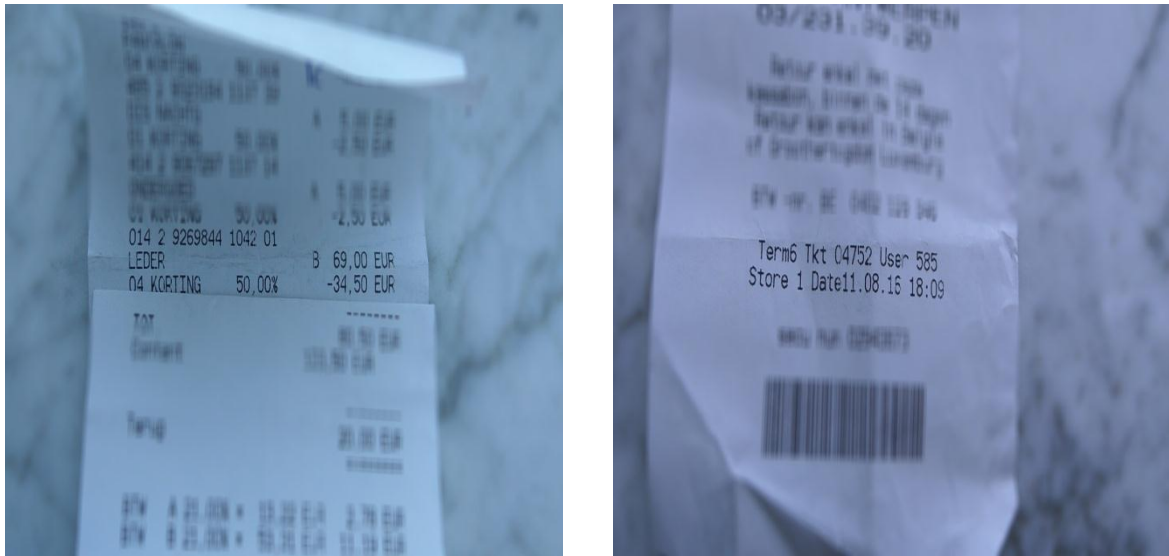


Figure 3. Receipt for a price reduction from 159 euro 34.5 euro (issued 11 august 2016)

The graph looks like this (Figure 4):

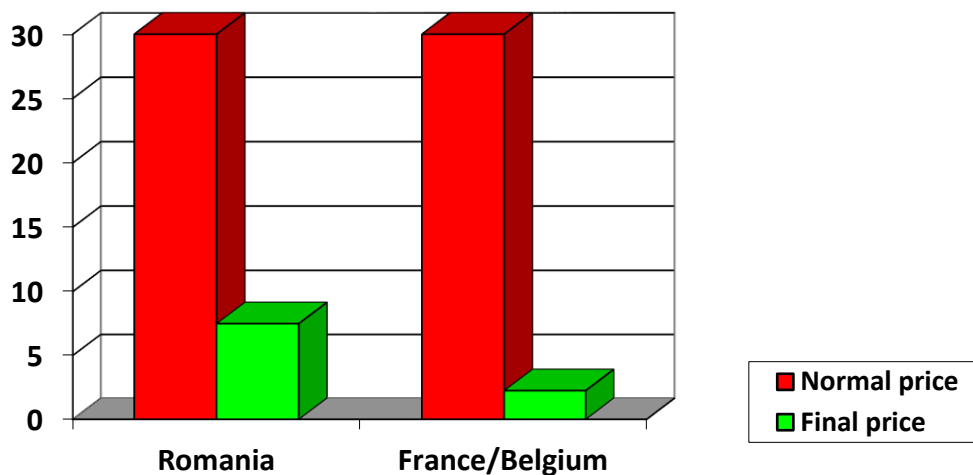


Figure 4. Comparison of discounts applied by the retailer in shops of C&A Romania, France and Belgium

In this way, one can easily see that in Romania the clients will pay more for the same product than in France or Belgium, even if the average salary level in France and Belgium is about 2000 euro and in Romania we discuss about 2,000 lei. A simple calculation shows that the Romanians' purchasing power is lower by at least 5 times that of the French or the Belgians and if we take into account products may purchased during the period of soldărilor in the three countries, the result will be much more unfavourable for romanian clients.

In these circumstances we must no longer surprised that in Belgium, for example, it sells extremely a lot of products, which means demand for new products will be bigger, and, consequently, need for productive labour force.

If the policy of discounts from Romania would adopt the belgian model, maybe it would considerably improve the sales and the producing factories, the suppliers, would no longer run after commands. Equally interesting is that some of the products is realized in Romania but for

export. Isn't it would be better for the Romanians in the country may buy at the prices the tempting from outside? Certainly the economy would put in motion itself. Another example from Belgium, Wibra's stores which is known as stores with products with low prices. A manly boardshort has an initial price 12.99 euro. During the period of clearance i apply a reduced price of 9 euro, later 7 euro, and finally it gets to 6 euro. If after these steps it do not sell, this product along with other similar articles will be reduced at 50% discount of the price already low, so it can be bought with 3 euro. This price represents 23.09% from the initial price (Figure. 5).



Figure. 5. The label of a product purchased at 3 euro versus an initial price 12.99 EUR (august 2016)

For this last example, price evolution graph is as follows (figure. 6):

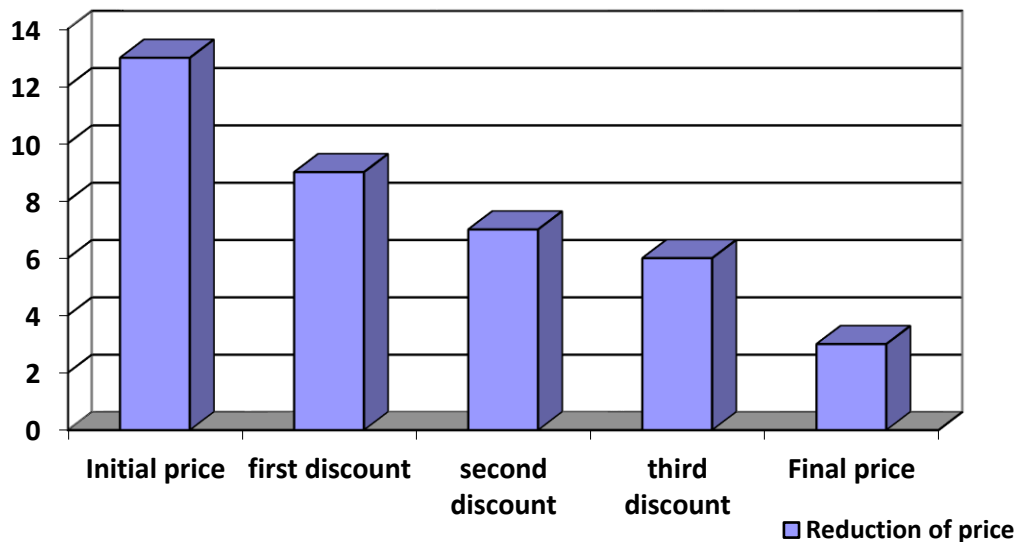


Figure 6. The price reduction at Wibra (Belgium), from the initial price 12.99 euro to final price of 3 euro (august 2016)

Another aspect worthy of note is the variety of products that the customers find in Belgium and France in relation to Romania. In the two European countries are buying so much all year and the sold -out period brings increases in sales volume (a volume increased over versus a large sales volume already).

In Romania are buying less because the purchasing power is lower and during sold out sales grow by approximately 15% (based on discussions with staff from sales from C&A). Hence, by these reductions in prices, customers are likely to give more money from his own pocket in order to transfer to the sellers that know how to speculate consumer behavior.

For footwear, the present paper presents the example of sold out in the companies like Bantano and Scapino - Belgium. These offer discounts in prices systematically and, in particular, in the period of sold. The maximum percentage of discount (2013-2016 period) was 70% (for hard items saleable).

This aspect was saw by tracking the prices systematically both in stores and online.

Of note is that the both companies referred to are known as providing good products at reasonable prices, and discounts offered (about 50% in the period of soldes, currently) attract a greater number of customers in stores, customers who can buy also products without discounting that only they had need (figure. 7).

For noted for encouraging sales in C&A Belgium, C&A France, Brantano and Scapino-Belgium, are on-line sales and the return of products policy, which Romania still does not apply. These are done with seriousness and professionalism, the return can be made in a limited time and the customer which wishes to return a product does not must justify the reason for he no longer wish the product. Clients are serious and they do not return the products without good reason.

The screenshot shows the Scapino website interface. At the top, there are navigation links: 'Acties & Nieuws | Folder | Klantenservice | Contact | Werken bij Scapino' on the left and 'Inloggen | Registreren | Verlanglijstje' on the right. The main header features the 'SCAPINO' logo with the tagline 'Dat Loont.' and a search bar. Below the header is a red navigation bar with categories: 'Home', 'Dames', 'Heren', 'Kinderen', 'Sport', 'Merken', and 'Totale collectie'. A yellow banner indicates '3=2!'. Below the navigation bar, there are three promotional messages: '✓ Voor 21.00 uur besteld, morgen in huis*', '✓ Eerst passen, na 14 dagen betalen', and '✓ 30 dagen gratis retour in onze winkels'. The breadcrumb trail shows 'Home > Dames > Ballerina's > Ballerina's'. The main product area displays 'Natuform leren dames ballerina's' with a price reduction from 64.00 to 40.00. A 'Bestellen' button is visible. Below the product name, there are five stars and the text 'Gebaseerd op 0 beoordelingen'. The 'Maat' section shows size options: 37, 38, 39, 40, 41, 42. The 'PRODUCTINFORMATIE' section includes links for 'Meer Natuform' and 'Meer Comfort schoenen'. A 'Winkelvoorraad' section indicates 'Bekijk de voorraadstatus in jouw winkel'.

Figure. 7. Example of a reduced price at Scapino – Belgium (august 2016)

In Romania, there are many stores of footwear, some of this do various promotions with seriousness but often happened that the prices to be artificially increased before the discount period announced and the promotions / the discount never be true. For example, a product that usually would cost 200 lei, before promotion to reach 250 lei and announced 25% dicountul to push the price of the product at 187.5 lei, so basically there is a 6.25% real discount.

In Serbia, a country that not long ago was still at war, pricing policy is similar with the romanian correspondent. This can happen because the average salary in the country is little less than that of the Romanians. In Serbia, there are not so many so-called corporate stores and the prices in those shops are West-European level, the prices that mid-level Serbs do not afford it. The reductions are not spectacular but neither volume of goods purchased are not spectacular increases in the period sold out, similar to Romania.

According to ph-online.ro, in Romania, in the first five months of the year 2016, the volume turnover in retail trade increased by 18%, which is due to the increase in volume and retail sales of clothing and footwear which speaks this paper.

3. CONCLUSIONS

It is clear that in order to sell more, you must provide customers what they need. To increase the volume of sales you must come up with something extra and the present paper has presented, by comparison, how do that the sellers from Romania, Serbia, France and Belgium. By reducing the price, it was attracted many customers who bought more goods, including clothing and footwear that not necessary need but also they were tempted by the price very attractive. There are also hunters for soldes who track the price for a particular product until its price dropped and can afford it. Also, some customers come into the stores for products at discount but they can buy products that had no discount, so the seller's goal has been reached - the customer brought in store and he does not let the shops without buying anything.

For this reason, maybe it would be better for the Romanian and Serbian sellers, whatever they sell, to take the models with guaranteed success of outsiders. Summarizing, the Romanians should bring all sales on the internet, too, and linked to it - to provide delivery of goods through serious, reliable firms, to provide more reliability and professionalism. We don't have to re-invent the wheel, but only we must to apply what they have found others that operate efficiently. In a future article we will present that is the way of goods remaining unsold after all stages of sold and how does the large firms to have always profit.

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