Editorial

Journal of Revenue and Pricing Management (2014) **13**, 81–82. doi:10.1057/rpm.2014.10

PRICING INNOVATIONS

The OECD is warning that the European economy is flat with deflation hanging over our heads. Deflation if it's persistent can be a very nasty problem. Consumers have an incentive to delay buying things that might be cheaper in the future. It can also aggravate debt problems. Company revenues may fall, personal incomes can drop in cash terms, but debts do not. So deflation is not good for consumers and business. Deflation is a symptom of the continuing Eurozone crisis, but every crisis has a silver lining and consumer spending and behaviour patterns change. In response to rising unemployment, 2013 saw the Portobello supermarket (portobellomodena.it) in Modena, Italy launch a pricing system whereby each item is valued in points, not Euros. Points are issued by the Social Services of the City of Modena to local residents, following a means testing process. The most needy receives the most points to spend. The supermarket is in part run by volunteers, made up of participants in the scheme or by working Modena residents who wish to help. Residents can also help by donating grocery items or money. The local government hoped the scheme would provide a space for disadvantaged residents to contribute and benefit, while also ensuring that welfare benefits are spent on grocery items. Three drivers shapes this concept: *The Good Company*, *A Cashless Society* and *Professional Budgeting*.

THE GOOD COMPANY

No company would now say out loud that it is preoccupied only with the pursuit of profit or

generating maximised shareholder returns. *The Good Company* trend captures the potentially contradictory nature of European shoppers. For while we want our companies to be engaged with Corporate Social Responsibility programmes, few will be willing to pay *extra* for products as a result. Similarly, while many now *expect* brands to be helping for good causes, we want to feel that such activities are genuine and not a form of public relations. Eurozone crisis, if it remains the case, will embed behavioural change. Faced with such conditions, some might well question the commercial benefit to be gained from embracing *The Good Company* trend with serious energy, asking if it has become little more than a hygiene factor rather than one that leads to tangible differentiation. But herein lies the crux of the challenge presented by this trend: to meet simultaneously the consumer's demand for high quality, value *and* responsibility and thus prevent them from looking elsewhere for a *feel-good* factor when they make their purchases. *The Good Company* trend is found in www.HonestBy.com, which is a fashion retail Website featuring designer clothes where every single element of the pricing strategy is openly revealed – including cost of materials, labour and even the mark-up. According to the brand, the concept behind Honest by is to offer designers and brands a public platform to share their own design processes. By communicating all information regarding a garment's production process, the site wants to shed light on the questions of where and by whom a product is made.

CASHLESS SOCIETY

Serious energy is being invested in the development of cashless forms of payment – from ‘contactless’ cards to mobile tools, which allow consumers to complete transactions without even removing their phones from their pockets. And we must expect innovations in this space to be near-relentless as the rest of the current decade unfolds. In the early 2010s, cashless forms of payment nevertheless retain something of a novelty feel; they are yet to enter the mainstream and remain surrounded by suspicions about security and practicality. But in the coming years, we have to anticipate that such concerns will be subject to considerable attention from brands keen to convert the masses to cashless forms of payment and thus create a landscape in which transactions can be enacted quickly, conveniently and seamlessly. Barriers to adoption *will* be overcome and millions of Europeans will think it perfectly natural to use their mobile to pay for items (certainly low ticket ones) on a daily basis. The mobile phone has already successfully challenged the supremacy of so many other objects in our lives – alarm clocks, calendars, fixed-access Internet platforms – that our wallets are bound to fall under similar levels of pressure. Along the way, the rise of cashless payments will inevitably shape consumer attitudes towards speed and convenience. Few will tolerate any delay as they wait in line for the cash register; indeed, we might wonder whether the very idea of queuing in a designated part of the store will itself become obsolete. In a *Cashless Society*, we will want to make our payments anywhere at any time. This trend manifests in Ushuaia Ibiza Beach Hotel (www.ushuaiabeachhotel.com), which started using a system from PayTouch that allows guests to pay for their stay using just their fingerprints. Upon arrival, individuals can register to use the service by handing over details of their payment card as well as biometric data about their right index and middle fingers. Subsequently, they can use special readers installed at all payment points across the hotel in order to pay for items. The service, which is free,

also gives guests access to special discounts, prizes and promotions. In addition, individuals can keep track of their transactions via an online account.

PROFESSIONAL BUDGETING

The global financial crisis and recessionary after-shocks have promoted an intensified scrutiny of personal outgoings and household budgeting to the top of the list of European consumer priorities. Economic downturn became an open invitation to consumers – even those at the more generous end of the income spectrum and those inhabiting countries that avoided technical recession – to reinforce personal control over finances. We are struck by how pan-European an aspiration the close monitoring of finances has become, reinforced, certainly, by governments and the EU itself introducing austerity measures and tightening their own spending. Meanwhile, successful budgeting itself has become enriched with a new sheen of social capital with large proportions claiming to share money saving-related tips and advice with fellow consumers. It has become regarded as a highly prized skill with, as we say, valuable social capital attached. While a phenomenon largely born of downturn psyche, *Professionalised Budgeting* has become such an integral feature of today’s Europe that we posit here it will endure well beyond a full return to sustained economic health. A trend manifestation is Kochhaus (www.kochhaus.de), which is a boutique supermarket in Germany which hopes to make the process of planning meals easier by offering detailed but streamlined advice and tips to its customers. Inside a store, shoppers can consult recipe idea boards that list the various ingredients needed for a meal together with an image of the final product and its total cost. Undereath the board, meanwhile, are the various components needed to create the meal in question.

Ian Yeoman
Victoria University of Wellington, New Zealand
E-mail: ian.yeoman@vuw.ac.nz