

PRICING IN THE CO-OP

This chapter discusses the pricing of products sold in the Co-op, and whether the prices are right and competitive with prices prevailing outside the Campus.

PRICING POLICY

Are the prices right?

The Management Committee does not follow any definite pattern of pricing the products. Everything is left to the discretion of the Committee members. The object of the Management is to set the prices on the products at the same level as that prevailing in the Kuala Lumpur or Petaling Jaya retail shops, and at times, for certain products even below the prevailing retail price. This is with the exception of those goods over which the Co-op has a monopoly, for example, writing pads and envelopes bearing the University crest. Despite the high prices set on both these goods, demand is extremely high.

However, this object of setting prices at the same level as that prevailing in retail shops in town is not always achieved due to a lack of information on the price of each commodity in the retail shops. The Committee obtains the list of retail prices from the wholesalers from which it orders its stocks. This again has its own problems for some consumers still find discrepancies between the list supplied by the wholesalers and the small shops in town. Consumers have pointed out that they can get things cheaper there.

The Management should realise that the list of retail prices supplied by some wholesalers are sometimes far above that set by the general retailers because such wholesalers would not like to compete with retailers who purchase stocks from them too. Although the

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1. For example, a ream of foolscap paper: Co-op \$2.80, town \$3.00
 2. An example of this, although not sold by the Co-op is the price of records. Wholesalers price for a 45 r.p.m. (Columbia) record is \$2.50 whereas the same record could be purchased at \$2.20 from the retailers. Reason given by wholesaler for this difference is that they do not encourage competition with their retailers.

argument is that it is sometimes impossible to compete with retailers, especially the Chinese retailers, who somehow or other manage to sell their goods cheaply, there must be an obvious reason why the latter can afford to do so and why the Co-op is unable to do likewise. One reason is that they get their goods at a cheaper price and are prepared to make only a very small margin on a particular product if the turnover for it is high.

It would be better for the Co-op to shift their sources of supply and try to get as much of the provisions as possible from some Chinese wholesalers whose prices are generally lower than that prevailing in other bigger wholesalers like Naina Mohamed & Sons, Barkath Stores, etc. This is so because the bigger wholesalers usually have a specific mark-up which they do not lower except in very special cases. In this way, the Co-op can then compete with the small retail shops by charging the same prices as far as is possible. Once the students realise that there is no difference arising between the prices within and without the Campus, they will then prefer to purchase from the Co-op because it saves them the inconvenience of having to travel to town to purchase their requirements, saving them both their time and travelling expenses.

However, only in very few cases is there room for complaints about price discrepancies. For example, books purchased by the Co-op to be sold to the students are priced higher than those set by all other book-shops in town, with the exception of the University Book Store. These books are charged at 43 cents a shilling by the book-shops and furthermore allows 10% discount on Asian Editions. Management says it cannot follow such prices and the books are thus left to collect dust. Obviously purchases are from the wrong source. Incidentally, the Co-op should refrain from selling books. What it should do is to provide a service by buying books for the students and earn the commission arising thereof.

For commodities like drinks, confectionaries, chocolates and toothpaste, there is no complaint whatsoever about the prices because most of these commodities have standard prices. Hence,

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3. A check on the bills of the Co-op provided this fact. The Business Manager obviously forgets about where he purchased certain goods and at what prices. He should refer to old bills for comparison.

generally speaking, the prices set are satisfactory.

Furthermore, the Co-op should be definite about the prices set and wherever there is any price change, the consumers should be made known about it. If not, unnecessary arguments will result and may leave the customer dissatisfied, and from then onwards, he may form an impression that prices of other things follow the same pattern. The establishment of goodwill is very important because it will benefit the Co-op and at the same time leave the customers satisfied that the price charged is reasonable.

The Management should not follow a policy of price discrimination between members and non-members. For example, a ream of foolscap papers cost \$2.80 ~~==~~ for members and \$2.90 for non-members. This is undesirable and is against the objective of "service to members and student population in general".

Are the prices competitive?

Very marked discrepancies of prices at the Co-op and those prevailing outside occur only in very few cases. The general prices set on provisions are usually at or a little below and above normal retail prices. Usual thing is only a difference of 5 cents or so. Therefore, prices set are competitive.⁴

Besides, it will be noted, that students who are the main consumers find that such slight differences are not worth bothering about since they find it inconvenient to go to town whenever they need something. The Co-op has in a way a monopoly over its sales, especially of stationery bearing the University crest. Mark-up for such writing pads are very high (80.5%)⁵ and envelopes carry a .60% mark-up. Although such mark-ups appear to be unfair, it is still imposed because this is the primary source of revenue to help cover working expenses. There is no reason for the Management to lower prices here.

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4. For a list of such products refer to chapter on product analysis.
 5. Writing pads: cost price 72 cents, selling price \$1.30.
 6. Envelopes: cost price 22 cents/20 envelopes, selling price 35 cents.
 7. It is interesting to note that demand for such stationery is very high without any complaints whatsoever from the consumers!

Conclusion

There is no definite policy concerning the percentage mark-up to be placed on the different products. The practice now is to charge the normal retail prices, regardless of whether the margin is high or low so long as it is a positive percentage. On the whole, prices are competitive with only very few cases for complaints by customers. This must always be the normal practice because it is a flexible approach. Volume of sales will be encouraged when only a little or no difference arises between Co-op prices and those prevailing outside. With purchases from cheaper sources than the present, size of profits can be increased when turnover is high. Net profits will be possible after deducting working expenses and the problem of having to run the Co-op at a loss will be solved.

