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Evaluating Pricing Ethics in Grocery Retailing: The View of Harare Customers

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Abstract: *The study concerned unfair pricing strategies by lead grocery retail outlets in Zimbabwe.. A questionnaire survey was conducted on leading supermarkets in Zimbabwe to establish unethical pricing strategies. The most pressing issues were found to be the charging of higher prices than normal, price tags only appearing at tills, hiking prices at month end to reap from customers' pockets and price discrimination.*
Keywords: *unethical pricing, retail supermarkets, deceptive pricing*

I. Introduction

Worldwide consumers are on the receiving end of unethical pricing practices by business organisations. The retail sector in Zimbabwe has not been spared either. It is not uncommon to find wrong prices stuck on products or price markdowns which are not real. Supermarkets such as OK-Zimbabwe, TM-Pick 'n' Pay and Choppies have been accused of fleecing customers through a number of unethical pricing practices.

The aim of this study is to unravel unethical pricing by grocery retail outlets. The four lead grocery retail supermarkets; OK-Zimbabwe, TM-Pick 'n' Pay, Food World and Choppies were survey on this issue.

II. Literature Review

Pricing Approaches and Grocery Retailers Ethical Issues

It is a seller's intention to use pricing as a measure of profit maximisation, regardless of its impact on those who need the product or service, if the intention is to use price to limit the availability of products needed to sustain life, or if pricing is used as a means of forcing competitors out of the market- such motives are likely to be unethical (SAGE, 2012).

Price fixing, predatory pricing and failure to disclose the full price associated with a purchase are typical ethical issues. The emotional and subjective nature of price creates many situations in which misunderstandings between the seller and buyer cause ethical problems. Marketers have the right to price their products so that they earn a reasonable profit, but ethical issues may crop up when a company seeks to earn high profits at the expense of its customers (Dibb, Simkin, William and Ferrell, 1997). Some pharmaceutical companies for example, have been accused of pricing products at exorbitant levels and taking advantage of customers who must purchase medicine to survive or to maintain their quality of life.

Price Fixing

It is when suppliers agree to charge a certain price among them to avoid price competition. This is an act of collusion and is banned in many countries and regions.

Jobber (2010) said price fixing is unethical because it restrains the consumer's freedom of choice and interferes with each firm's interest in offering high quality products at the best price. Price fixing might be viewed ethical, however, if it ensures a fair profit and avoid price wars that might lead to bankruptcies and unemployment in society.

Predatory pricing

This refers to the situation where a firm cuts its prices with the aim of driving out of competition. The firm is content to incur losses with the intent that high profits will be generated through higher prices once the competition is eliminated (Jobber 2010).

Deceptive Pricing

This occurs when consumers are misled by the price deals offered by companies. This could be misleading price comparisons of "Was high", "Now low". The purpose is to deceive the customer into believing they are being offered bargains (Jobber 2010). Bait and switch is the practice of advertising very low price on a product (the bait) to attract customers to buy a higher priced product (the switch) offered by sales person in a retail outlet.

Price Discrimination

This occurs when a supplier offers a better price for the same product to one buyer and not another, resulting in an unfair competitive advantage.

Price discrimination can be justified when the cost of supplying different customers varies, where the price differences reflect differences in the level of competition and where different volumes are purchased.

Product Dumping and Penetration Pricing

This involves the export of products at much lower prices than charged in the domestic market, sometimes below the cost of production. Grocery retailers might be importing product dumped from other nations.

Such dumping is done to avoid lowering prices in the home market selling additional products to fill up unused production capacity, and selling products regarded unsafe in their home countries (Jobber 2010).

Unfair Pricing

Unfair pricing practices are also unethical. Unfair pricing techniques are those that involve fraud or manipulation, or violate the requirement that fair market exchanges be informed and voluntary. Unfair pricing also exploit buyers in case of significant time pressure beyond the buyers' control, emotional distress and lack of information or experience, or where the buyer's normal bargaining power is diluted in a situation of emergent need (Sage 2012).

Price gouging is a form of unfair pricing that is often considered unethical and is sometimes illegal. It occurs when sellers raise the price of scarce goods to the highest price when customers are desperately in need of such products (Paboteeah and Cullen 2013).

Retailers can also charge full price for a sale item without the customers' knowledge and sella more expensive product when a less expensive product would be better for the customer.

Cost of Ethical products

Cost is an obvious barrier for consumers for ethical or non-ethical products. However, where price and ethical concerns conflict a decision was often made to purchase a restricted number of ethical products. Shaw and Clarke (1999) also noted that if the products are expensive they fail to meet the ethical issues of affordability.

III. Materials And Methods

A descriptive survey research was used. Total of 210 customers were survey across the major supermarkets in Harare which include OK-Zimbabwe, TM-Pick 'n' Pay, Food World and Choppies. A questionnaire was used as the research instrument. Each item was rated on a 5 point Likert scale ranging from 1 'strongly disagree' and 5 'strongly agree'. Data analysis was done through SPSS and t-test. Validity was ensured by pre-testing the questionnaire. Reliability was good for the product promotion items; alpha= 0.542 as measured by Cronbach's Alpha Values. Good reliability is when Alpha is above 0, 50.

Pricing Approaches and Grocery Retailers Ethical Issues

Table 1: Ethical Issues of Grocery Retailers on Pricing Mix.

N =210	**Means**	Strongly Agree	Agree	Not Sure	Dis-Agree	Strongly Disagree
1. Grocery retailers are charging higher prices than normal.	**2.02**	36.2	41.0	10.0	10.5	2.4
2. Grocery retailers are reducing prices to chase away potential and current competitors.	**3.06**	14.8	19.5	21.0	34.3	10.5
3. Price tags are not shown clearly on products in shelves but appear at tills.	**2.50**	27.1	30.5	12.4	25.7	4.3
4. Price discrimination is done for different residential areas.	**2.69**	21.0	29.0	19.5	25.2	5.2
5. Colluding of prices among retailers in a locality.	**2.87**	12.9	25.2	30.5	24.8	6.7
6. Hiking prices at month-end to reap from customer's pockets.	**2.54**	33.8	21.9	11.9	21.4	11.0

Source: Survey results 2016

Grocery Retailers Are Charging Higher Prices Than Normal.

The mean value was 2.02 it shows that it is a serious issue in the ethics continuum. The percentage analysis gives 77.2% value of agreement that charging higher prices is highly frequent in Harare grocery retailers. Some 12.9% of customer respondents denied on this. Which products were found to be overcharged by most grocery retailers? Overcharging was generally seen on beef, laundry soap, some milk products and some baby foods. The selfish behaviour of making profits at the expense of the poor failing to purchase products is a key unethical challenge facing grocery retailers. This is called price gouging (Paboteeah and Cullen, 2013).

Grocery Retailers Are Reducing Prices To Chase Away Potential And Current Competitors.

The predatory pricing was said to be unethical by various authors. The mean value of 3.06 shows that less people associated grocery retailers with such behaviour. The majority of respondents (44.8%) generally disagreed with the statement. In such behaviour, a large supermarket like OK Zimbabwe, TM Supermarkets, Spar and Food Worldmight sell merchandise at reduced prices to cause new players to be discouraged to enter the market even with ethical price levels. After chasing competitors they then increase prices above industry averages. This approach was labelled as bad by Jobber (2010).

Price Tags Are Not Shown Clearly On Products In Shelves But Appear At Tills.

With the use of bar coding, point of sale finances and credit facilities, grocery retailers deliberately remove price tags on shelves to avoid price comparisons in consumer choice and decision-making. This removes the ethical right of consumers to make informed choices. A mean value of 2.50 shows that significant consumers agreed to this statement.Percentage analysis shows a combined strongly agree and agree value of 57.6%. A smaller figure of 30% disagreed on the existence of such an ethical dilemma in the “convenience products” retailers in Harare.

Price Discrimination Is Done For Different Residential Areas.

The mean value of 2.69 was calculated. For simple description this value shows that this ethical allegation is somehow significant. A significant percentage analysis of 50% agreed to this statement. There is a probability of 50% being not sure and disagreeing by customers. Price discrimination is when the branches of OK Zimbabwe in low density could be charging higher prices compared to those in city center and high density residential areas. Customers will feel alienated if they discover such a discrepancy. Some products in the grocery retailers are varied in response to social class and income levels. What are these products?

Colluding Of Prices among Retailers in a Locality

This got a mean value of 2.87. There was less inclination of collusion in the evaluation of ethical standing of grocery retailers by consumers. They generally felt retailers in the same locality are likely to compete rather than agreeing to sideline consumers. However a percentage value of 38.1% felt that some agreement on pricing is taking place. Retailers seem to be agreeing on the price of some basic products, luxuries and emergency goods. Though 30.5 were not sure 31.5% generally disagreed that this is an ethical issue.

Hiking Prices at Month-End to Reap from Customer’s Pockets

A significant mean value of 2.54 showed that consumers mainly agreed to this ethical statement. New price tags are placed on products when they see high demand and long queues. Unsuspecting consumers are dragged into the net by retailers. Around 55.7% of respondents agreed to this analysis. Prices at month end and day to day operations were perceived as different by consumers. It is labelled as unfair treatment of consumers in the area of prices by SAGE (2012).

Ranking Of Pricing Related Issues Starting With the Most Unethical Strategy

Table 2: Pricing Ethical Issues Ranking

Source: Survey results 2016

Ethical Item (N =210)	Rank	Mean
Grocery retailers are charging higher prices than normal.	1	2.02
Price tags are not shown clearly on products in shelves but appear at tills.	2	2.50
Hiking prices at month-end to reap from customer’s pockets.	3	2.54
Price discrimination is done for different residential areas.	4	2.69
Colluding of prices among retailers in a locality.	5	2.87
Grocery retailers are reducing prices to chase away potential and current competitors.	6	3.06

Hypothesis testing and Pricing Ethics

Table 3: t-Test: Paired Two Sample for Means

	Variable 1	Variable 2
Mean	2.6122	2.5
Variance	0.129233	0
Observations	6	6
t Stat	0.764507	
P(T<=t) one-tail	0.239536	
t Critical one-tail	2.015048	

Hypothesis: There are ethical problems on pricing strategy of grocery retailers in Harare.
H_0: mean ≤ 2.50
H_a: mean > 2.50
We carried out a one tailed t-distribution test at 5% significance level and set to reject H_0 if $T_{cal} > T_{crit}$

This is shown by the t-distribution test diagram below.

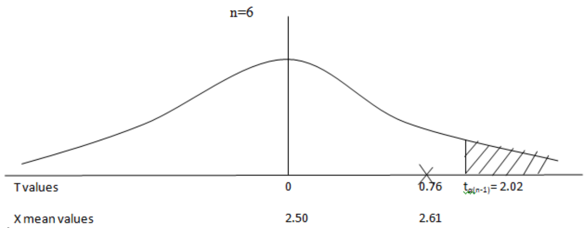

Figure 1: Price Hypothesis Testing

Since t_{eal} value of 0.76 is less than 2.02, we conclude that retailers are generally unethical in their pricing strategies at 5% level of significance. This means retailers need to be considerate of customers when adjusting their prices.

IV. Conclusion

It can be concluded that retail customers face unethical communications through low chances of winning in the sales promotions, high costs promotions, messages encouraging overspending and lying on product benefits and availability. Retail customers are generally sceptical about such promotions. Promotions by retailers are likely to be used to cheat customers.

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