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THE EFFECT OF PRICING STRATEGY ON SALES VOLUME AT THE ONLINE STORE AS SHIRT (A SHIRT WHOLESALE CENTER)

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Abstract

Pricing determination significantly impacts sales. Higher prices usually indicate better product quality or a premium image, targeting the middle-class market segment. However, sales volume often decreases, as consumers who purchase high-priced products tend to be more selective and value-orientated, focusing on quality or social status. Conversely, lower prices make products more accessible to a larger number of consumers, particularly those who are price-sensitive. This typically results in an increase in sales volume due to greater affordability. This research aims to explain pricing strategies and their impact on sales volume, using the online store As Shirt or Pusat Grosir Kemeja as a case study. The research adopts a qualitative approach with a descriptive method. We conduct data collection using structured interviews employing a voice recorder as the research instrument to capture the explanations from the informants. The pricing strategy used by As Shirt or Pusat Grosir Kemeja is dynamic pricing. Several factors are considered in setting their prices, including production costs, competitor pricing, and demand factors. Moreever, this dynamic pricing strategy affects the demand for As Shirt or Pusat Grosir Kemeja products, the types or products offered by As Shirt or Pusat Grosir Kemeja, and the sales volume of As Shirt or Pusat Grosir Kemeja.

Keywords: Dynamic pricing strategy, sales volume, online shop

Introduction

Pricing is a natural part of doing business; in the business world, it has emerged as a crucial element of economic administration. Most business environments are dynamic. Rapid changes will occur, leading to further competition in prices. As prices tighten, corporate executives must establish pricing strategies. According to Lubaba et al. (2023), a corporation can ensure its business continuity and market survival by maintaining a competitive pricing strategy. A corporation with a competitive advantage can confidently achieve its objectives. Pricing strategy significantly contributes to augmenting client value. Consumer perceptions of product quality and their satisfaction with that product determine consumer value. The price is not merely an arbitrary figure; it directly influences customers' perception of the product's value. An equitable price aligns with the product's quality and meets consumer satisfaction. A corporation bears the price to manufacture a product or provide a service, in addition to the mutually negotiated profit margin. We can assume the price fair and reasonable if it aligns with the product's quality and meets consumer satisfaction (Lubaba et al., 2023).

Pricing significantly influences sales; overly high prices typically indicate superior product quality or a premium image targeting the middle market sector. Typically, buyers who buy higher-priced products tend to be more discerning and prioritize added characteristics such as quality and social standing, often leading to reduced sales volume. According to Atmaja, Ali, & Subagja (2022), skimming pricing involves introducing a product to the market at a significantly elevated initial price. The objective is to launch the product in a manner that, should it get traction, the price will diminish as a result of increased market competition. Simultaneously, reduced prices enhance product accessibility for a broader range of consumers, particularly those sensitive to price fluctuations. The sales volume typically rises due to its affordability for numerous consumers. Penetration pricing involves initially offering a product at a reduced rate to incentivize consumer purchases and achieve significant sales volume (Atmaja, Ali, & Subagja, 2022).

Numerous authors across diverse disciplines, particularly in trade, marketing, and economics, have thoroughly investigated the study of pricing strategies. The pricing strategy is a crucial element of commerce, as it influences the profitability, demand, and market competitiveness of a product. Herliansyah, Octarinie, & Rasjid (2021) assert that consumer purchasing decisions are crucial for the company's viability. Consequently, the majority of corporate entities consistently endeavor to execute marketing techniques aimed at identifying consumers and fostering positive interactions to enhance sales volume. Anggarwati & Yanti (2020) assert that certain actions within the marketing mix process, such as pricing, are essential duties. A company's profitability directly correlates with pricing. This study varies from other research in that the impact of pricing strategy on sales volume has not yet been established.

Thus, this research aims to explain pricing strategies and their effect on sales volume. This study utilizes the online retailer As Shirt as its subject of investigation. This research is crucial because it employs pricing strategy analysis to ascertain the optimal price prior to market sale. This suggests that this research can be used as a pre-sales benchmark.

Methods

This study utilizes a qualitative methodology, specifically a descriptive approach. The data-gathering procedure employed structured interview techniques and utilized a voice recorder to capture narratives from the informants. This research focuses on the online store As Shirt, or *Pusat Grosir Kemeja*, situated in the Pemalang region of Central Java. The researcher performed an interview with the proprietor of the online store As Shirt as the basis for this investigation. This research utilizes a primary data source, gathered by the researcher through structured interviews and yielding original data.

Results and Discussions

Price is not merely an arbitrary figure; it directly influences customers' opinions of a product's value. An appropriate price is one that meets customer expectations based on the quality of the product or goods, necessitating the implementation of a pricing plan. According to Atmaja, Ali, & Subagja (2022), a pricing strategy is defined as the systematic approach employed by a commercial organization to establish the price of a product. In the commercial sphere, price is the paramount marketing element that dictates a product's or item's market competitiveness.

The interview with the owner of As Shirt, an online store, reveals that the company uses dynamic pricing as its price technique. The statement reveals that As Shirt has reduced its product prices due to subpar market performance, adjusted prices in response to rising material costs, and modified prices for promotional objectives. Demand, time, and market conditions constantly modify the prices established under the dynamic pricing strategy (Ariasih et al., 2023). The dynamic pricing approach adapts to the variables and circumstances of online stores such as As Shirt. The benefit of the dynamic pricing strategy is in its ability to optimize profits through real-time price adjustments in response to demand variations (Ariasih et al., 2023).

Hadikusumo et al. (2024) state that dynamic pricing necessitates revisions in corporate pricing strategies. This approach enables organizations to utilize real-time data to modify prices according to variables such as demand, supply, competition, and consumer behavior. This method allows organizations to establish optimal pricing and enhance sales while considering swings in market conditions. Moreover, dynamic pricing facilitates customized price suggestions designed for particular client categories. This technique primarily enhances customer pleasure by providing discounts and promotions informed by data and consumer behavior; hence, it fosters loyalty and engagement. Moreover, dynamic pricing assists organizations in inventory management by reducing surplus stock and promoting the sale of slow-moving items.

There are several factors considered in the pricing set by As Shirt. Production costs, competitor prices, and demand all play a role in pricing decisions and price determination.

Production Cost Factor

The production cost is the primary determinant of pricing to prevent losses prior to the sale of the product. The following presents the computation of the manufacturing cost element, specifically the raw material expenses, as determined by As Shirt for an adult men’s shirt product manufactured:

Raw material cost = (price of fabric per yard X usage for 1 piece of clothing) + production cost
= (Rp. 16.250 X 1,2) + Rp. 10.000
= Rp. 29.500

The cost of raw materials for one shirt is Rp. 29,500. Subsequently, the pricing for marketing in the online store is established as follows:

Cost of raw materials for 1 product + admin + plastic packing + profit
= Rp. 29.500 + Rp. 3000 + Rp. 250 + Rp. 10.000
= Rp. 42.750

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Production cost + profit
= Rp. 42.750 + 72 %
= Rp. 73,530 rounded to Rp. 74,000

Selling price x discount
= Rp. 74.000 x 50%
= Rp. 37.000

The price of Rp. 37,000 is applicable as the selling price for adult men's shirts at the online store As Shirt.

Competitor or Rival Price Factor

The interview with the owner of the online store As Shirt indicates that rival pricing is a significant element influencing product pricing. The competitor's pricing can aid the owner in establishing the price. Shirt has set its pricing below the market rate to gain market share. Furthermore, prior to selling their items, As Shirt performs a price study by juxtaposing the prices and quality of competitors' products with those of their own. The prices from the Shopee marketplace are as follows: rival product 1 at Rp. 48,250, competitor product 2 at Rp. 50,400, and the As Shirt product at Rp. 37,000.

Demand Factor

Consideration of the order amount and its origin often determines the pricing strategy based on demand characteristics. The greater the distance of the order's origin and the higher the order quantity, the more significant the effect on incurred expenses and the longer the production process will require.

Pricing is affected by numerous things. The primary elements influencing price decisions are cost, demand, and competition, which are elaborated upon below.

Product Cost

The term "product cost" refers to the total financial outlay that the manufacturer incurs, which includes expenses for material acquisition, labor, machinery operation (including power, communication, and distribution networks), and costs related to sales personnel. The price of a product refers to its selling price. The manufacturer incurs the entire financial outlay for the product, which includes expenses for material procurement, labor, machinery utilization (including power), communication and distribution networks, and sales personnel costs. The price of a product refers to its selling price. However, at times, pricing may serve as the primary factor influencing cost. The producer will use the stable market price as the basis from which they would deduct the anticipated profit to determine the product cost. We refer to these expenses as target costs and call the methodology "target costing."

Demand for a Product

According to the fundamental principle of demand, an increase in price leads to a decrease in demand, and vice versa. Therefore, the demand for a product impacts its price and vice versa. It is important to acknowledge that there exists a consistent demand for specific requirements or items that is unaffected by price variations. We refer to these fundamental commodities as inelastic products, while we term other vital commodities as elastic goods. The law of demand pertains to the direction of changes in demand, while the law of demand elasticity concerns the rate of these changes, distinguishing between elastic and inelastic commodities.

Competition

In a competitive environment, neither individuals nor organizations exert much influence over prices. In the presence of intense competition, prices align with competitive dynamics. Monopolistic conditions, which indicate a lack of substantial competition, represent the opposing aspect of the marketing environment. In a monopolistic environment, the entity can determine pricing at its discretion while adhering to national laws and regulations. Typically, the market will not exhibit complete competition or monopoly. As a result, the level of competition in the commodity market influences pricing. We can also refer to this scenario as monopolistic competition. In this scenario, buyers/consumers perceive each seller's offerings as distinct from those of other sellers, despite numerous sellers offering the same product. In a monopolistic competition scenario, each individual seller possesses the ability to affect the price of their product brand (Arissaputra et al., 2023).

The dynamic pricing technique employed by As Shirt influences consumer goods demand. The owner of As Shirt has reported a surge in the sales of their products. Nonetheless, this rise remains unstable. As Shirt acquires 10 addresses daily, this leads to the sale of 10-15 goods each day. As Eid approaches, As Shirt receives 50-100 orders, yielding 60-110 products daily. Based on this remark, As Shirt experiences an increase, although it relies on the market conditions. The fashion sector classifies shirts as non-essential commodities, serving as secondary necessities. The acquisition of shirts is primarily associated with aesthetics, comfort, or an individual's lifestyle. Despite its significance, dressing does not qualify as an urgent necessity, unlike food or shelter, which are considered primary requirements.

Several factors lead to an increase in As Shirt leading up to Eid. First, in preparation for Eid al-Fitr, numerous individuals purchase new clothes, especially shirts. This ritual is prevalent throughout multiple countries, including Indonesia. People perceive the acquisition of new clothes as a way to commemorate the holiday and enhance their appearance. Second, throughout Ramadan, Muslims frequently engage in religious practices, including tarawih prayers at the mosque. For several individuals, maintaining a neat and modest appearance is vital, resulting in a heightened demand for clothing such as shirts. Third, numerous retailers and wholesalers provide discounts and special promotions in anticipation of Ramadan in order to attract consumers. These discounts frequently stimulate the purchase of clothes, such as shirts, for personal use or as presents. Finally, some clothing producers are launching exclusive collections for Ramadan that feature more casual yet modest designs. During the fasting month and family events, there is a high demand for shirts with pleasant and comfortable designs.

Telaumbanua (2022) says that the Indonesian economy profoundly influences small and medium firms, especially within the confectionary sector. The creation of confections is not a fundamental necessity, leading individuals to defer the acquisition of such products unless in exigent circumstances. Certain products, including prayer clothes, shirts, school bags, school shoes, and jeans, have heightened demand in anticipation of significant holidays such as Ramadan, Eid, Christmas, and New Year. Consequently, the apparel industry frequently encounters demand variations driven by specific seasons or festivities.

Conclusion

The dynamic pricing strategy employed by As Shirt affects the variety of products available. As Shirt's online store is renowned for its legendary long-sleeved, simple men's shirts. The pricing estimate shows that the Rp. 37,000 long-sleeved plain men's shirt has achieved a sales volume exceeding 10,000 units sold. In comparison to similar products available in the market, the cost of the long-sleeved plain men's shirt at Rp. 37,000 is considered quite economical. This economical price encourages most buyers, particularly when it aligns with the quality provided. Dynamic pricing systems enable price adjustments based on market demand, facilitating increased sales volumes through reduced prices. Dynamic pricing could create better offers for consumers during specific periods. In this scenario, reduced prices or discounts on products might encourage consumers to increase their purchases, leading to higher sales volume. Consequently, competitive pricing and pricing dynamics can influence purchase decisions.

Putra and Sharif (2022) argue that consumers assess multiple aspects while analyzing the prices presented by e-commerce applications throughout their purchasing decisions. The primary factor is the shopping experience, which encompasses all events and interactions that consumers engage with while using the application or website, including features, information, and functionality. Understanding dynamic pricing, which gathers and uses consumers' personal information to establish product costs on online shopping platforms, is the second factor. The third factor pertains to privacy concerns, which reflect customers' concerns about the gathering and use of personal data and transactions. The fourth factor is price perception, which refers to the degree of consumer satisfaction regarding the price paid during the transaction process. The fifth factor is purchasing strategy, which pertains to how consumers track fluctuations in product prices through tools, software, or manual methods. Sixth, the consumer's intention of retaliation at the purchase can be expressed on social media. The final factor, the aim of self-protection, indicates the consumer's inclination to conduct repeat transactions on the same site because they have faith in the security procedures and prices implemented (Victor et al., 2018).

Long-sleeved, basic men's shirts have become iconic in online stores, generating significant appeal among buyers. Providing renowned products at suitable costs might enhance their sales. As a product that is commonly known and sought after by many people, dynamic pricing can assist in guaranteeing it remains affordable and in demand across various market segments. Dynamic pricing allows As Shirt or the Shirt Wholesale Center to alter prices based on demand trends. As demand increases, we can adjust prices to maximize profits without reducing the volume of sales. Moments of elevated demand allow for incremental price increases without significantly reducing the buy volume, thereby boosting overall sales. Dynamic pricing schemes that offer lower prices or promotions can incentivize consumers to make impulsive purchases, particularly when these reductions are temporary. With promotions or discounts, many buyers tend to buy more, leading to larger sales volume.

Putra and Sharif (2022) assert that various sectors such as airlines, hotels, cruise lines, and auto rentals have adopted dynamic pricing as a strategy in recent decades. This technique offers substantial benefits and aids in managing supply shortages while reallocating demand to more appropriate periods. As internet marketing evolves alongside big data analytics, dynamic pricing gains prominence. This functions as a price discrimination approach predicated on variables such as customers, location, products, and time aspects. In the context of e-commerce, such as the Shopee platform, this strategy allows for real-time price adjustments based on available data to provide the best prices to consumers (Kotler and Armstrong, 2018 in Putra and Sharif, 2022). Additionally, Putra and Sharif (2022) state that sellers adopt dynamic pricing strategies to leverage big data and maximize revenue. Many companies in the e-commerce sector have implemented this strategy, whether they operate in business-to-consumer (B2C) or business-to-business (B2B) markets (Elma and Keskinoak, 2017 in Putra and Sharif, 2022).

Putra and Sharif (2022) state that dynamic pricing in e-commerce is readily implementable owing to the accessible consumer data. Utilizing big data analytics approaches, platforms such as Shopee may execute more granular customer segmentation, enabling sellers to provide tailored ads and pricing for each sales proposition. Contemporary technology employing cookies and data streaming enables vendors to implement real-time price adjustments economically, informed by the analysis of customer traffic statistics, demographics, and preferences (Mak et al., 2018 in Putra and Sharif, 2022).

The success of As Shirt may be demonstrated by the loyalty of its clients in purchasing products from its online store. If consumers are content with the products provided by As Shirt, then sales volume will rise. According to Nurlela, Yanti, & Aryansyah (2021), sales volume denotes the monetary value of items sold within a designated timeframe, encompassing the execution of effective service tactics. (Kotler in Agusri, 2019). As Shirt has endeavored to augment the sales volume of its product, specifically plain long-sleeved men's shirts, which has now surpassed 10,000 units sold. There are various aspects that he examines, including manufacturing costs, rival prices, and demand considerations as part of the pricing choice. Nurlela, Yanti, & Aryansyah (2021) assert that many aspects affecting sales volume encompass selling price, product kind, promotional techniques, distribution networks, and product quality maintenance. To augment sales volume, As Shirt employs advertising methods on its internet platform. This is executed by As Shirt to position plain long-sleeved men's shirts as the primary search category product and to ensure consumer awareness through elevated search results. The higher the amount of consumer trust, the greater the possibility that they will make an online purchase, resulting in an enhanced likelihood of buy decisions. Advertisements, as a type of indirect marketing, can inform and convince, thereby generating a need or want to purchase (Istiqomah, Hidayat, dan Jairah, 2019).

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