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Analysis of pricing and demand strategies: Before and during big billion days sale on consumers

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Abstract

E-commerce is a 24*7 virtual store where buyer and seller meet and exchange goods & services against offered price. During this sale companies offer special discounts and cash back offers on some selected products which leads to surge in sales.

This paper attempts to analyse the pricing strategies and demand pattern of some select brands specially before and during Big Billion Days sale adopted by the major giants of e-commerce business i.e., Amazon and Flipkart. This Paper attempts to figure out the need of Big Billion Days Sale, impact on other e-commerce companies & offline retail outlets. Under this paper an attempt has been made to take a snapshot of different kinds of strategies options by their competitors to capture its target market. For the purpose of this study, data has been collected purely through secondary sources.

The study concludes that special offers and heavy discounts on some select brands will lead to create a pressure on other sellers they may be other e-commerce companies or offline retail outlets, because their sale during this period gets affected and declined that is the reason, they offer some additional discount to their customers other than offered by the e-commerce companies.

Keywords: Amazon, Flipkart, big billion sale, e-commerce, virtual store

Introduction

Electronic commerce is a virtual store where different sellers offer a pool of different products under different categories to the customers. It can be accessed at any time at any place 24*7 which is a click away, whereas a traditional business is completely different from e-business. It has no boundaries like brick system has, moreover with the multiple payment modes customer can pay using different modes such as pay on delivery in cash or through electronic mode. There is no need to reserve a fixed place to administer a business which eliminates its fixed cost from the business. Companies try to encourage the customer using pull strategy where they put an original MRP tag with special cash back and discount offers. Electronic money is a subset of e-commerce. It means e-money smoothening the functions performed in the process of completing a transaction. Now the question is that does customer get a better deal in big billion days sale or relatively prices is same as before big billion sales. For this study, selected product of three popular brands i.e., Apple, Samsung and Xiaomi for comparing & concluding company's pricing strategies and customer's demand pattern have been taken as sample. Amazon and Flipkart, former was established in the year 1994 by its founder Jeff Bezos in Washington D.C initially an online place for books and continuously expanding their activities later was established in the year 2007 by the Sachin Bansal and Binny Bansal, its headquarter is situated Bangalore and registered office is in Singapore. Objective of this study is to find out whether consumer gets benefit in real sense during these big billion days sale or prices remains same during this session as before. Another objective of this study is to identify the pricing strategies adopted by the e-commerce companies for attracting customers and also try to recognize the factors responsible for hike in sale. Big Billion Days Sale or Great India Sale former used by the Amazon and later by Flipkart but this sale is limited only for specific dates, advertisement and promotions of these sales comes much before the dates of sale. Banks also promote their bank by using co-branding techniques and provide financing services to the customers who purchase goods on lease such as lower interest rate for EMI, no cost EMI, additional benefits, special discounts and cashback. Co-branding is a marketing technique where bank and debit/credit card companies shake their hands and brand their product jointly. In recent time Amazon and Flipkart, itself use co-branding technique. These days of sale comes at the time of festive season i.e.,

Dhanteras, Diwali etc.

These kind of sales and promotion tactics attract customers and banks offers encourage them to buy what they want to buy. As per the data E-commerce retailer i.e., Amazon and Flipkart are expected to corner sales worth \$11.8 billion this season, comfortably more than twice the pre-pandemic figure of \$5 billion in 2019, according to a report by Redseer. This year's number are estimated to a jump of 28% from 2021, which saw festival season of about \$9.2 billion. At the time of sale number of users are active on app 1.6 million per second.

Review of literature

Nigam, A., & Maqbool, A. (2018) ^[3] makes a comparison view between pre and post Flipkart's big billion-day sale. Researchers has found many reasons of failure of big billion sales in the pre-era such as Flipkart doesn't offer groceries, yearly subscription-based services as compare to amazon offers i.e., amazon prime membership and Flipkart did not prepare well for the customer's traffic that came at the time of sale. These are main reason where customers are not encouraged and emotionally engaged with the products. But in later stage Flipkart learnt from its mistakes. So, when in 2016 it again conducted its Big Billion Sale, it successfully tried to overcome the issues which it faced in 2014.

Cavallo (2016) ^[1] attempt to investigate a comparison of uniformity in the offline and online prices of multichannel retailers. His study found that on an average 70 percent of price level is identical in both modes. Highly similar in case of electronic and apparel and lower similarity were shown in drugstores and office supply retailers. He also concludes that things take time to show changes in offline and online prices. This means changes in prices are not simultaneous.

Cavallo, A., & Rigobon, R. (2016) ^[1]. The billion prices project: Using online prices for measurement and research under this paper researcher discuss about data curation process of collecting and processing data related to online price and web scraping software help in determining the price of a product.

Objectives of the study

Followings are the objectives of the study

- To analyse the pricing strategy and demand pattern of some select brands i.e., mobile phones before and on big billion days sale.
- To discover the needs of Big Billion Days Sale.
- To explore the impact of the same on other e-commerce companies and offline retail outlets.

Pricing strategies

Companies use different types of strategies while determining prices of a products in the big billion days sale for example penetration pricing strategy, price skimming, psychological pricing, Bundle Pricing and captive pricing strategy. However, companies mainly focus on psychological pricing (also known as charm pricing) where companies set a price which triggered customers' emotion instead of logic for instance price for a product Rs. 26,999 instead of Rs. 27,000. Another pricing strategy is BOGOF a kind of psychological pricing where companies offer two products at a cost of one product e.g., buy one get one free. Bundle pricing strategy where companies offer multiple products in a bundle form and try to trigger customers' emotions that if he buys individual product then its cost

much higher than the bundle price.

Freemium pricing strategy where companies provide services to the customers at free of cost but charge fee on rest of the services. This pricing strategy is mainly used for electronic product where installation services is provided by the vendor at free of cost.

Dynamic Pricing strategy where companies charge dynamic prices from different customers at a particular time and his utility. This strategy is favorable where additional charges is charged by the customers to become a member.

Needs of big billion days sale

Firstly, these sales come in the month of Sep-Oct of every year and Hindu also observe the Shraadh or Pitu Paksh period that usually observed for 16 days during the month of Sep-Oct. As per Hindu mythology they don't prefer to buy anything during this period. It means products' sale is minimal but just after Shraadh, Navratri Pooja will begin and Hindu's prefer to buy during this period. So, e-commerce companies try to compensate its sale by offering maximum discount during big billion days sales, banks offer various offers to their prime customers like cash back offer, special percentage discount etc., this sales helps in maintaining average sale of the e-commerce companies. Secondly major need of big billion days sales is to stock's clearance it means sometimes companies having product in their stock which will become outdated after some days or may get expired. Third need is to increase company's member where customers pay extra in form of membership fees as annual fee. Companies offer offers or special discount to their members one day before sales. This will increase companies' revenue and users rush on their site.

Conclusion

A big billion days sale is a festive season sale where companies try to stimulate customer mind by offering different offers which leads to a fast jump in their sale. Customers' shoes is in the bracket of profits but only for few minutes after this prices will shift upward. For the study, two brands and its products whose cost more than twenty-five thousand have been taken. As per data attached in annexure shows that the first column shows the brand name, second shows its product, third shows prices in sale forth column represents post sale prices and fifth & sixth column represents percentage change in prices. Data shows that more than 20% discount were offered by the companies to its customers. Whereas if two brands are compared than Samsung gave maximum 40% to 57% discount on their product. It means customer is in good position than pre & post sales but only on some select products and only for few minutes. As discussed above most of the e-commerce companies use these kinds of pricing strategy while determining the prices of the product. Mainly companies use penetration pricing, psychological pricing. Other competitive companies, it may be other e-commerce companies and offline retailers offer their products by using captive pricing strategy where companies offer some extra benefits in the cost of the product. The study also concludes that special offers and heavy discounts on some select brands will lead to create a pressure on other sellers they may be other e-commerce companies or offline retail outlets, because their sale during this period gets affected and declined that is the reason, they offer some additional

discount to their customers other than offered by the e-commerce companies. For example, they offer one-year free insurance with their product with best quality products. Now comes on the main conclusion that customer gets benefits in the big billion days sale or prime sale only for few minutes

because this will turn its sale a big high and stocks are not remains available but on a great demand by the customer for branded product its prices will touch the level as the level of prices before.

Annexure

Brand	Product	Model	Big Billion Price	Post Price	Change in Price	Percentage Change
Apple	Mobile Phones	iPhone 12 Mini	38,999	48,990	9,991	20
		iPhone 12	49,999	62,900	12,901	21
		iPhone 13	49,990	79,900	29,910	37
		iPhone 13 Mini	58,990	74,900	15,910	21
Samsung		Galaxy S22	59,999	84,999	25,000	29
		Galaxy S21 Fe	31,999	74,999	43,000	57
		Galaxy F62	17,999	29,999	12,000	40
		Galaxy F22	12,499	14,999	2,500	17
Xiaomi		Xiaomi 12 Pro	45,499	62,999	17,500	28
		Xiaomi 11T Pro 5G Hyperphone	28,999	34,999	6,000	17
		Xiaomi 11 Lite NE 5G	18,499	25,999	7,500	29
		Redmi K50i 5G	19,999	25,999	6,000	23

Brand	Product	Model	Big Billion Price	Post Price	Change in Price	Percentage Change
Sony	Television	Sony Bravia 55 Inches 4K ultra HD	83,990	1,29,000	45,010	34.89
Samsung		The Frame' QLED 55 Inches	84,990	1,19,000	34,010	28.57
Oneplus		OnePlus U1S 55-inch Ultra HD (4K)	39,990	59,999	20,009	33.34
L.G		LG 55-inch Ultra HD (4K) LED	47,990	84,990	37,000	45.34

Limitation and future scope of the study

This paper has considered only Big Billion Days sale and examined the demand and pricing pattern of the product during the sale. The study also explores about the different pricing strategy and using this strategy companies are trying to engage customer's attentions. For the future research studies the researchers may undertake other types of sales strategies and try to connect the engagement level of customers during the period of sale and compare it with the period other than sale. The second limitation of the study is that this study has undertaken select product only, the other researchers may take more brands and products for their study.

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