

## 12.24: External Factors and Retail Pricing

### Learning Objectives

- List some external factors that impact retail pricing

There are three major external factors that impact retail pricing. They are

- Competition
- Channel
- Geography

**Competition** is what comes to mind first when considering how to run almost any business. For retailers, they will do extensive research to understand who is their competition and how they operate in a given market. They will physically “shop” the competition to obtain information about assortments of merchandise, the depth of the assortments, pricing of items carried (especially those that are in common), in-store promotion and presentation, online activities, and how the competition may change over time. Retailers will also speak to vendors in common to glean tidbits of what competitors may be planning to do in the future.



**Channel** refers to the various means that customers use to shop for merchandise. The most common are retail stores, catalogs, online, direct sales, and home shopping television networks. Today, many retailers have adopted multi-channel strategies to protect and grow their share of market. This adds several layers of complexity to pricing policies. Although somewhat of a new term, multi-channel retailing has been in place for over a century. Sears started doing business as a catalog only, then added retail stores and finally joined in the online shopping channel. There are many examples of retailers starting in one channel and pushing out into others.

**Geography** refers to specific market locations. It can be defined as broadly or narrowly as appropriate for the retailer's target. Examples of retail geographies would be: the Los Angeles area, the Midwest, Mexico, online, South America, Mid-town Manhattan, the EU, etc. As you can see from these examples, geographies can be city blocks, cities, states, countries, continents, and world-wide on the Internet. Retailers are interested in geographies, primarily looking for commonalities in factors such as buying preferences, price elasticity, government regulation, and overall economic condition.

There are other considerations as well, but most retailers will develop pricing strategies specifically for competition, channels and geographies in order to be competitive in all areas.

### Practice Questions

<https://assessments.lumenlearning.co...essments/9272>

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