

<資 料>

The Future of Retail Price

—As Material of “The Next Step of Int’l Marketing”—

Shoko Okamoto

1. Function and Manufacturers Pricing Policy
2. Problems relating to Retail Price
3. Countermeasure of Competitive Policy about S. R. P.

1. FUNCTION AND MANUFACTURERS PRICING POLICY⁽¹⁾

In Japan, customarily, products prices are set by the manufacturers. As a general practice, a standard price system is decided by the manufacturer, and actual trading is carried out in accordance with the standard price system.

For manufacturers, it was an important measure to emphasize the value of their products to the customers through the prices. Although the suggested retail prices and quotations based on the list prices were sometimes used for illegal dual pricing or resale price maintenance in the past, they have fulfilled a certain function for small distributors by offering conveniences in a transaction.

According to the results of the present research, suggested retail prices and quotations based on list price function for consumers as a source of information in choosing a product, and help distributors to make decisions of the selling price (market price), and function for price-oriented manufacturers and distributors in emphasizing low

price to the consumers.

The price policy in present research indicated the following features of the manufacturers pricing policy.

- a. Suggested retail price is set not only mechanically but also politically by adding some primary factors.
- b. Makers are strongly concerned in maintaining the market price and tend to participate in the last stage of sales.
- c. In cases when market price dropped remarkably because of some changes in the price policy, still manufacturers try to maintain their prices.

2. PROBLEMS RELATING TO RETAIL PRICE⁽²⁾

(1) SETTING PRICES

- a. In setting suggested retail price, some of the manufacturer just follow the leading list price in order to emphasize the brand image, and do not attach much importance to the actual selling price in the market.
- b. Suggested retail price is set higher than the actual selling price because some products customarily discounted at the retail sale stage.
- c. In this manner, makers set prices not only by following the market price or adding manufacturing costs but also in accordance with the prices of competitive products, distinctive qualities of products, demand trends or the positions in the market.
- d. As the result, sometimes the suggested retail price is set remarkably different from the market price, but still the consumers accept it in the actual purchasing. When the competi-

tive products are few, the suggested retail price is used without any price reduction. Conversely, if the SRP is not supported in the market and a large price difference has developed between the suggested retail price and the market price, it would be no longer be able to function. As a result, the consumer would have a misconception of the product.

- e. Recent increases in imported products and the inflow of foreign affiliate, above all, the growth of parallel import routes and the inflow of NIES products will encourage more flexibility in suggested retail price.

(2) INFLEXIBILITY OF SUGGESTED RETAIL PRICE

- a. Makers almost would never cut the prices of the products. When a price revising is required for some reasons, they improve qualities or add functions or change the model. It is very rare to revise the price of the same product. The reason why manufacturers are so negative about price revision is : it causes a loss of brand image, creates confusion in distributor's stocking and reduces the profit margins.
- b. Even the product of which technical innovation and development are considerably vigorous, and selling price is cut because of keen competition, price reduction is still very rare. The background of the manufactures attitude is : the consumer prefers an improvement of brand image, quality and performance of the product.
- c. The inflexibility of suggested retail price is also apt to cause inflexibility of actual selling price, so that it affects the passing down of cost reductions to the consumer, especially when the

distributor's dependency on the maker is high, or the product is less competitive.

- d. Meanwhile, a rapid internationalization of the Japanese market, in the form of increases in imported products, an inflow of foreign capital to Japan, and a growth of distributors with buying power, encourage flexibility of suggested retail price. Above all, the growth of parallel import route or inflow of NIES products might affect manufacturers pricing policy.

(3) RETAILERS CONCERNS ABOUT A SELLING PRICE

- a. Generally, manufacturers are strongly interested in the market price of their products, and distributors depend on the suggested retail price policy.
- b. As the manufacturer's distribution channel system guarantees a handsome margin or rebate to the distributors, a kind of profit community exists between them, and the manufacturer has penetrated to the last stage of product distribution. Especially the less competitive manufacturer recommended price will effect to the distributors greatly. A recent advance of information network between makers and distributors urges rationalization of dealing, but it develops manufacturers price policy effectively. Thus it also requires close observation.
- c. The growth of the number of new retailers with buying power and without depending on the manufactures price have made it hand for the pricing policy recently. Nevertheless, the manufacturer still shows strong interest in retail prices by requesting strict self-control of prices, trying to reach a mutual agreement with the retailer about rebates, or showing the other price to

sell at retail shops.

- d. The growth of new retailers makes the actual selling price flexible and weakens the influence of manufacturers price on the quotation. It also creates considerable differences of cost price between the new and traditional retailers.

(4) A WIDE DIFFERENCE BETWEEN ACTUAL SELLING PRICE AND MANUFACTURERS PRICE.

- a. As mentioned in (1), manufacturers price is set by an implication of political meaning so it is not rare that the actual selling price differs largely from the manufactures price.
- b. The price difference is mostly attributed to manufacturers attitude since they offer a rebate to the distributor to make it possible. In addition to this, the expansion of competition in the market is also considered.
- c. If the manufacturer took no action in this situation, the manufacturers price would no longer function properly, and more over, it would course misconception about the product, or make the consumer think the manufacturer made a big profit.

3. COUNTERMEASURE OF COMPETITIVE POLICY ABOUT S. R. P.

- (1) As mentioned above, the function of manufacturer's price in the Japanese market is complicated, but there is movement in dealing the forementioned points in recent years. In cases where the manufacturers price is set without a sound basis the following measures will be taken ;

- a. As the central aim, a correction of misrepresentation and a

control of resale price maintenance will be exerted.

- b. The important thing is, not to totally deny its function but eliminate the harmful influence.
- (2) A point of issue concerning manufacturers prices and quotations will be solved by makers, distributors and consumers of proper action.
- a. Preparation of more competitive market conditions, for example, activation of distribution and so forth.
 - b. Proper measures against the manufacturers price when the market price is so different that the consumer might have an erroneous assumption about the product, or when the actual market price has dropped conspicuously after a certain period has passed. The maker is required to repeal or lower the price.

The establishment of a certain standard of limited price might prevent misrepresentation of products, but on the other hands, the range of price reduction by the retailer might be restrained.

Prudent consideration is required to establish the standard.

- c. To make the consumer understand easily about the dual prices the manufacturers price should be dated or the consumer should be told that the product model is old, so that the consumer understands why the price has been reduced.
- d. When a retailer sets a fictitious price as a manufacturers price for a product with no manufacturers price, such as, no-brand products including in-store brands, or lists dual prices it creates consumer misconception about the product. In addition if a retailer uses a price of a different level to the

manufacturers price, this also causes a problem.

- e. When resale price maintenance is carried out in connection with the manufacturers price, or the manufacturer encourages the use of the price which is set at a different level to the manufacturers price, or a sharp reduction of the price is expected from the viewpoint of the market rate, there are instances that the manufacturer recommends the retailer to set a shop price in addition to the manufacturers price. This will cause a problem because it might maintain the selling price.
- f. Manufacturer should not use terms which give a restrictive impression to consumers, such as "list price" or "fixed price" or "cost". The use of the term "manufacturers price" is recommended.
- g. Some manufacturers enforce a measure of retail price maintenance; sometimes the manufacturer performs the sales strategies, such as restriction of retailers or products. The manufacturers sales strategy does not hinder sales competition directly, but it will become a problem if the manufacturer supplies only specific products to the retailer or prohibits stocking from the sources.
- h. Discounting the manufacturer's price by the retailer anticipates some problems; when the manufacturer restricts the retailer's freedom in setting prices, when the manufacturer purchases back discounted products from the retailer, or when stops supplies of the product.

Remarks: To emphasize the value of products, the manufacturer recognizes the importance of the manufacturer's price. So if

there are a difference between the manufacturer, often minor manufacturers follow major manufacturers pricing to emphasize that the product is the same quality as the major manufacturer.

If the leading manufacturers including the top manufacturer raise the price at the same rate and the time, it conforms to *Price Raise Alignment of the Antimonopoly*⁽³⁾
Act.

- (3) To solve these problems, manufacturers and distributors have to improve price policy, distribution practice and so forth. It is desirable that the various informations regarding the product be provided to consumers. At the same time, consumers should consider their own purchasing. Encouraging manufacturers to set a proper price and urging distributors to set a market price freely are the most important elements in the proper implementation of manufacturers price and limited price based on their price properly.⁽⁴⁾

References :

- (1) Yoshihiro Tajima "*Maker no kakakuseisaku to kyōsō*", *Kōsei-Torihiki-kyokai* 1988, p. 49.
(2) Ibid., p. 51-p. 54.
(3) *Dokusen-Kinshi-hō* "*Kakakuno Dōchōteki Hikiage*".
(4) Ibid., p. 55-p. 59.