Various economic factors applied to sunsilk

ASSIGN BUSTER

ƒ Price is a quantity or compensation given from one party to another party in return for goods or services.

Price can sometimes alternatively refer to the quantity of payment requested by a seller of goods or services rather than the eventual payment amount. The requested amount is often called asking price or selling price, while actual payment can be called the transaction price or trade price like the bid price or buying price is the quantity of payment offered by a buyer of goods or services, although this meaning is more common is asset or financial markets .

(en. wikipedia. org/wiki/price)

According to the economists the price can be defined as ratio between the quantities of goods that are exchanged from each other transactions.

Example: – exchange of apples for 2 packs of bread or exchange of goods with the services is called price.

Price differs when there is competition in the market according to the market structure is:-

Price competition:-

ƒ Price competition can be said as differentiating the product or service from compete ting products on the basis of their prices.

(en. wikipedia. org/wiki/non_price_competetion) ƒ Price competition can also be said as war where the competition brands lower their price to gain more consumers and also to match the various competition products in the market.

(en. wikipedia/wiki/price_ war)

ƒ The price competition mostly benefits the consumer as they are able to buy the products at cheaper prices and also the services related to the consumer.

Price competition is caused due to various differences in the product s and services present in the market, that is due to same set of products in the market are present but with different prices to remain the best market.

Product differentiation:-

As due to little brands present in the market to choose and also big players present so as to capture the market due to the price change and service.

Penetration pricing:-

If a new player enters the market, it offers a lesser price than other products of the same category in the market to grab the consumer and attention.

Oligopoly:-

If the industry structure has few competitive players n the market. The other players present in the market would have a close watch towards the product present in the market or new upcoming products.

Product optimization:-

Incline to lower prices rather than shut down or reduce the output if they wish to maintain the scale of economy.

Predatory pricing:-

Companies with healthy or good bank balance and money may forcibly or deliberately reduce their price remain the top player in the market.

Competitors:-

Competitors remain best in the market and ban the entry of a new product in the market or a new competitor in the market.

(en. Wikipedia/wiki/price_war)

Non-price competition:-

It is a market strategy in which the firm tries to distinguish between product and services from the competing products on the basis of attributes like design and working conditions of the product in the market.

The firm distinguishes its product by offering through the quality of service, extensive distribution customer focus, or any other sustainable competitive advantage other than price.

Firms engage in non price competition to the additional cost involved in it because it is more profitable than selling the product at a lower price and also it shows more profit and benefit than price wars and involves less risk than price competition.

There are various causes of non price competition they are:-ƒ Monopolistic market:-

The market where there is free entry and exit of the firms that is the any number of firms can enter the free trade market and exit the market any time and any way.

ƒ Sustainable competitive advantage:-

It is defined as the strategic advantage one business entity has over its rival entities within its competitive industry achieving competitive advantage and strengthens the position of business better with in the business environment.

ƒ Product differentiation:-

It is a process of distinguishing or offering from others to make an attractive product so as the product consumers or attract the target market. That involves differentiating it from other competitor’s brands in the market.

ƒ New product development:-

Launching of a new product or service in the market so as there are less number of players to take or use the strategy of the company and the brand grabs more and more consumers towards the product and the competitors brand does not enter the market.

It is done by:-

ƒ Idea generation:-

Inventing new products and introducing the new products in the market.

Idea screening phase:-

Targeting the consumers who use innovations and are seeking for new products in the market.

ƒ Business analysis:-

Estimating the selling price based upon competition and customer feedback seeing the sales volume based on the size of the market and such sales tools.

(PAUL G . KEAT/PEARSON/MANAGERIAL ECONOMICS, SIXTH EDITION/PAGE 47)

ƒ ELASTICITY:-

The degree to which a demand or supply curve changes or reacts according to the change in price curve is called elasticity.

Elasticity varies among the product because some product may be more essential to the consumers.

Elasticity goes with a simple formula of

%change in quantity /%change change in price

Elasticity is a simple tool to measure various parameters of economies in a unit less way few elasticity’s used in elasticity are used in:-

Demand

Supply

Elasticity is used to understand various concepts of the economic theory for instance, incidence in taxation, managerial concepts.

Elasticity occurs in 2 conditions and in 2 ways:-

Elasticity of demand:-

When there is change in demand due to increase or decrease in the demand of the commodity it is called elasticity of demand.

Elasticity of demand occurs due to:-

ƒ Price elasticity of demand:-

As there is increase or decrease in the price of the commodity the demand or demand or the elasticity of demand curve shifts according to it, generally the demand curve goes negative and is known as absolute value.

ƒ Cross price elasticity:-

Cross price elasticity measures the percentage change in demand for a particular goods caused by a percentage change in the price of another good. A change in the price of a related good causes the demand curve to shift in reflecting a change in demand for the original good. The curve shifts horizontally along the axis.

ƒ Income price elasticity:-

It measures the percentage change in demand caused by a percentage change in income. A change in income causes the change in demand. The elasticity varies according to the same direction in income

ELASTICITY OF SUPPLY:-

Elasticity of supply tells us how the supply of the commodity changes according to the supply of the product in the market is made, generally it goes positive and moves upwards.

It occurs due to few reasons:-

ƒ Price elasticity of supply:-

I t measures how the amount of a good firm wishes to supply changes in response to change in price . In a monologous to the price elasticity of demand it captures the extent of movement along the supply curve.

ƒ Elasticity of scale:-

Elasticity of scale or product or output elasticity's measure the percentage change in output included by a percentage in output. The process is said to exhibit constant returns to scale f a percentage change in inputs result in an equal percentage in outputs

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(Chiang; wain Wright (2005) fundamental methods of economics (4th edition) M. C. GROWhill)

(o'Sullivian; a; shefferin. s(2005). macroeconomics (4th edition)Pearson)

Part 2:-

As going to a grocery store in New Delhi to a store called " BIG BAZZAR" which is a very famous store in India and in New Delhi. There were various kind of shampoo brands present in both the store that is a wide spread store in Delhi regions and NCR regions areas in India.

The distributions of various brands were displayed according to the brand names of the company of the shampoos or the brand name of the shampoo present in the store. There was a wide variety of shampoo brands present at the store.

The space available for the range of the shampoo was in a straight line and in columns was given to each brand shampoo and the variety of shampoo present of the different brand. For instance :- sunslik , pantine, garnier, etc had various range of shampoo in the same brand name for both men and women so as there are all kind of solutions for people with different hair type.

Talking about various branded companies producing shampoos in the market for various hair types and selling their product in the market, we would talk about few companies and their products and their pricing strategies and comparing their demand and supply in the market.

ƒ PANTENE SHAMPOO:-

Pantene shampoo a product of PROCTAR&GAMBLE Company is producing shampoos since 1985 and exporting in India since2003 and is a great success in India and in various other parts of the country. First product of the shampoo was Pantene shampoo with pro-v formula (protein and vitamins) for normal hair according to the various analysis and market research they came up with various kind of products for various hair types. The various products of the company shampoo are, shampoo for dry hair, dull hair, colour hair, thick hair, medium thick hair, shiny hair, curly hair , new shampoo for falling hair, herbal shampoo and the most important brand head and shoulders and rejoice they had many other varieties under the same brand name.

ƒ Pricing strategy:-

the pricing strategy they use to promote their brand is the cost cutting price strategy that is they go under the PRICE WAR strategy that is while launching any of the product under their same brand they cut the price of their other products and advertise their new product and also cut the price of their new product also to get their product sold in the market for instance, while launching the PANTENE hair loss shampoo they reduced the price of their other varieties like reducing the price of 100 ml, 200ml, 250 ml, and 400ml bottles by 20 % and also keeping the price of their new product so low that every consumer buy their product and no other branded comes in their way so as they could remain and sustain as a the sole market players.

The market they are in is an OLIGOPOLISTIC market in which there are less number of players which they can manage and change their product according their own survival.

The demand graph of the PROCTER AND GAMBLE company show that how they are in an oligopolistic market structure.

The white graph band shows the rising demand of the product in the market and the red band shows the decrease in the price of the product which are no being sold more in the market and there is more demand in the market for that particular commodity in the market.

ƒ SUNSILK:-

A product of UNILEVER group is the second largest shampoo producing group in world and has various kind of products and hair conditioning products from the same brand name SUNSILK in started producing shampoo in 1954 and was launched in India in 2003 after few months when the brand name shampoo PANTENE entered the market and it was first launched in united kingdom.

The brand SUNSILK has various varieties under it like the hair fall black, sunsilk vibrant, sunsilk green, sunsilk yellow for plumpy hair, sunslik brown for dark hair and various other varieties of shampoo in INDIA.

ƒ PRICING:-

The pricing strategy that UNILEVER uses is product pricing strategy in which they reduce the price of the product which is being sold more and increase the price of the product which is being sold less that is they use the demand price strategy to keep its monopoly in the market for the particular type of brand product so as they become the sole competitors in the market for that particular kind of product in the market, for instance they use sachets of the best selling product like the pink sunslik sachets and also cheap price for the bottles and for the various kind of size bottles present in the market.

(http://www. google. co. in/imgres? imgurl= http://3. bp. blogspot. com/_NLsx8ZANcDY/S7oHDs6s8dI/AAAAAAAAAqU/cIuQ3aliX6M/s400/sunsilk-trend. jpg&imgrefurl)

They try to use a monopoly state of market as to remain the only market player for the variety of same brand products they use and make and to be the sole market leaders.

Also they go for more and more advertisements and brand promotion schemes to create the product demand in the market and also tie up with various kinds of hair dressers all over the world to get the best product out of it and create the demand for the product and creating sole production system in the market.

The demand graph of sunsilk shampoos present in the market depicts how they create monopoly of the product in the market.

(http://www. google. co. in/imgres? imgurl= http://business. outlookindia. com/dailyimages/051107/young. gif&imgrefurl)