3.4 PRICING STRATEGIES USED IN CONVENTIONAL AND NON-CONVENTIONAL FOOD RETAILING

Pricing strategies in conventional and non-conventional food retailing may differ based on factors such as target market, product offerings, distribution channels, and competitive landscape. Here's a comparison of pricing strategies commonly employed in both types of food retailing:

Conventional Food Retailing:

1. **Everyday Low Pricing (EDLP)**: Many conventional grocery stores opt for an EDLP strategy, where prices are set consistently low with minimal fluctuation. This strategy aims to build customer loyalty by offering competitive prices consistently, rather than relying on frequent promotions or discounts.

2. **High-Low Pricing**: Some conventional retailers utilize a high-low pricing strategy, where prices are initially set higher but discounted during sales events or promotions. This strategy creates a sense of urgency and encourages customers to take advantage of limited-time offers.

3. **Private Label Pricing**: Conventional retailers often offer private label or store brand products as a cost-effective alternative to national brands. These products are typically priced lower than branded equivalents, attracting price-sensitive consumers while still maintaining profit margins.

4. **Price Matching**: To remain competitive, some conventional retailers implement price matching policies where they match or beat competitors' prices for identical products. This strategy helps prevent customers from shopping elsewhere based solely on price.

Non-Conventional Food Retailing:

1. **Value-Based Pricing**: Non-conventional food retailers, such as specialty or gourmet food stores, often focus on offering high-quality, unique products that command premium prices. Value-based pricing emphasizes the perceived value of the products rather than solely considering production costs.

2. **Cost-Plus Pricing**: For non-conventional food retailers that offer artisanal or specialty products with higher production costs, a cost-plus pricing strategy may be utilized. Prices are set by adding a markup percentage to the cost of production, ensuring profitability while maintaining product quality and exclusivity.

3. **Subscription Pricing**: Some non-conventional food retailers, particularly those operating in the meal kit or subscription box market, employ subscription-based pricing models. Customers pay a fixed recurring fee to receive regular deliveries of curated food products, offering convenience and predictability in pricing.

4. **Tiered Pricing**: Non-conventional food retailers may offer tiered pricing options for different customer segments or product bundles. This strategy allows retailers to cater to various preferences and budgets while maximizing revenue potential.

5. **Pay-What-You-Want Pricing**: In certain non-conventional food retail settings, such as pop-up markets or community-supported agriculture (CSA) programs, pay-what-you-want pricing models may be used. Customers have the flexibility to pay whatever amount they deem appropriate for the products received, often based on perceived value or personal financial circumstances.

6. **Dynamic Pricing**: Non-conventional food retailers operating online or through e-commerce platforms may employ dynamic pricing algorithms to adjust prices in real-time based on demand, inventory levels, and other market factors. This strategy allows retailers to optimize pricing for maximum profitability and competitiveness in a dynamic marketplace.

In summary, while some pricing strategies may be common across both conventional and non-conventional food retailing, the specific approaches adopted are often tailored to the unique characteristics and objectives of each type of retail environment. Effective pricing strategies should consider factors such as target market preferences, product differentiation, competitive positioning, and overall business objectives.