Semester – II

19BAU211 MANAGERIAL ECONOMICS (PRACTICAL) 2H – 1C

Instruction Hours / week: L: 0 T: 0 P : 2 **Marks: Internal: 40 External: 60 Total: 100**

End Semester Exam: 3 Hours

COURSE OBJECTIVES:

To make the students

1. To understand the concept of the micro and macroeconomic concepts and its application in business
2. To analyse the case studies and try to apply the theoretical learning into lifelong practice.
3. To Critically evaluate the appropriate alternatives and draw a solution.
4. To Communicate in oral and written form and prepare report
5. To Work in team and exhibit leadership skills

COURSE OUTCOMES:

Learners should be able to

1. Understand the concept of the micro and macroeconomic concepts and its application in business
2. Analyse the case studies and try to apply the theoretical learning into lifelong practice.
3. Critically evaluate the appropriate alternatives and draw a solution.
4. Communicate in oral and written form and prepare report
5. Work in team and exhibit leadership skills

1. Select a product and study on the impact of demand and supply on price of the product in the market
2. Analyse the Case Study on Producer’s Behaviour and Supply:
3. Analyse the Case Study on Cost and Revenue Function: Cost of Production
4. Analyse the Case Study on Price Determination
5. Analyse the Case Study on Product Differentiation
6. **S**elect the Macro Economic Factors and analyse the performance of Inflation / National Income (five years data. Analyse using graphs and interpret)
7. Analyse the Case study on Business Cycle
8. **S**elect the Macro Economic Factors and analyse the performance of BOP / interest rate / current account. Capital account
9. Analyse and review the Indian budget of last two years
10. Write a review report on the Economic survey report of the current year.

SUGGESTED READINGS:

1. Geetika and Piyali Ghosh (2017), Managerial Economics, 3rd edition , McGraw Hill Education, New Delhi.
2. H. L. Ahuja, (2017), Managerial Economics, 9th edition, S Chand Publishing, New Delhi
3. Christopher R.Thomas and S.Charles Maurice, Managerial Economics : foundation of business analysis and strategy, 10th edition, McGraw Hill Education, New Delhi.
4. D.N. Dwivedi (2017), Macroeconomics: Theory and Practice, 4th edition, McGraw Hill Education, New Delhi
5. D.N. Dwivedi (2016), Microeconomics, 4th edition, McGraw Hill Education, New Delhi

Uber[c]

Founded in 2009 by Travis Kalanick, Uber provides transportation service in U.S., European, and Asian cities. In the year 2014, its gross revenues were $2.957 billion, net revenue after commissions and incentives, $495 million, cost of revenue, $400 million, operating expenses, $661 million, for EBIT of -$565 million.

The original Uber model of operations was for the driver to use her/his own vehicle and offer services as and when they liked. The Uber webpage to drivers emphasizes, "Drive your own car using the Uber Partner app to find riders in your area. Set your own schedule. Get paid weekly." More recently, Uber has arranged for drivers to rent cars so as to provide Uber services.

Uber clients book and pay for rides through the smartphone. After each ride, the Uber client rates the driver on a scale from 1 to 5. If a driver's rating falls below a particular level, Uber discontinues her/him from offering the service. Uber also allows drivers to rate clients.

In January 2015, Uber extended fare cuts from the largest U.S. markets to 48 more cities. Uber asserted that the lower fares would benefit clients and drivers: "with the increased demand, drivers' income goes up as well. More demand turns into significantly more efficiency for the driver, more trips for every hour, and more earnings for every hour on the road".

By contrast with Uber, whose drivers provide service with private cars, the Chinese services, Didi Dache (backed by Tencent) and Kuai Di Dache (backed by Alibaba) are smartphone-based applications to book taxis. In 2015, faced with competition from Uber (backed by search engine Baidu), Didi Dache and Kuai Di Dache merged. Following the merger, they continue to operate as separate services.

- (a) What economic inefficiencies does the original Uber operating model exploit? How does your answer change for drivers who rent cars to provide Uber services? Compare the economic inefficiencies addressed by Uber vis-à-vis Didi Dache.
- (b) What economic concept relates a cut in prices to an increase in demand? Explain how to use this concept to calculate the change in revenue from a 1% cut in prices. In Chicago, the reduction of fares by 23% led to 12% increase in revenue. What do these data imply about the concept in (b)?
- (c) On a figure with dollars per hour on the vertical axis and hours of labor supplied on the horizontal axis, please sketch the driver's marginal benefit from providing labor. Note: If the driver supplies more hours, she raises the probability of getting work, but at a diminishing rate.
  - (i) Explain how a reduction in the fare affects the marginal benefit from providing labor. Consider both the direct effect of the fare and the indirect effect (lower fare attracts more customers and raises the probability that the driver gets work).
  - (ii) From a driver's viewpoint, what is the optimal quantity of labor to supply?

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[c] May 2016. This case study is based in part on: Uber, Blog, January 8, 2015; The Information, "Uber's Losses Grow, But So Do Its Profit Projections", January 11, 2016; Uber.com, https://www.uber.com/driver-jobs [Accessed, May 14, 2016]; Business Insider, "Uber's internal charts show how its driver-rating system actually works", February 11, 2015.

(iii) Intuitively, does an increase in earnings necessarily make drivers better off?

The Petroleum Market: 1970-2001

Revised: August 28, 2002

The world oil market has been through tremendous changes in the past thirty years. These changes have affected the structure of the market and led to significant fluctuations in price and output (cf Exhibits 1 and 2). But why have oil prices been so much more volatile than prices of most other goods?

Power in the World Oil Market

Prior to 1970, world oil prices were set through negotiations among major private sector companies, including Standard Oil of New Jersey (Exxon), Standard Oil of California, the Texas Company, and Royal Dutch Shell. In the early 1970s, however, supply and pricing power were gradually transferred from private companies to the governments of major oil producing countries.

The Organization of Petroluem Exporting Countries (OPEC) was born in 1960 with member countries Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. Qatar, Indonesia, Libya, the United Arab Emirates, and Algeria joined in the ensuing decade. In October of 1970, Libya became the first OPEC member to independently increase its posted price and tax rate on oil produced by private companies. By tradition, prices were posted in US dollars. Iran and Kuwait followed Libya in November of the same year. By December, OPEC countries had all established a minimum 55 percent oil tax rate for private oil companies. In January 1971, six OPEC governments and twenty-two major oil companies gathered in Teheran. The oil companies agreed to accept the 55% oil production tax, which led to an immediate increase in world prices. Meanwhile, Algeria, Libya, Iraq, and Kuwait nationalized the majority of western oil assets during the period of 1971 through 1974.

1973 and Its Aftermath

1973 was a turning point in the petroleum market. In April, OPEC countries agreed to increase posted oil prices by 5.7% to counter a decline in the value of the dollar. In October, the Yom Kippur War in October 1973 triggered the first major oil production cut by the OPEC countries. In response to the war, OPEC countries agreed to an oil embargo against the United States, the Netherlands, Portugal, Rhodesia, and South Africa. In November, they announced a 25% cut in production. Crude prices increased sharply from $5.12 to $11.65 a barrel.

In the first half of 1974, OPEC countries lifted the oil embargo and export restrictions against the United States and the Netherlands. At the same time, Iraq announced intentions to increase its production capacity to 3.5 million barrels per day by 1975 and to 6 million barrels per day by 1976. Nevertheless, expansion of the US and other economies supported a price in the $15/barrel range.

1978 to 1990

Political developments from 1978 to 1980 led to a second drop in oil supply, which drove the price above $30. In 1978, Iranian students increased their protests against the government of Shah Reza Pahlavi. The government responded by arresting a number of opposition leaders. The climate of political unrest led to the departure of foreign oil production workers. Iranian oil production dropped from 1.5 million to 500 thousand barrels per day. In January of 1979, the government was forced to resign and Ayatollah Khomeini was declared the country's new leader. Meanwhile, Saudi Arabia announced a significant cut in oil production with a ceiling of 9.5 million barrels per day. The drastic production cuts led to massive shortages in oil importing countries, including the United States. In November 1979, some Iranian citizens took over the American embassy in Tehran, holding its inhabitants hostage. In response, the US cancelled all Iranian imports. Iran followed with the cancellation of all contracts with the US oil companies. By the end of 1979, the world crude oil price reached $24 per barrel.

Oil-related turmoil continued in 1980. In September, war between Iraq and Iran erupted over the Shatt al Arab waterway. The conflict led to the bombing and destruction of several oil production facilities in both countries. By the end of 1980, the world price of crude reached $32 per barrel.

Curiously, by the mid-1980s, the price had fallen to $11 per barrel. Since inflation had increased prices by at least a factor of two since 1973, this effectively returned oil prices to their pre-1973 levels. Analysts cited the increased use of alternative energy resources and greater efforts at conservation.

Invasion of Kuwait

In August 1990, Iraqi troops occupied Kuwait. The invasion created a decline of 4 million barrels per day in world's oil production. Crude oil prices surged to $32 per barrel. Coinciding with the start of allied military action against Iraq in January of 1991, the US initiated a direct withdrawal of 33.75 million barrels from the country's Strategic Petroleum Reserve. The withdrawal compensated losses in production due to the destruction of oil facilities in Kuwait. By March of 1991, the surplus of unsold oil held by oil producers exceeded 80 million barrels. As a result, OPEC countries announced a production cut to 22.3 million barrels per day. Kuwait resumed oil production in January 1992 with 400 thousand barrels per day. An oil embargo was imposed on Iraq's oil exports.

1998-2000

The period from 1998 to 2000 witnessed a wide range of political, economic, and environmental events directly relevant to the world oil market. As a result of the 1998 Asian financial crisis, oil consumption in Japan, Korea, Thailand, and Indonesia dropped by approximately 0.5 million barrels per day. Moreover, South Korea's oil refineries cut operations to approximately 80% of capacity.

During the same period, oil production was affected by a number of events. In 1998, the United Nations approved a resolution allowing Iraq to increase oil exports as part of the humanitarian oil-for-food program. Iraq's export capacity increased from 1.6 million barrels per day to 1.9 million barrels per day. Other OPEC countries, however, reduced their production twice in 1998: by 1.245 million barrels per day in March and by another 1.355 million barrels per day in June. Significant non-OPEC oil producers, including Russia, Oman, and Mexico, also agreed to cut production by a total of 0.5 million barrels per day. These reductions continued into 1999. In March, OPEC members agreed to a further cut of 1.716 million barrels per day and non-OPEC oil producers pledged to cut their oil production by 388 thousand barrels per day. Meanwhile, a booming US economy increased its use of oil and other sources of energy.

September 11

A combination of a recession in economic activity and a sharp drop in oil needs following the tragic events of September 11, 2001, led to some softening in oil markets. In response, OPEC members agreed in December to reduce oil production by 1.5 million barrels per day for a period of six months. Following the OPEC decision, Russia and Norway pledged to cut oil production by 150 thousand barrels per day each. Mexico also announced an export cut of 100 thousand barrels per day.

Questions for Analysis

Explain how each of the events described above affected the world market for oil, as summarized by Exhibits 1 and 2. Specifically, use a supply and demand diagram to explain:
(a) Why the price of oil rose sharply in 1973, 1979, and 1990.
(b) Why the price fell between 1980 and 1982, and again between 1982 and 1985.

Additional Information Sources

Additional information is available at:

- OPEC: http://www.opec.org
- US Energy Information Administration: http://www.eia.doe.gov/emeu/cabs/chron.html
- David Rousseau's political overview (he's a political scientist at Penn): http://www.ssc.upenn.edu/polisci/psci260/OPECweb/OPECHIST.HTM
- WTRG's price charts: http://www.wtrg.com/prices.htm

Notes

Written by Dmitri E. Ponomarev under the supervision of David Backus and Luís Cabral, this case was prepared for the purpose of class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Exhibit 1
World Oil Prices (Monthly Averages), 1970-2001

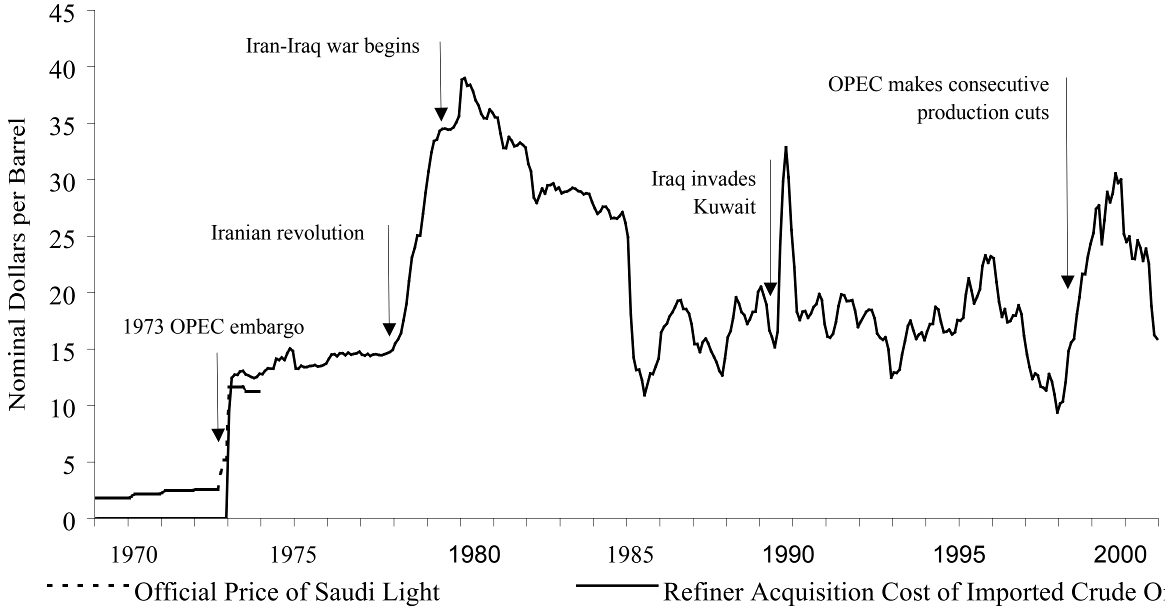
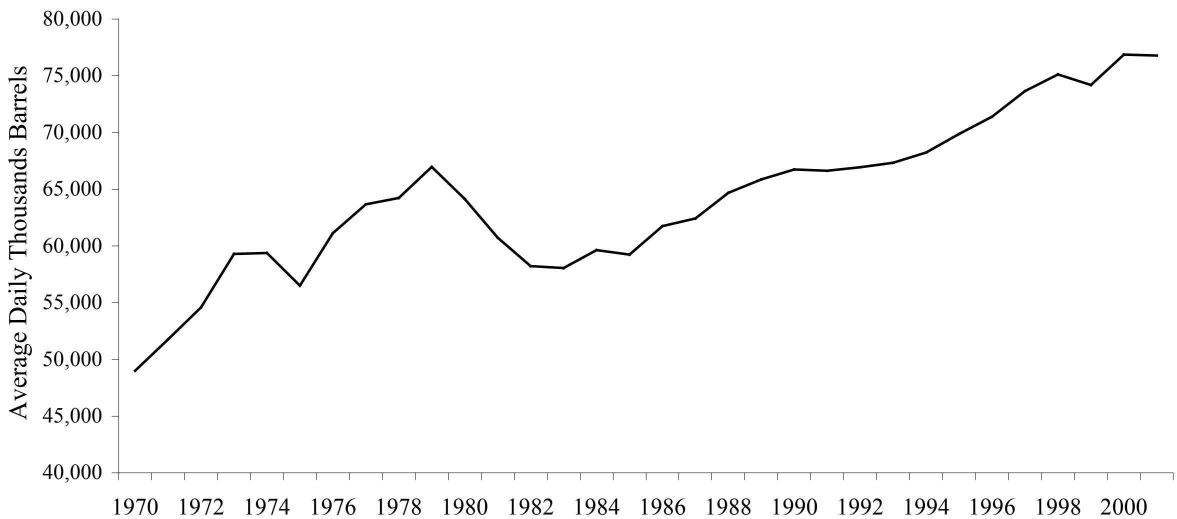


Exhibit 2
World Oil Average Daily Supply, 1973-2001



Source: Energy Information Administration, www.eia.doe.gov.

Fukui: Eye-Glass Prefecture[(c)]

Fukui Prefecture is situated on the northwest coast of Japan, over 400 kilometers west of Tokyo. In 2014, over 95 percent of Japanese-produced eye-glass frames were made in Fukui Prefecture, principally in the cities of Fukui and Sabae. In the early 20th century, the Fukui economy was dominated by agriculture. Taking advantage of the seasonal lull in employment during the winter months, Mr Masunaga Gozaemon and his brother Kohachi started a business in the village of Shono to manufacture celluloid eye-glass frames.

Initially, the quality of Fukui-made eyeglasses was low. To raise standards, Mr Gozaemon established a guild like system in which full-fledged craftsmen could set up their own businesses. Production took off during World War I, and by 1937, the Fukui industry comprised 70 factories employing 800 workers, and producing 1.5 million pairs of eyeglasses a year.

In the 1980s, Fukui manufacturers perfected the production of titanium frames. These are light and sturdy, and cause fewer allergies than conventional metals, but require considerable skill to make. The strong tradition of craftsmanship in Fukui enabled the production of titanium frames.

Mr Shoji Gozaemon, great grandson of the pioneer, Masunaga Gozaemon, emphasized, "One of the characteristics of Japanese craftsmanship is a kind of redundancy of detail. There is a tendency to pay careful attention to the minutest details. The spirit of Japanese craftsmanship often involves spending more time and effort over producing something than is strictly necessary" (Nippon.com 2012).

Besides manufacturers of eye-glass frames, the Fukui industry also includes manufacturers and suppliers of lenses, sunglasses, reading glasses, parts, materials such as titanium wire and preformin, and machines and tools.

With the entry of low-cost Chinese manufacturers into the market, the manufacturing of eye-glasses in Fukui prefecture peaked in 1992. Within twenty years, by 2012, 40 percent of Fukui eye-glass manufacturers had gone out of business, and employment and production dropped by one-third. Another challenge is demographic. Japan is a rapidly ageing society. In just eight years between 2011-17, the working population of Sabae fell by 11 percent to 30,000.

One possible response is automation. Fund manager, Howard Smith, asserts that "with chronic depopulation challenges in rural areas, most companies must adapt or die. That involves planning for succession and investing heavily in automation" (Financial Times, 2018).

 This case is based in part on "Sabae, Fukui: A Town with an Eye for Design", Nippon.com, 24 April 2012, "Luxottica Group Invests in 'made in Japan'", Press Release, Luxottica Group, 6 March 2018, and "Made in Japan: can handcrafted glasses survive an automated world?" Financial Times, 4 April 2018.

Mr Ryozo Takeuchi is chairman of Takeuchi Optical, founded in 1932 and presently employing 80 persons. Mr Takeuchi is also president of the Fukui Optical Association. He describes automation as a buzz-word, and maintains that metal frames must be finished by hand. In his factory, titanium frames pass through the hands of ten different workers and are then polished for 72 hours in a bath of pulverized walnut shells.

Another response has been to shift away from the previous OEM (original equipment manufacturing) model, in which Fukui produced eye-glasses and parts for international brands such as Prada and Dior. In 1996, Fukui manufacturer Boston Club launched its own brand, Japonism, and followed up in 2002, by opening a retail store in the fashionable Minami-Aoyama district of Tokyo.

Chief designer of Boston Club, Kasashima Hironobu, remarked, "Traveling to international fairs overseas … brought home to me that constantly emphasizing the technical know-how we have built up over the years is not enough to make us internationally competitive. ... We need to promote the worldview expressed by our brand and appeal to the consumer by emphasizing the values that lie behind it" (Nippon.com 2012).

Boston Club's previous strategy had been to design products that could only be made with Japanese technology. Turning design convention on its head, Boston Club decided to emphasize durability – to produce eyeglasses which could be used for life. It developed the new Rudder Hinge which can be detached and replaced when necessary. With replaceable parts, the frames can be used almost indefinitely.

In 2003, over 20 Sabae manufacturers joined to develop an industry brand, "291." In 2008, they opened Glass Gallery 291, a retail outlet in the Aoyama district of Tokyo and then another outlet in the Megane Museum at Sabae. In 2017, Masunaga Optical, the company founded by pioneer Masunaga Gozaemon, employed 173 workers at its factory, and operated retail stores in Tokyo, Osaka, Nagoya, and Nara.

However, not all Fukui eye-glass manufacturers have been able to adapt. Some lack the managerial expertise or capital. Looking out from his factory, Mr Takeuchi pointed to three businesses that had recently gone bankrupt.

Some owners are selling. Founded in 1966, Fukui Megane presently employs 170 workers and specializes in making titanium and solid gold frames. It pioneered multi-colored gold frames and is still the only the producer in the world. In March 2018, Fukui Megane sold a 67 percent stake to multinational eyeware manufacturer, Luxottica, which owns brands including Ray Ban and Oakley, and manufactures for brands such as Chanel, Prada, and Giorgio Armani.

Luxottica Group Executive Chairman, Mr Leonardo Del Vecchio, explained that "The acquisition of Fukui Megane represents a first step for the entry of our Group in the world of Japanese production. We intend to continue investing to recreate a productive pole of excellence in Sabae, in line with the Luxottica model. For the first time in the history of eyewear, we will have under the same roof two great artisan schools such as the Italian and the Japanese ones” (Luxoticca 2018).

The aging ownership of other Fukui eye-glass manufacturers without successorship plans presents an opportunity for mergers and acquisitions. Specialists, Nihon M&A Center, M&A Capital Partners, and Strike, can help find buyers and consolidate and automate the industry.

In 2007, former investment banker, Mr Kenzo Matsumura, bought five companies that were spun off from the merger of Japanese toy manufacturers Tomy and Takara. Among them was a trading house that sold reading glasses through a television shopping channel. Mr Matsumura expected that, in a fast ageing society, the demand for reading glasses would boom. However, the reading glasses were bad and hardly profitable. The cost of production was 3,300 Yen, the trading house charged a wholesale price of 3700 Yen, while the television channel priced the glasses at 10,000 Yen.

The condition of the factory in Sabae was parlous. In Mr Matsumura’s words, “The machinery was battered and looked 40 years old. There were women doing lens coatings by hand. Everything was manual. The defect rate was 30 percent” (Financial Times, 2018).

Major lens manufacturers like Hoya and Nikon outsourced production to China and Thailand. Mr Matsumura criticized their strategy, “If you fully automate a factory, you can be in Japan running that factory more productively and at lower cost than in China” (Financial Times, 2018).

He set up an automated factory in Chiba prefecture, east of Tokyo, which produces Hazuki reading glasses at a rate of 20,000 a day. Shrouded in secrecy, with further automation, the factory is expected to triple the rate of production.

Hazuki has also repositioned the product as a sophisticated fashion item, while maintaining the retail price at 10,000 Yen. In February 2018, during the Winter Olympics, Hazuki spent US$5 million on television advertising, which led to a spectacular boost in sales.

Questions:

1. With reference to the Japanese eye-glass manufacturing industry, discuss why productivity differs within an industry.
2. What does a buyer get from acquiring a Fukui manufacturer of eye-glass frames? Compare the benefits to Luxoticca vis-à-vis a private equity firm.
3. Do you agree with Mr Takeuchi that automation is a buzz-word?
4. If you were Mr Matsumura, where would you locate your factory? Discuss the advantages and disadvantages of locating in a cluster.

Price Determination Of Cosmetic Products In Retaiil Stores

NB

Nikita Bansal

Updated 21 December 2014

TRANSCRIPT

- Product Development Cost: While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. The firm must be able to recover both the variable and fixed costs.
- Level Of Market Demand: As far Cosmetic products are concerned, demand of cosmetic products for men and kids is just 30%, whereas it is 70% in case of women (approx). Retailers gain more profits on products which are sold too frequently. Therefore they tend to make the women beauty products less costly than men and kids.

- In retail stores different brands are available for different products .All products of one brand are kept at one side and of other at different side.
- The India Retail Industry is gradually inching its way towards becoming the next boom industry.
- The Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment.
- In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster

- Visit a Retail Store
- Determine how prices Of cosmetic range is fixed
- Determine factors affecting pricing policies
- Use of different pricing strategies

Presented By:-

Nikita Bansal

B.com Hons (Sec 1)

Roll No-319

- Prices of men and women are determined through various factors like competition ,channel of distribution, promotion techniques and different segments of society .

- There has been a growth in cosmetic industry which has affected the prices of different products.

- Prices of men cosmetics are set differently as compared to women.

- Major share of cosmetic industry is enjoyed by women not men.

Case Study- Singla Karyana Bhandar

Pricing Strategies Used

As Retailers Skb stores get 10% margin on the MRP from which they cover their procurement cost and all other expenses. Also further 2-3 percent discount is allowed to the customers and balance is the profit for them.

Introduction To Indian Retail Industry

- Premium Pricing: The price set is higher to reflect the exclusiveness of the product.
- Cost Based Pricing: the firms takes into account the cost of production and distribution, they then decide on mark up which they would like for profit to come to their final pricing strategy.
- Cost Plus Pricing: Here the firms add a percentage to costs as profit margin to come to their final pricing decisions

Skb stores use a combination of all these strategies depending on the nature of the product while deciding the price of their products.

Conclusion

- Penetration Pricing: Here the stores sets a lower price to increase the sales and market share. Once the market share has been captured the firm may well then increase their prices.
- Competition Pricing: It means setting a price in comparison with competitors. The firm can price lower, price the equal,or price higher.
- Bundle pricing: The organisations bundle a group of products at a reduced price. Common methods are buy one get one free etc.
- Psychological Pricing: The seller here considers thde psychology of price and the ositioning of price within the market place.

Basic Pricing Criteria

Used

For the determination of price of cosmetic range I visited a retail store named Singla karyana Bhandar situated in Mandi Gobindgarh (Punjab)

It is a mega departmental store whic deals in many products like karyana items, grocery, herbs, confectionary, beauty products, frozen items, school bags, dry fruits etc. It caters to the discerning buyer with a refined taste for culture and who appreciates the timeless value of products. From my visit i analysed the following things :-

Price Determination Of Cosmetic Products In Retail Stores

Objectives

Factors Affecting Pricing Of a Product

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Case Study- Singla Karyana Bhandar

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Price Determination Of Cosmetic Products In Retail Stores

Objectives

Factors Affecting Pricing Of a Product

- Level Of Competition: In a business, the competition will bite you if you keep running, if you stand still they will swallow you. Competitor's pricing strategies should also be taken into consideration while pricing a product.

Skb stores face very less competition due to its location. It is situated in a place where there are no Big Bazaars, Easyday etc which offer products at a price less than its MRP other than this.

- Class Of Targeted Customers: This will directly influence the pricing of a product. Products targeted at the rich will surely demand a higher price than those targeted at the low income earners.

Skb stores target rich class and upper middle class. so their prices are comparatively higher.

- Product Positioning: The reason perceived value of the product is critical factor is that it shows what is the position of the product in consumer's mind. So it is important to strike a balance between the perceived value and price of the product.

Skb stores are known for their quality products, so the consumers don't mind paying a lil more for the quality they offer.

Price Determination Of Cosmetic Products In Retaiil Stores

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Factors Affecting Pricing Of a Product

- Level of Competition: In a business, the competition will bite you if you keep running, if you stand still they will swallow you. Competitor's pricing strategies should also be taken into consideration while pricing a product.

Skb stores face very less competition due to its location. It is situated in a place where there are no Big Bazaars, Easyday etc which offer products at a price less than its MRP other than this.

- Class Of Targeted Customers: This will directly influence the pricing of a product. Products targeted at the rich will surely demand a higher price than those targeted at the low income earners.

Skb stores target rich class and upper middle class. so their prices are comparatively higher.

- Product Positioning: The reason perceived value of the product is critical factor is that it shows what is the position of the product in consumer's mind. So it is important to strike a balance between the perceived value and price of the product.

Skb stores are known for their quality products, so the consumers don't mind paying a lil more for the quality they offer.

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PROGRAMME –II

ANALYSE THE CASE STUDIES AND TRY TO APPLY THE THEORETICAL LEARNING INTO LIFELONG PRACTICE

Aim:

Select a product and study on the impact of demand and supply on price of the product in the market

ALGORITHM:

STEP 1:

Select a product AND APPLICATION OF THEORITICAL LEARNING

STEP 2:

study on the impact of Managerial Economics

STEP 3:

Analyse the company as managerial Economist in that company

STEP 4:

impact of demand and supply on price of the product in the market etc.,

STEP 5:

Review the result with status of the product in the market aspect, take decision regarding investment in the company.

Result:

Thus the students have taken a review to find the impact of demand and supply on price of the product in the market

PROGRAMME –I

SELECT A PRODUCT AND STUDY ON THE IMPACT OF DEMAND AND SUPPLY ON PRICE OF THE PRODUCT IN THE MARKET

Aim:

Select a product and study on the impact of demand and supply on price of the product in the market

ALGORITHM:

STEP 1:

Select a product

STEP 2:

study on the impact of demand and supply

STEP 3:

Analyse the company as a investor to invest in that company

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impact of demand and supply on price of the product in the market etc.,

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Price Determination Of Cosmetic Products In Retaiil Stores

NB

Nikita Bansal
Updated 21 December 2014

TRANSCRIPT

- Product Development Cost: While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. The firm must be able to recover both the variable and fixed costs.
- Level Of Market Demand: As far Cosmetic products are concerned, demand of cosmetic products for men and kids is just 30%, whereas it is 70% in case of women (approx). Retailers gain more profits on products which are sold too frequently. Therefore they tend to make the women beauty products less costly than men and kids.

- In retail stores different brands are available for different products .All products of one brand are kept at one side and of other at different side.
- The India Retail Industry is gradually inching its way towards becoming the next boom industry.
- The Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment.
- In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster

- Visit a Retail Store
- Determine how prices Of cosmetic range is fixed
- Determine factors affecting pricing policies
- Use of different pricing strategies

Presented By:-

Nikita Bansal

B.com Hons (Sec 1)

Roll No-319

- Prices of men and women are determined through various factors like competition ,channel of distribution, promotion techniques and different segments of society .

- There has been a growth in cosmetic industry which has affected the prices of different products.

- Prices of men cosmetics are set differently as compared to women.

- Major share of cosmetic industry is enjoyed by women not men.

Case Study- Singla Karyana Bhandar

Pricing Strategies Used

As Retailers Skb stores get 10% margin on the MRP from which they cover their procurement cost and all other expenses. Also further 2-3 percent discount is allowed to the customers and balance is the profit for them.

Introduction To Indian Retail Industry

- Premium Pricing: The price set is higher to reflect the exclusiveness of the product.
- Cost Based Pricing: the firms takes into account the cost of production and distribution, they then decide on mark up which they would like for profit to come to their final pricing strategy.
- Cost Plus Pricing: Here the firms add a percentage to costs as profit margin to come to their final pricing decisions

Skb stores use a combination of all these strategies depending on the nature of the product while deciding the price of their products.

Conclusion

- Penetration Pricing: Here the stores sets a lower price to increase the sales and market share. Once the market share has been captured the firm may well then increase their prices.
- Competition Pricing: It means setting a price in comparison with competitors. The firm can price lower, price the equal,or price higher.
- Bundle pricing: The organisations bundle a group of products at a reduced price. Common methods are buy one get one free etc.
- Psychological Pricing: The seller here considers thde psychology of price and the ositioning of price within the market place.

Basic Pricing Criteria

Used

For the determination of price of cosmetic range I visited a retail store named Singla karyana Bhandar situated in Mandi Gobindgarh (Punjab)

It is a mega departmental store whic deals in many products like karyana items, grocery, herbs, confectionary, beauty products, frozen items, school bags, dry fruits etc. It caters to the discerning buyer with a refined taste for culture and who appreciates the timeless value of products. From my visit i analysed the following things :-

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