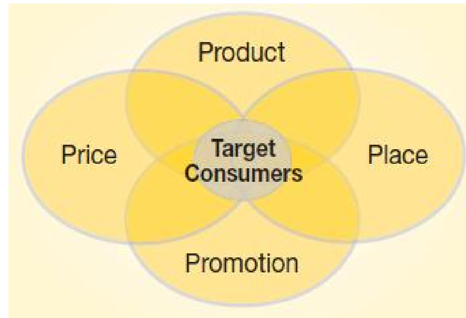
THE TIMES 100
BUSINESS CASE STUDIES

Price - JD

JD (part of the JD Sports Fashion PLC Group of companies), a large and well-known retailer, manages the balance of its marketing mix around its consumersô needs in order to achieve business growth. The marketing mix is often termed the 4Ps. It is a useful way of looking at how organisations reach their consumers. For example, businesses need to create a mix that involves:



Åthe right *products*
Åsold in the right *place*
Åat the right *price*
Åusing the most suitable forms of *promotion*.

As a B2C (business to consumer) organisation, the performance of JD the fascia depends on how desirable its brands are to consumers. By providing exactly what the consumers want JD can outperform its competitors. It also helps it to remain buoyant in a challenging **business environment**. JD has continued to grow despite the fact that levels of unemployment are increasing and many consumers now have reduced **disposable income**. The demand for non-essential goods, such as branded clothing, would normally decrease as incomes fall.

The price charged for a product will depend on a number of factors: the cost to make it, the level of profit required, competitor prices and the price consumers are willing to pay. The demand for necessities, such as bread and fuel, is unlikely to change much as prices fluctuate. The demand for sportswear and casual clothing, however, is more likely to be price sensitive. Getting the price right is a key part of an organisationôs marketing strategy. This is because it is the price that directly generates income, allows debts to be paid, re-investment to occur in the business infrastructure and profits to be made. Businesses need to ensure that the price charged is perceived by consumers as value for money in relation to the quality of goods and services.

There are different pricing strategies which can be adopted to generate demand.
• ***Market penetration*** ï introducing a new product at a lower price to help gain market share.

Å***Competitive pricing*** ï often used for well-known products or brands that are in high demand. Prices are similar to competitors. To be competitive, JD must ensure it doesnôt charge higher prices for the same goods (or similar) than other sports and fashion retailers.
Å***Strategic pricing*** ï This might be used to position an exclusive product or brand to make it more desirable for consumers and generate demand or demonstrate value.

By buying in large volumes, the companyôs unit costs are lower. For example, discounts achieved by bulk purchases of trainers means the cost for each pair is lower than that paid by smaller retailers. This ensures JD remains competitive.

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Questions

1. Price is only one element of the marketing mix. What are the other three?

2. Describe why price is a key part of a businessômarketing strategy.

3. Explain why bulk buying allows JD to remain competitive.

4. Analyse the three pricing strategies that JD uses.

Task

Research ï use the JD website to find examples of where different pricing strategies are used. Look for examples of pricing strategies other than in question 4, such as psychological pricing and promotional pricing. Explain why, in each case, you believe that pricing strategy is being used.

What have you learned?

Plenary pyramid - draw a triangle and add the following:

- Three things you knew but now know better (bottom third)
- Two things you have learned today (middle third)
- One thing you would like to find more about (top third)