

# Analysis of Pricing Strategies of Handloom Products in Mizoram

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## Abstract:

This study explores the pricing strategy of handloom products in Mizoram to better understand the factors that determine the pricing of handloom products in Mizoram and to highlight any gap in the use of pricing strategies. The study is based on a data of a sample of 384 individual handloom workers collected through convenience sampling using a questionnaire. The study reveals that cost plus strategy was primarily used pricing handloom products in Mizoram. The pricing strategy mainly focused on assigning monetary value of products to capture a desired level of profit. It was found that the use of pricing as a marketing and management tool was negligible in Mizoram. This highlights the need for training and developments that enable the handloom workers to incorporate managerial and marketing strategies through pricing strategies in Mizoram.

**Key words:** Handloom, Marketing Mix, Marketing, Pricing, 4Ps

## 1. Introduction

Handloom weaving has a rich history in India, with evidence of Indian-origin cloth with swan prints discovered in Egypt. While the exact period of handloom weaving's origin is unknown, experts estimate that it predates 5000 BC. (Mishra & Mohapatra, 2021).

The Fourth All India Handloom Census reports that the number of households in India involved in handloom activities, such as weaving and allied activities, has increased from 27.83 lakhs in the Third census to 31.45 lakhs (Ministry of Textiles, 2020).

According to the 4th handloom census, Mizoram has a total of 27,540 handloom workers household which has been a decrease form the 3<sup>rd</sup> handloom Census which recorded 39,499 handloom households. The average cloth per metre output for rural weavers was 4.73 metres per day and 3.29 metres per day for urban weavers. According to the 4th handloom census in Mizoram, out of the 27,540 weavers, 23,020 mostly marketed their product in the local market (18,810 rural and 4210 urban). Amongst other things one of the primary issues with the handloom industry of Mizoram is in marketing. As such this study explores the various strategies of pricing of handloom products in Mizoram to better understand and highlight existing marketing gaps with regards to pricing.

## 2. Price in the 4Ps

Marketing has been described as a series of processes that focuses on creating value for customers (Kotler, Armstrong, Adnihotri, & haque, 2010). To design an effective marketing programme that meets the needs of an organisation, the marketing manager must examine behavioural dynamics and carefully mix and balance the marketing elements, all the while keeping a close eye on the resources at his disposal. (Borden, 1964).

In order to better navigate the various elements of marketing, McCarthy highlights the marketing concept McCarthy proposes placing the consumer at the point of focus and broadly classifies the marketing variables into four components which are Product, Price, Place and Promotion – the four P's of marketing mix (McCarthy, 1960).

With reference to Price, Blattberg & Winniewski (1989) states that consumers use price as an important extrinsic cue and indicator of product quality or benefits. High-priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts than low-priced brands. Price as we understand it, is the monetary cost paid to purchase a product, price is “everything that the acquirer gives up to obtain the benefits” (Yudelsohn, 1999). The importance of price is that it is the catalyst of exchange and plays, according to Jr & MaCarthy, (2002), plays a direct role in the shaping of consumers value, highlight that price is an important element in establishing customer satisfaction. It determines the perception value of worth for a product or services that consumers are willing to pay

The price given to a product may not necessary be the final purchase deciding factor but it forms an important scale of measure for the decision (McCarthy, 1960). The concept of pricing, as highlighted by Simon (2020), is based on the delivering value, differentiation, fairness, cost determination, balance.

Jr & McCarthy (2002) suggest that the pricing policies need to address a) the degree flexibility of the prices b) the levels of price setting over the lifecycle of the product c) how and to whom will discount and allowances be given d) the way in which cost of transportation will be addressed. Jr & MaCarthy (2002) further explain that the Pricing objectives should be profit oriented, sales oriented and status quo oriented within this frame work one need to understand whether to choose a flexible pricing policy or a one price policy. Other considerations in Pricing a product, it is important to take into account the fixed and variable cost, the pricing of similar products, the firms objectives, the product positioning plans, the target market group and the willingness of customers to pay and their ability to pay. Higher prices may lead to higher profit margins but lower turnovers. In some instance price may serve as a strong promotional tool and can reinforce the marketing efforts. It is believed that price has the ability to influence the buying decision and satisfaction of customers acting as a weigh scale to justify value of products (Khan, 2014).

Marketer needs to understand the application of discount pricing (which generates volume), which may be cumulative (discount which increases over a period of regular purchase tying the buyer to the seller generating repeat purchases), noncumulative (discount offered to bulk individual bulk purchases). The non-cumulative discounts can be in the form of seasonal discounts, trade channel discounts, sale price discounts. Another important aspect in Pricing Policy is the allowance which are reduction in price for doing something or accepting less for something, allowances can be in the form of advertising allowances,

stocking allowances, push money allowances, trade-in allowances. Another basis of pricing consideration is the FOB Pricing – zone pricing, uniform pricing, freight-absorption pricing. While Some of the pricing strategies mention by (Khan, 2014) (Kotler, et al., 1999) are: a) Cost-based pricing (adding a certain profit percentage mark up to the cost of production), b) Break-even Pricing ( price set by calculation cost recovery rate and targeted profit), c) Competition-based Pricing ( setting price in line with competition) d) Customer-value based Pricing ( setting price according to what consumer feel is worth). Another important concept in pricing strategy is the concept of price discrimination, which has been described unclearly as to be the pricing of a same product differently for different consumers (Paczkowski, 2019).

### 3. Pricing aspect of Handloom products

Pricing is an important component of marketing strategy, however the pricing approach now applied in handloom use does not appear to be sensible. All items have a standard markup, regardless of whether they are aimed at the lower, middle, or upper end of the market. This technique may not be appropriate because upper-market consumers are less price-sensitive and are typically ready to pay more for higher-quality items. Thus, different markups for different products may be advantageous in order to capture the maximum possible value from different market segments (Thakur, 1995). The importance of price in handloom products is further highlighted by Ismail & Safrana (2015), they, in studying the various aspects of the 4Ps and its relation to customer satisfaction found that the price of handloom products had a correlation value of 0.492 with customer satisfaction. This implies that the price of handloom items is a driver of consumer satisfaction and, as such, an important component in handloom product marketing.

In studying the pricing strategy for handloom products in Sualkuchi, it was found that pricing in handloom is closely tied to the cost of production, which in turn is influenced by the costs of yarn and labor wages. The cost of yarn tends to increase due to the significant involvement of intermediaries (Das, 2008). Further, according to Kumar's (2010) study, in the Prakasam district of Andhra Pradesh, both individual and cooperative, believed that the cost of production should be the primary factor in determining the pricing of the product. However, overall, weavers felt that pricing should consider the cost of raw materials. Only a minority of weavers believed that pricing should be based on market demand and competition.

Studies by Ramswamy & Kumar (2013) expresses that pricing seems to be a relevant marketing concern in the Mizoram handloom industry. Weavers have inadequate margins and make insufficient profit on their products. This is followed by a drop in demand and dealers refusing to provide a fair price for their goods. The fundamental issue generating these marketing issues is the reliance on a few retail channels. These outlets take advantage of entrepreneurs by maintaining a high profit margin on their products, reducing the entrepreneurs' profits. As a result, price is critical to the profitability of handloom items, and reliance on retail outlets can have a considerable influence on pricing and profit margins. Also, studies have observed that the handloom sector in Mizoram uses a cost-plus pricing strategy to determine the price of their products. This strategy takes into account the cost of raw materials, labor, and distribution agents (Hmangaihzuali, 2014).

In their research titled "Promotion of Handloom Products with Special Reference to Handloom Weavers Co-Operative Societies in Erode District," Kumudha & Rizwana (2012) examined the impact of promotional activities on the sales of handloom societies. The study found that discounts and cash rebates

were the primary price-based marketing tactics used by these societies. Other studies have highlighted that the aim of pricing in handloom industry is to increase volume sale and stay competitive as such, the prevailing pricing policies are not uniform and are competition-oriented. Profit margins and goodwill have also been found to be important factors considered when determining prices (Malik & Singh, 2015). The aim is to increase sales and remain competitive in the marketplace. Rizwana (2016) found that in Tamil nadu most of the handloom societies strongly believe that the price of raw materials plays a vital role in determining the price of their products, followed closely by government regulations. In addition, it was found that cost-based pricing was the primary pricing strategy. Furthermore, she expresses that all societies offer a 20% rebate throughout the year and stress the importance of a low price and high-quality relationship for handloom products.

Based on the above literatures, it can be said that pricing is a critical component of handloom marketing strategy. The current pricing strategy, is primarily based on a system of uniform price markup for all products, which may not be optimal as consumers in different market segments may have varying price sensitivities. The above literatures show that the cost of raw materials, cost of production, and government regulations are important factors in determining the price of handloom products. Further, the literatures highlight that s Cost-based pricing is the most used pricing strategy with the handloom industry. Further pricing has been used in the industry as promotional tools in the form of discounts and cash rebates.

**4 Research design**

Handloom weaving plays a crucial role in the cultural and economic aspects of Mizoram. Previous studies have, however, highlighted issues related to the marketing of handloom products. To address this, the present study aims to investigate the pricing strategies used in the handloom products of Mizoram, with a focus on three districts namely, Aizawl, Lunglei, and Serchhip. The sample size for the study was determined to be 384, with a confidence level of 95% and a confidence interval of 5%, calculated using Creative Research System Survey Software. The study utilizes both primary and secondary data. Primary data was collected through field surveys using a convenience sampling method, while secondary data was gathered from published reports, census reports, journals, books, and other publications from government agencies and organizations. The collected data was analyzed using simple statistical tools and presented in tabular format.

**5 Data analysis**

**Table 1: Price Setting Parameters in Handloom**

Response/ statistics		Mizoram	
		Freq.	%
Cost Plus	Never	1	0.3
	Sometime	24	6.3
	Mainly	222	57.8
	Always	1	0.3
Competition rate	Never	3	0.8
	Sometime	185	48.2
	Mainly	58	15.1
	Always	1	0.3
	Never	1	0.3

Premium	Sometime	14	3.6
	Mainly	78	20.3
	Always	3	0.8
Value based	Never	1	0.3
	Sometime	13	3.4
	Mainly	122	31.8
	Always	9	2.3
Skimming	Never	54	14.1
	Sometime	4	1
	Mainly	5	1.3
	Always	0	0
Going Rate	Never	1	0.3
	Sometime	65	16.9
	Mainly	160	41.7
	Always	1	0.3
Discount & Allowance	Never	18	4.7
	Sometime	37	9.6
	Mainly	7	1.8
	Always	0	0

Source: compiled field survey data

Table 1 shows that in Mizoram that most handloom producers (57.8%) ‘mainly’ use a cost-plus pricing strategy. With regards to pricing based on competition rates, majority of producers (48.2%) ‘sometimes’ set their prices in reference to prevailing competition rates. It was also observed that 41.4% primarily base the price of product based on the current market rates form similar product. Further it was observed that 31.8% ‘mainly’ establish the price based on their assessment of the value of the product.

Further, 20.3% ‘mainly’ adopt a premium pricing strategy. Regarding value-based pricing, most of the producers (31.8%) mainly use this method while a small percentage of producers (0.3%) never use this method, while 2.3% always use it.

It was also found that skimming pricing was largely not practiced, only a small percentage of producers (1.3%) mainly use this strategy. Regarding the practice of discounts and allowances in the pricing strategy, it was found to be negligible.

Overall, the data shows that Mizoram handloom predominantly priced based on cost-plus pricing and are less likely to use aggressive pricing methods such as skimming or frequent discounts and allowances. A considerable number of producers also adopt value-based pricing and competition-based pricing.

**Table 2: Pricing Setting Consideration**

Response/ Statistics		Mizoram	
		Freq	%
Labour Cost	Never	5	1.3
	Sometime	13	3.4
	Mainly	66	17.2
	Always	2	0.5
	Never	0	0
	Sometime	9	2.3

<b>Profit margins</b>	Mainly	106	27.6
	Always	140	36.5
<b>Material Cost</b>	Never	1	0.3
	Sometime	9	2.3
	Mainly	92	24
	Always	164	42.7
<b>Sales Turnover</b>	Never	1	0.3
	Sometime	15	3.9
	Mainly	67	17.4
	Always	0	0
<b>Credit Period</b>	Never	1	0.3
	Sometime	10	2.6
	Mainly	59	15.4
	Always	1	0.3
<b>Daily Cost requirement</b>	Never	2	0.5
	Sometime	11	2.9
	Mainly	55	14.3
	Always	2	0.5
<b>Other production Cost</b>	Never	52	13.5
	Sometime	40	10.4
	Mainly	0	0
	Always	0	0
<b>Discounts and Allowances</b>	Never	23	6
	Sometime	6	1.6
	Mainly	63	16.4
	Always	16	4.2
<b>Promotion Cost</b>	Never	1	0.3
	Sometime	1	0.3
	Mainly	62	16.1
	Always	59	15.4
<b>Agent Commission</b>	Never	2	0.5
	Sometime	2	0.5
	Mainly	38	9.9
	Always	17	4.4
<b>Expected Profit</b>	Never	2	0.5
	Sometime	4	1
	Mainly	59	15.4
	Always	13	3.4

Source: compiled field survey data

Table 3 shows that the most considered factor in price setting of handloom product is the cost of materials (69%) followed by profit margin (64.4%) consideration, promotion cost (31.8%), discounts & allowances (22%), labor cost (21%), expected profit (19.8%), credit Period (18.3%), daily requirements (17.2%), agents commission (14.8%), and other production cost. This suggest that the cost of materials in a primary consideration while setting the price of handloom product.

Furthermore, with regards to the frequency of consideration it was found that, 27.6% mainly consider profit margins, 24% mainly consider material costs, 17.4% mainly consider sales turnover, 17.2% said they mainly consider labor costs, 15.4% mainly consider promotion costs. A relatively small proportion

of respondents mainly consider credit period (15.4%), agent commission (9.9%), and expected profit (15.4%).

Overall, although the cost of material is relatively considered in price setting, incorporating profit margins in the pricing of handloom products is more important in the overall price setting consideration. It is important to note that some respondents may have considered multiple factors in their pricing decisions and the table does not show the degree of overlap between them.

**Table 3: Price Discount**

Response/ statistics		Mizoram	
		Freq	%
<b>To Fight Competition</b>	Yes	82	21
	No	67	17
<b>To Increase Sales</b>	Yes	187	49
	No	197	51
<b>Discounts During Festive</b>	Yes	105	27
	No	105	27
<b>Change In Season</b>	Never	88	23
	Sometime	77	20
	Mainly	11	3
	Always	2	1
<b>Year-End</b>	Never	59	15
	Sometime	42	11
	Mainly	7	2
	Always	1	0
<b>Stock Drop</b>	Never	58	15
	Sometime	39	10
	Mainly	33	9
	Always	6	2

Source: compiled field survey data

With regards to the use of price discounts Table 4 reveals that the most common reason for offering price discounts is to increase sales, with 187 respondents (49%). In contrast, only 82 respondents (21%) reported using discounts to fight competition.

Further, with regards to the timing of discounts, it is found that 27% offer discounts based on festive seasons, followed by 34% offer discounts based on changing seasons. The practice of offering discounts at year end and to get rid of old stock was found to be negligible.

Overall, the data suggest that while price discounts are commonly used in Mizoram, they are primarily employed as a strategy for increasing sales rather than competing with rivals. Additionally, there is little evidence that discounts are frequently used in response to external factors such as seasonal changes or stock fluctuations.

**Table 4: Credit Provision Statistics- Mizoram**

Response/ statistics	Credit sales	Regular Custom ers	Govt. Institu tions	Whole salers	Agen t	Corporat e Customer s	Friend s and Family	Duratio n of Credit	
N	Valid	248	187	1	16	19	0	29	205
	Missing response	136	197	383	368	365	384	355	179
Mean	1.2	1	1	1	1		1	2.2	
Median	1	1	1	1	1		1	2	
Mode	1	1	1	1	1		1	2	
Std. Deviation	0.402	0		0	0		0	0.796	
Variance	0.162	0		0	0		0	0.634	
Skewness	1.497							-0.091	
Std. Error of Skewness	0.155	0.178		0.564	0.524		0.434	0.17	
Kurtosis	0.241							-0.878	
Std. Error of Kurtosis	0.308	0.354		1.091	1.014		0.845	0.338	

Source: SPSS output of field survey data

Analyzing Table 4, with regards to the extension of credit, the results indicated that the average duration of credit provided by businesses in Mizoram is 1.2 months, with a median and mode of 1 month. In terms of type of customers to whom credit was extended it was found that Regular customers have the highest frequency of credit sales, followed by friends and family, Agents, and wholesalers. The skewness of the credit sales distribution is 1.497, indicating a right-skewed distribution, with most sales occurring at lower credit durations. The kurtosis is 0.241, indicating a relatively flat distribution.

Overall, the table suggests that credit sales are a common practice in Mizoram, with regular customers being the most common recipients of credit. The relatively short duration of credit suggests that businesses in Mizoram prefer to maintain a low level of risk associated with credit sales. Also, the high skewness value suggests that most sales occur at lower credit durations, with a smaller proportion of sales occurring at longer credit durations. The flat kurtosis indicates that the distribution of credit sales is relatively uniform.

### 6 Findings and Discussions:

The pricing strategy of handloom products in Mizoram is primarily based on cost plus, with factors such as of cost of materials, profit margins, space for discount, labor cost being important components. It was also found that other parameters such as competition prices, perception of product value were important in setting the final price of a product. This indicates that a certain degree of price discrimination is being practiced in the handloom industry. Further, it was found that discounts were not extensively offered and when offered they were primarily used to address the competition. With regards to credit sales, it was



found that credit extension was relatively prevalent in the market but often for short durations. Further it was found that credit was extended primarily extended to regular customer and agents/ middlemen.

From the study it was further found that the pricing strategy of handloom products in Mizoram primarily serve the basic purpose of determining value of a product. Its use as a marketing strategy is relatively limited to increasing volume sales through discounts which is practiced by 49% of the respondents. It was also found that the extension of credit was extensively practiced. It was observed that the price setting parameters mainly considered the variable cost and established a price point based on desired rate of profit.

### 7 Conclusion and Suggestion:

Although the pricing strategy of handloom products in Mizoram have addressed the determination of product value. The use of pricing as a marketing means needs to be incorporated. The producers/ weavers need to include such as psychological “charm” pricing, premium pricing, the use of pricing as a means for product differentiation, market capturing tool and not base heavily on competition rates.

Further, management and marketing skill development programs needs to be conducted in order to developing the entrepreneurial skill of weavers/ producers and other individuals associated with the handloom industry in Mizoram

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