

- By Victor Ndambuki

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RETAIL MANAGEMENT
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What?

- ▶ This is the process of promoting greater sales and customer satisfaction by gaining a better understanding of the consumers of goods and services produced by a company
- ▶ Is the activity of selling goods and services to fund consumers for their own use.

Types of retailers

- Departmental stores
- Supermarket
- Warehouse retailers
- Convenience retailers
- E-tailer
- Flea market
- Factory outlet

Multi brand

Single brand

Specialty category killers

Types on the basis of size

- ▶ Small scale retailers
- ▶ Large scale retailers

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Types on the basis of method

- ▶ 1. Store retailing
- ▶ 2. Non-store retailing

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Characteristics of a successful retailer

- ▶ Establishes its market position to serve the needs of a well defined group or groups of customers e.g. some specific advantages e.g. more focused product lines, opening longer hours.
- ▶ Retailer, supports its market positioning by pricing, display etc.
- ▶ Retailers manages store operations e.g. forecasting, customer services
- ▶ Retailer manages behind the scenes operations effectively
- ▶ Retailer maintain the business and community standing.

Types of business in retailing

- ▶ Sole proprietorship / partnership
- ▶ The private company
- ▶ The public company
- ▶ Co-operatives

Utilities provided by retailers(what does the retailer do?)

- ▶ Form utility
- ▶ Place utility
- ▶ Time utility
- ▶ Possession utility

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Functions of the retailer

- ▶ Assembling of seeds from different producers
- ▶ Storage – maintains ready stock for the right time
- ▶ Grading and packing – packs in smaller qualities (break bulk)
- ▶ Risk bearing
- ▶ Transportation
- ▶ Sales promotion – displays
- ▶ Information to farmers
- ▶ Information to companies.

Alternatives in considering the retail strategy mix

- | | | |
|--|---|------------------------------------|
| ▶ Low-end strategy | – | High –end strategy |
| ▶ Low rental location | | High rental location (CBD) |
| ▶ No extra service or charged – advice | | Services such as credit, delivery, |
| ▶ A fee if offered | | |
| ▶ Non elaborate fixture and display | – | Elaborate fixtures and displays |
| ▶ Price emphasis in promotion | – | Non price emphasis |
| ▶ Crowded s tore | – | Spacious s tore |
| ▶ Most merchandise visible | – | Most merchandise in backroom |

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Retail competition

- ▶ Need for complete competitive analysis during the business planning style
- ▶ Generate competitive intelligence
- ▶ A retailer cannot control what competitors do but can minimize their impact on its business.

Retail planning process

Deciding on the stories philosophy, mission and objectives



Situation analysis

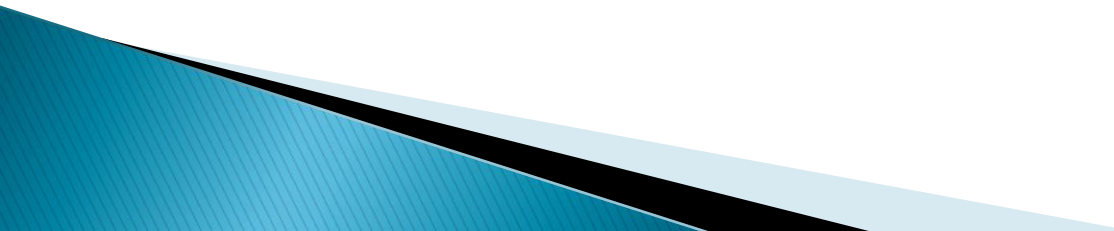


Formulation of retail strategy



Strategy implementation and control

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Ansoff's Matrix on Retail strategy

Market segment

| | | Existing | New |
|------------------------|----------|--|---|
| Retail format existing | Existing | Market penetration <ul style="list-style-type: none">- Increase basket size- Increase purchase frequency | Market development <ul style="list-style-type: none">- New customer bases |
| | New | Retail format development <ul style="list-style-type: none">- New format with existing customers | Diversification <ul style="list-style-type: none">- New retail format directed at new market |

Retail decisions

1. Location – where?
2. Design and layout
3. Category management
4. Retail branding
5. Retail pricing

Brick & Mortar Vs Dot.com

Electronic retailing (e-tailing)

- ▶ Sales of seeds through the internet
- ▶ Requires businesses to tailor traditional business models to the rapidly changing face of the internet and its users
 - Must consider
 - e-selling
 - e-promotion
 - e-branding

Disadvantages of e-retailing (challenges) in e-retailing

- ▶ After sales care difficult
- ▶ Lesser role for traditional high street retail expertise
- ▶ Complex logistics of fulfillment
- ▶ May lack know-how
- ▶ Substantial set-up investment and ongoing costs
- ▶ It is less powerful than face to face.

▶ **Category management**

- Is a retailing concept in which the range of products purchased by a business organization or sold by a retailer is broken down into groups of similar or related products. E.G
 - Maize seeds category
 - Legume seeds category
 - Flower seeds category etc

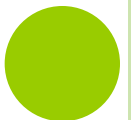
▶ **Merchandise planning+**

Seed Pricing Mechanisms

By

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WELCOME



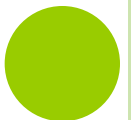
SEED PRICING

What ?

- Price creates sales revenue and is therefore important in determining the total value of the sales made.
- Price is determined by, say, what farmers perceive as the value of seed of a particular variety.
- It is important to understand how farmers value seed as well as how much money they are prepared to pay in relation to the benefit they expect to earn.

Different meanings of the price

- To the buyer – It's a cost used as a measure of value
- To the seller – It is revenue and is therefore critical
- To the government – It may mean popularity and votes, therefore governments may seek to control seed pricing.



Price and demand

- The manager responsible for pricing a product must know how much more will be sold if the price is lowered and conversely how much less will be sold if price is increased .
- There is obviously a limit to what the farmer will pay as well as a limit on demand however low the price is
- As prices increase, a point is reached where substitutes to **Bought seed**, such as **Farm saved seed**, may be used or the farmer may choose to plant a different crop.
- Demand can be estimated by:
 - Statistical Analysis
 - Price Experiments
 - Surveys



The cost

- The cost is a major feature in any discussion about the price.
- The costs of production must be properly recorded and analysed
- In marketing costs could be classified into production costs and marketing costs

Examples of seed production costs

- Procurement
- Processing and storage
- Quality control and certification

Examples of seed marketing costs

- market research
- Advertising and promotion
- Sales and distribution



Pricing policy

- The firm has to set price policies when a new product is launched or a new distribution channel is used.
- Decisions may have to be taken to change the price in response to competition and to the market situation.
- In the public sector prices are often based on an economic policy
- Ideally, however, even the public sector ought to price with costs and element of profits in perspective,

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Pricing objectives

Objectives in government seed pricing

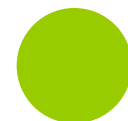
- To induce farmers to use certified seed of improved varieties in order to increase national production
- To provide adequate incentives to seed producers to supply seed in sufficient quantity to meet demand
- To encourage the development of private distribution channels
- To implement government agro-economic policies.



Objectives in private sector seed pricing

1. Profit maximization
2. Price competition
3. Return on Investment (ROI)
4. Survival

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Pricing strategies

- Once objectives are set, the pricing strategies must be considered.

1) Low price strategy

- Low price strategies are used where consumers respond very positively to small downward changes in price, but a company may not always gain from setting low prices.
- Firm must consider;
 - quality associations
 - Price sensitivity of the product
 - State of supply



2) Market price strategy

- This is prevalent where a few large companies dominate supply
- The role of price tends to be neutral

3) High price strategy

- The company will have identified a market segment for a high quality, value added products such as graded and treated seed.
- A high price may reflect the exclusive image or added value of the product.

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Price determination

- The important influences are;
 - Cost
 - Demand
 - Prices of competitor's products
 - Sales targets

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1) **Cost-plus pricing**

- This method involves calculating the chief cost of a product and adding the appropriate profit margin to give a base which may be altered in relation to the prevailing market conditions.
- This approach tends to ignore developments in the market
- A rigid application of cost-plus pricing may lead to price increases when demand is weak and vice versa.



2. Contribution pricing

- It is a form of cost-plus pricing which involves separating the different products that make up the product portfolio and allocating to them the direct costs associated with their production.
- The price is set at a level which will generate revenues in excess of these
- costs thereby contributing towards business overheads.
- Individual products can be analysed in terms of their ability to cover their direct costs and contribute to overheads.



3) Competitive pricing

- The nature and extent of competition from similar products influences the price
- Consider the pricing options under
 - Direct competition
 - Indirect competition



4) **Short – term pricing techniques**

- Pricing can be a useful tool for pursuing short-term marketing and sales targets.
- When a new variety is launched higher prices can be set providing an opportunity of earning higher returns from those farmers willing to pay the higher prices before seed becomes more widely available.
- Lower prices may be linked to promotional activities or stimulating interest in existing varieties or for stock clearance



Price – Adjustment strategies

1) Discount and allowance pricing

- Adjusting prices to accommodate discounts e.g.
 - seasonal discounts
 - Cash Discounts
 - Quantity discounts.

2) Psychological pricing

- Adjusting prices for psychological effect especially where price is seen as an indicator of quality.



3) **Geographical pricing**

- Adjusting the price to take into account the geographical location of customers e.g. zone pricing and basing point pricing.

4) **Discrimination pricing**

- When Different customers play different prices for the same product

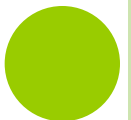
Price discrimination can be on the basis of :

- The customer
- Season
- Channel



5) Captive pricing

- Used for products produced by the same producer and which must be paid together.
- Generally the accompanied products is priced low because it is a one time purchase
- Captive products experience repetitive purchase and are hence priced higher.



WHY WOULD A SEED MARKETING COMPANY
INCREASE THE COSTS OF ITS SEEDS?

SEEDS - DOWN



DUE TO :

- COST INFLATION
- ANTICIPATORY PRICING
- TO MANAGE OVER DEMAND

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