

The Pricing Strategies of Hungarian Food Retail Chains in Economic Crisis

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The paper aims to explore what pricing strategies were used by Hungarian food retail chains in the recent economic crisis, and how these strategies are related to the market and financial performance of the chains. A two-phase empirical research was carried out including 44 randomly chosen shops in Budapest (15% of the shops connected to a modern retail chain). The research is based on in-store observations, the analysis of price promotion leaflets and interviews with retail professionals. In-store observations focused on collecting data on baseline prices. The price promotion leaflets enabled the assessment of the promotional activity of the observed retailers. The interviews were used to check the validity of the research results. By grouping retail chains along baseline price levels and price promotion activities, three different types of pricing strategies were identified (Aggressive Pricing, Premium Pricing, and Hi-Lo Pricing). A relationship was found between the three pricing strategies and the performance indicators (operational profit or loss, change in market share, turnover per shop) of the included chains. An important finding is that retail chains with a medium price level and low promotional activity (Premium Pricing) were the least successful, while retailers with a low price level and high promotional activity (Aggressive Pricing) achieved the best performance.