

Case study: Robert Dyas

Wed, 2 Feb 2011



Price is not merely an aspect of brand positioning but also a variable that is influenced by a retailer's business model. Steven Round, chief executive of Robert Dyas, points out that businesses will make a decision on the areas in which they want to compete, and price will not always be a priority. His own company's approach to selling household goods is to offer "mid-market products at mid-market pricing", he says.

"We think we add value by giving people access to those products in the middle of London, for example, which they would not otherwise be able to buy. Because of the economics, we do have to charge maybe 1% or 2% more than you would find in an out-of-town outlet."

Robert Dyas is seen to be the most expensive of the retailers in the DIY category, according to OC&C's study. Its price perception is 3.6% higher than average for the sector, and in fact its actual prices are slightly higher than consumers believe. Its competitors in DIY are all cheaper than perceived, with the exception of Homebase.

But Round notes that not all retailers are focused on using price as a means of driving sales. Indeed, for some businesses, doing so would obviously limit their ability to supply the expected quality of products and services.

"Within retailing I do not think there are any fundamental truths that everyone needs to adhere to on pricing. For example, if you are a retailer who is pushing 'fashionability', you are going to have a lot of failures. You therefore need to charge a higher price, so that the things that are successful cover the things that fail.

“On the other hand, if you are an out-and-out price retailer, you will engineer everything to make sure that you can do that. You will be in cheap locations, pay cheap rents, have limited ranges, and will probably not be the best employer in the world.”

DIY comes third of the six sectors in the report in terms of consumer price sensitivity - indicating that people looking for home products are prepared to shop around. However, Round says that Robert Dyas has performed a great deal of its own research on the products it sells, finding that consumers are less likely to be influenced by price in some areas than in others. In any event, retail brands have plenty of opportunity to price their products in the ways that are ultimately most profitable to them, says Round.

“Retailers have become more sophisticated over the past 20 years and have embraced category management, so they use different categories to do different things. Some categories are used to drive footfall, some they use to enhance their image, some they use to drive profitability. They will make different choices depending on who they see as their competitors and where they are located. They may not have a uniform price position across all the products they sell.