

The Relentless Pressure to Discount

Pricing is top of mind for most retailers

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Krista Garcia

Despite a long and relatively steadily improving economy, consumers remain so focused on value that pricing remains retailers' most pressing business worry.

An April 2018 study of US retailers by [Retail Systems Research \(RSR\)](#) found that pricing concerns far outstripped other issues. Keeping up with the competition's prices was the No. 1 challenge, cited by 58% of respondents.

Operational Challenges of Setting Prices According to US* Retailers, Feb 2018

% of respondents



Note: respondents chose their top 3; *90% of respondents were from companies with headquarters in the US
Source: Retail Systems Research (RSR), "Merchandising and Pricing 2018: Life After the Merchant Prince," April 25, 2018

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When asked about their top three business challenges, 65% of retailers cited "aggressive competitors of like items make price our primary demand driver." And 60% cited "increased consumer price sensitivity." Those two challenges were the only ones cited by more than half of the respondents.

But pricing pressures were more acute in some sectors than others. In particular, the study noted that fashion and apparel retailers were much less likely to be focused on pricing parity (at 39%) and tended to be more concerned about minimizing markdown spend (48%).

Discounting is so widespread it has become a given for many shoppers. Over one-third of internet users worldwide said they receive a promotion at least weekly for a product they would have paid full price for, according to a September 2017 survey by [Revionics](#) and [Forrester Consulting](#).

Retailers that don't compete on price instead offer unique products, stellar customer service or tap into a specific lifestyle. Examples of some of these brands include [Apple](#), with products that intertwine with users' personalities; [Restoration Hardware](#), which immerses

consumers in an aspirational shopping (and dining) experience; and even Trader Joe's, which despite a reputation for good deals, sells an assortment of esoteric goods — cauliflower gnocchi, Carolina Gold barbecue sauce, Peruvian maca powder — that other retailers don't have under one roof.