
Professional Certificate in Fashion Buying and Merchandising

Retail Pricing and Margin Strategies

Absolute Pricing is a retail pricing strategy that involves setting prices based on the product's characteristics, such as quality, features, and target audience, without considering the prices of similar products in the market. This strategy is often used for unique or innovative products. Related terms include value-based pricing and cost-plus pricing. Absolute pricing can be effective when the product has a unique selling proposition, but it can be challenging to determine the optimal price.

Activity-Based Costing is a method of assigning costs to products or services based on the activities involved in producing and delivering them. In the context of retail pricing and margin strategies, activity-based costing can help retailers to identify areas where costs can be reduced or optimized, leading to improved profitability. Related terms include cost accounting and management accounting. Activity-based costing can be complex to implement, but it can provide detailed insights into the cost structure of a business.

Aspirational Pricing is a retail pricing strategy that involves setting prices based on the target audience's aspiration level, such as luxury or premium. This strategy is often used for high-end products or services. Related terms include value-based pricing and price positioning. Aspirational pricing can be effective when the product or service has a strong brand image, but it can be challenging to maintain the perceived value.

Average Inventory is the average value of inventory held by a retailer over a specific period. In the context of retail pricing and margin strategies, average inventory can be used to calculate the inventory turnover ratio, which can help retailers to optimize their inventory management and pricing strategies. Related terms include inventory management and supply chain management. Average inventory can be affected by factors such as seasonality and demand fluctuations.

Break-Even Analysis is a method of calculating the point at which a retailer's revenue equals its total fixed and variable costs. In the context of retail pricing and margin strategies, break-even analysis can help retailers to determine the optimal price for a product or service, taking into account the costs and revenue projections. Related terms include cost accounting and financial analysis. Break-even analysis can be useful for new product launches or business expansion plans.

Bundle Pricing is a retail pricing strategy that involves offering multiple products or services together at a discounted price. This strategy is often used to increase sales volume and revenue. Related terms include value-based pricing and price bundling. Bundle pricing can be effective when the products or services are complementary, but it can be challenging to determine the optimal bundle composition and price.

Cash Conversion Cycle is the time it takes for a retailer to convert its inventory into cash, including the time to sell the inventory, collect accounts receivable, and pay accounts payable. In the context of retail pricing and margin strategies, cash conversion cycle can be used to evaluate a retailer's liquidity and working capital management. Related terms include inventory management and cash flow management. Cash

conversion cycle can be affected by factors such as payment terms and inventory turnover.

Channel Pricing is a retail pricing strategy that involves setting different prices for the same product or service across different distribution channels, such as online, offline, or wholesale. This strategy is often used to optimize pricing for different customer segments or markets. Related terms include price discrimination and channel management. Channel pricing can be effective when the channels have different cost structures or target audiences, but it can be challenging to maintain price consistency across channels.

Comparison Pricing is a retail pricing strategy that involves setting prices based on the prices of similar products or services offered by competitors. This strategy is often used to maintain price competitiveness and market share. Related terms include market-based pricing and price competition. Comparison pricing can be effective when the market is highly competitive, but it can be challenging to determine the optimal price point.

Cost Leadership is a retail strategy that involves achieving low costs and prices through efficient operations, supply chain management, and economies of scale. This strategy is often used to gain market share and increase revenue. Related terms include cost reduction and operational efficiency. Cost leadership can be effective when the market is highly competitive, but it can be challenging to maintain low costs while investing in quality and innovation.

Cost-Plus Pricing is a retail pricing strategy that involves setting prices based on the product's cost plus a markup. This strategy is often used for products or services with high production costs or limited competition. Related terms include cost accounting and markup pricing. Cost-plus pricing can be effective when the product or service has a unique selling proposition, but it can be challenging to determine the optimal markup.

Customer Lifetime Value is the total value of a customer to a retailer over their lifetime, including repeat purchases and referrals. In the context of retail pricing and margin strategies, customer lifetime value can be used to evaluate the effectiveness of pricing strategies and customer retention programs. Related terms include customer relationship management and loyalty programs. Customer lifetime value can be affected by factors such as customer satisfaction and loyalty.

Customer Segmentation is the process of dividing a retailer's customer base into distinct groups based on demographics, behavior, or preferences. In the context of retail pricing and margin strategies, customer segmentation can be used to develop targeted pricing strategies and marketing campaigns. Related terms include target marketing and customer profiling. Customer segmentation can be effective when the customer base is diverse, but it can be challenging to maintain segment consistency and relevance.

Data-Driven Pricing is a retail pricing strategy that involves using data and analytics to determine optimal prices for products or services. This strategy is often used to optimize pricing in real-time and improve revenue and profitability. Related terms include price optimization and data analytics. Data-driven pricing can be effective when the market is highly dynamic, but it can be challenging to collect and analyze relevant data.

Dynamic Pricing is a retail pricing strategy that involves adjusting prices in real-time based on market

demand, competition, and other factors. This strategy is often used to optimize pricing and revenue in response to changing market conditions. Related terms include price optimization and yield management. Dynamic pricing can be effective when the market is highly volatile, but it can be challenging to maintain price consistency and fairness.

Elasticity of Demand is the measure of how responsive the demand for a product or service is to changes in price. In the context of retail pricing and margin strategies, elasticity of demand can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include demand analysis and price sensitivity. Elasticity of demand can be affected by factors such as product substitutability and customer loyalty.

Floor Pricing is a retail pricing strategy that involves setting a minimum price for a product or service, below which the retailer is not willing to sell. This strategy is often used to maintain profit margins and avoid price wars. Related terms include price floor and minimum price. Floor pricing can be effective when the market is highly competitive, but it can be challenging to determine the optimal floor price.

Gross Margin is the difference between a retailer's revenue and the cost of goods sold, expressed as a percentage of revenue. In the context of retail pricing and margin strategies, gross margin can be used to evaluate the profitability of products or services and optimize pricing strategies. Related terms include gross profit and margin analysis. Gross margin can be affected by factors such as product mix and pricing strategy.

High-Low Pricing is a retail pricing strategy that involves setting high prices for products or services and then offering discounts or promotions to create the perception of value. This strategy is often used to increase revenue and profitability. Related terms include price anchoring and discount pricing. High-low pricing can be effective when the market is highly competitive, but it can be challenging to maintain price consistency and credibility.

Inventory Turnover is the number of times a retailer sells and replaces its inventory within a given period. In the context of retail pricing and margin strategies, inventory turnover can be used to evaluate the effectiveness of inventory management and pricing strategies. Related terms include inventory management and supply chain management. Inventory turnover can be affected by factors such as product demand and lead times.

Keystone Pricing is a retail pricing strategy that involves setting prices at a consistent markup, usually 100%, above the cost of goods sold. This strategy is often used to simplify pricing and maintain profit margins. Related terms include cost-plus pricing and markup pricing. Keystone pricing can be effective when the market is stable, but it can be challenging to maintain the optimal markup.

Loss Leader Pricing is a retail pricing strategy that involves setting low prices for certain products or services to attract customers and drive sales of other products or services. This strategy is often used to increase revenue and market share. Related terms include price leadership and traffic building. Loss leader pricing can be effective when the market is highly competitive, but it can be challenging to maintain profitability and avoid price wars.

Market-Based Pricing is a retail pricing strategy that involves setting prices based on the prices of similar products or services in the market. This strategy is often used to maintain price competitiveness and market share. Related terms include price competition and market research. Market-based pricing can be effective when the market is highly competitive, but it can be challenging to determine the optimal price point.

Markdown Pricing is a retail pricing strategy that involves reducing prices for products or services to clear inventory, increase sales, or create a sense of urgency. This strategy is often used to optimize pricing and revenue in response to changing market conditions. Related terms include price reduction and clearance sales. Markdown pricing can be effective when the market is highly dynamic, but it can be challenging to maintain price consistency and credibility.

Margin Analysis is the process of evaluating the profitability of products or services by analyzing the difference between revenue and cost. In the context of retail pricing and margin strategies, margin analysis can be used to optimize pricing strategies and improve revenue and profitability. Related terms include gross margin and contribution margin. Margin analysis can be affected by factors such as product mix and pricing strategy.

Markup Pricing is a retail pricing strategy that involves setting prices based on a markup above the cost of goods sold. This strategy is often used to simplify pricing and maintain profit margins. Related terms include cost-plus pricing and keystone pricing. Markup pricing can be effective when the market is stable, but it can be challenging to maintain the optimal markup.

Minimum Advertised Price is the minimum price at which a retailer is allowed to advertise a product or service, as specified by the manufacturer or supplier. In the context of retail pricing and margin strategies, minimum advertised price can be used to maintain price consistency and avoid price wars. Related terms include price floor and manufacturer pricing. Minimum advertised price can be affected by factors such as product distribution and marketing strategies.

Open-to-Buy is the amount of inventory that a retailer is allowed to purchase within a given period, based on sales projections and inventory levels. In the context of retail pricing and margin strategies, open-to-buy can be used to optimize inventory management and pricing strategies. Related terms include inventory management and supply chain management. Open-to-buy can be affected by factors such as product demand and lead times.

Penetration Pricing is a retail pricing strategy that involves setting low prices for new products or services to quickly gain market share and drive sales. This strategy is often used to increase revenue and market share. Related terms include price leadership and market entry. Penetration pricing can be effective when the market is highly competitive, but it can be challenging to maintain profitability and avoid price wars.

Price Anchoring is a retail pricing strategy that involves setting high prices for products or services to create the perception of value and make subsequent prices appear more reasonable. This strategy is often used to increase revenue and profitability. Related terms include high-low pricing and price framing. Price anchoring can be effective when the market is highly competitive, but it can be challenging to maintain price consistency and credibility.

Price Discrimination is a retail pricing strategy that involves setting different prices for the same product or service based on customer characteristics, such as demographics or behavior. This strategy is often used to optimize pricing and revenue in response to changing market conditions. Related terms include price segmentation and customer profiling. Price discrimination can be effective when the customer base is diverse, but it can be challenging to maintain price consistency and fairness.

Price Elasticity is the measure of how responsive the demand for a product or service is to changes in price. In the context of retail pricing and margin strategies, price elasticity can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include demand analysis and price sensitivity. Price elasticity can be affected by factors such as product substitutability and customer loyalty.

Price Floor is the minimum price at which a retailer is willing to sell a product or service. In the context of retail pricing and margin strategies, price floor can be used to maintain profit margins and avoid price wars. Related terms include floor pricing and minimum price. Price floor can be affected by factors such as product costs and market conditions.

Price Leadership is a retail pricing strategy that involves setting prices for products or services to influence the prices of other retailers in the market. This strategy is often used to maintain price competitiveness and market share. Related terms include price competition and market research. Price leadership can be effective when the market is highly competitive, but it can be challenging to maintain price consistency and credibility.

Price Optimization is the process of analyzing and adjusting prices to maximize revenue and profitability. In the context of retail pricing and margin strategies, price optimization can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include price analysis and revenue management. Price optimization can be affected by factors such as product demand and market conditions.

Price Positioning is the process of setting prices to create a specific image or perception of a product or service in the minds of customers. In the context of retail pricing and margin strategies, price positioning can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include price image and brand positioning. Price positioning can be affected by factors such as product quality and customer expectations.

Price Skimming is a retail pricing strategy that involves setting high prices for new products or services to maximize revenue and profitability. This strategy is often used to increase revenue and market share. Related terms include price leadership and market entry. Price skimming can be effective when the market is highly competitive, but it can be challenging to maintain profitability and avoid price wars.

Private Label Pricing is a retail pricing strategy that involves setting prices for private label products or services, which are manufactured or provided by the retailer. This strategy is often used to increase revenue and profitability. Related terms include private label and store brand. Private label pricing can be effective when the market is highly competitive, but it can be challenging to maintain price consistency and

credibility.

Product Life Cycle is the stages of development, growth, maturity, and decline that a product or service goes through. In the context of retail pricing and margin strategies, product life cycle can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include product development and life cycle management. Product life cycle can be affected by factors such as product innovation and market conditions.

Psychological Pricing is a retail pricing strategy that involves setting prices based on the psychological effects of prices on customers, such as charm prices or price anchoring. This strategy is often used to increase revenue and profitability. Related terms include price perception and customer psychology. Psychological pricing can be effective when the market is highly competitive, but it can be challenging to maintain price consistency and credibility.

Revenue Management is the process of analyzing and optimizing pricing and inventory strategies to maximize revenue and profitability. In the context of retail pricing and margin strategies, revenue management can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include price optimization and inventory management. Revenue management can be affected by factors such as product demand and market conditions.

Segmented Pricing is a retail pricing strategy that involves setting different prices for the same product or service based on customer segments, such as demographics or behavior. This strategy is often used to optimize pricing and revenue in response to changing market conditions. Related terms include price discrimination and customer profiling. Segmented pricing can be effective when the customer base is diverse, but it can be challenging to maintain price consistency and fairness.

Shrinkage is the reduction in inventory due to theft, damage, or other factors. In the context of retail pricing and margin strategies, shrinkage can be used to evaluate the effectiveness of inventory management and pricing strategies. Related terms include inventory management and loss prevention. Shrinkage can be affected by factors such as product handling and store operations.

Supply Chain Management is the process of managing the flow of goods, services, and information from raw materials to end customers. In the context of retail pricing and margin strategies, supply chain management can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include inventory management and logistics management. Supply chain management can be affected by factors such as product demand and lead times.

Target Pricing is a retail pricing strategy that involves setting prices based on the target audience's willingness to pay, such as value-based pricing. This strategy is often used to increase revenue and profitability. Related terms include value-based pricing and customer segmentation. Target pricing can be effective when the market is highly competitive, but it can be challenging to determine the optimal price point.

Value-Based Pricing is a retail pricing strategy that involves setting prices based on the perceived value of a product or service to the customer, such as quality, features, or benefits. This strategy is often used to

increase revenue and profitability. Related terms include target pricing and customer segmentation. Value-based pricing can be effective when the market is highly competitive, but it can be challenging to determine the optimal price point.

Variable Costs are the costs that vary with the level of production or sales, such as labor, materials, or marketing expenses. In the context of retail pricing and margin strategies, variable costs can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include cost accounting and break-even analysis. Variable costs can be affected by factors such as product demand and production levels.

Yield Management is the process of analyzing and optimizing pricing and inventory strategies to maximize revenue and profitability. In the context of retail pricing and margin strategies, yield management can be used to evaluate the effectiveness of pricing strategies and predict revenue and profitability. Related terms include price optimization and revenue management. Yield management can be affected by factors such as product demand and market conditions.