



## Analysis the pricing policies and decisions of different firms: A case study of IMT Manesar area's firms

Sunil Kumar

Assistant Professor, Department of Commerce, Govt. College Sidhrawali, Gurugram, Haryana, India

### Abstract

Pricing policy of a product is a very crucial decision in 4 P's of marketing mix for a firm. If a firm has to analyze various factors deeply at the time of determination of price of a product and factors affect differently to different firms even a single firm which produces different kind of products may affect differently with the same factors. It is very difficult to make a universal or mathematical formula for determination of price of a particular product. A firm uses different kind of strategies for determination of pricing and takes different decisions in different circumstances. In this research paper, the author makes a comparative analysis of different kind of pricing studies used by different firms. There is an approach to many firms' doors and with the help of personal investigation interview it is trying to understand the process, methodology and decisions taken for pricing determination by a firm. There are various present studies discussed deeply and matched with actual criteria of firms to take the decisions regarding the pricing of a particular product or chain of products.

After studying different kind of pricing studies and different firm's behavior, it is concluded that there is no universal formula or methodology to decide pricing studies of a firm. Various factors affect to decisions of funds at the time of deciding pricing strategy and these factors are very dynamic in nature and subject to change according to human psychology, government intervention, nature of the firm, nature of the product, market analysis, demand and supply behavior etc. A firm has to analyze the types of market such as perfect competition or oligopolistic competition or monopolistic competition or Monopoly competition at the time of deciding the pricing strategy regarding the product. In this research paper it is analyzed deeply and found out that pricing strategy is a dynamic in nature and subject to vary firm to firm and it is related to psychological as well as internal and external factors which affect a firm.

**Keywords:** Pricing policies, strategies, MDS, PLC, skimming, penetration, 4 P's, marketing mix, Bait policy, competitors, internal & external factors, marginal pricing etc

### Introduction

Price determination is a crucial work in marketing functions. It is not only important for a particular firm but also important for its mediator consumers and whole economy. The prices of the products also decide the competitive stamina directly of a firm with other firms. Consumer decision is largely affected on the basis of a price of a product. It is the pricing decision which affects inflation rate in an economy. Pricing decision is one of the main factors of 4 P's marketing mix namely product, price, place, and promotion. A marketing manager uses pricing tools as a weapon to achieve its organizational targets. All the factors of marketing mix create cost except price. Price is only one element that creates revenue for the firm and compensates all the cost of the marketing mix factors. There is a requirement of time gap to change the other marketing mix factors except price because price is a dynamic entity which can be changed instantly and it largely affects all the decisions of the firm and all the factors rapidly. All firms take their pricing decisions on the basis of various factors such as types of market i.e. monopoly, perfect market or imperfect market, competitor strategies, substitute goods, price trends of the market, future growth etc. Pricing decision is one of the complex decisions for any kind of firm as success or failure of a firm depends on this factor. Price reflects the exchange value of goods and services in terms of monetary form. If a firm makes appropriate pricing policy and decisions of its product then it can easily achieve its objectives without any kind of hindrance and if every factor of multi mix is good except price then a firm cannot

compete to its competitor as well as cannot achieve their objectives easily. Pricing objectives help for the firm in survival, profit maximization, price stability, public image, market share, target return on investment, skimming or penetration and preventing competition etc.

This research paper would discuss on various pricing policies and decisions taken by a firm to determine the price of its products. Different price policies are suitable for different products because a product's nature and demand as well as supply decide its price. Some price policies are relevant for perishable goods or daily use goods as well as some policies are good for luxury goods and some are important for intermediate goods. Types of goods' nature is a primary factor to decide the pricing policy of a particular good.

### Objectives

The main objective of the paper is to analyze the pricing policies and decisions of various firms at the time of determination of price of different products. The price of a particular product is based on various factors like trends of market, competitor position, nature of the product, elasticity of product, use attitude of people regarding the product, necessity of product in life etc. This paper would critically analyze the different firm's product price policy and various types of pricing studies taken by different firms. As well as the objective of the research paper is also to find out the basis on which a product price strategy is found out by a firm in a repeated manner. The main objective of this research paper is to find out the pricing objectives on which the firms

pricing policies based such as survival of the firm, target return on investment, profit maximization, price stability, maintaining market share, increasing market share, meeting or preventing competition, meeting the competition, preventing the competition, public image, cash recovery, skimming the market cream etc. are sum of the pricing factors on which a firm take its pricing decision.

There are different factors which influence pricing decision of a firm which are broadly divided into two factors firstly internal factors secondly external factors. In internal factors, it can be organizational factors, marketing mix, produced differentiation, cost of the product, product life cycle, pricing objective, channel of distribution, promotional efforts, product characteristics and secondly national factors, product demand, elastic or elastic demand, perfect demand, competition cost of resources, stage of the economy, government rules and policy and ethical values etc.

### Hypotheses

In the research process, first of all we have to create working hypothesis and if working hypothesis is found nil than we have to create null hypothesis and if it is also incorrect than we have to choose alternate hypothesis because alternate hypothesis can't be dis-approve according to the research criteria. So there is a statistical testing requirement needed for working hypothesis and null hypothesis because both can be disapprove. In statistical measurement, working hypothesis is denoted by 'H' and null hypothesis is denoted by 'H0' and alternate hypothesis is denoted by 'H1' or 'Ha' respectively.

Problem statement is discussed with academician's, research scholars, peer groups and following hypothesis is conclude for this research paper:

1. Firms use similar pricing decisions for all kind of products
2. Firms use different kind of pricing policies for different kind of products

### Research Methodology

This research paper is mainly based on qualitative techniques and personal interview of marketing managers of the firms. There are twenty three firm included in this research prospective and the selections of firms are purely depending on the convenience of unit and nature of products of the firms and all firms are related from IMT Manesar area. The scaling of the units are based on various factors such as subject orientation response of firm, degree of subjectivity, scale properties, number of dimensions and construction techniques are used in scaling. Arbitrary scale is used in this research paper due to the variations in units and to find out the estimated results. Multi dimensional scale (MDS) is also used in this research paper. Data is collected by different methods but interview and projective techniques are also used as well as content analysis is also used in the search paper. Secondary data is also collected from the reliable sources as per the suitability and adaptability of the data.

### Pricing Policies of the Firms

Pricing policy of a firm depends on different kind of factors and it may be competition oriented and demand oriented or it may be cost oriented dominant pricing policy. Various factors are dominant in deciding the pricing policy of a firm

such as competition level, market analysis, behavior of the consumer, nature of the product, goodwill of the firm, market share of the firm etc. The comparative analysis of different kind of firms pricing policies are as under:

**Cost Plus Pricing Policy:** Under this pricing policy, the expected percentage of profit is added in the cost of a product to determinate the pricing of the product. This policy is very easy to understand and provide profit certainty. It is socially feasible policy because it adds a percentage of profit in the product cost. It demoralized the unnecessary competition and this policy is suitable in dynamic circumstances. On the contrary, this policy not considered the demand and competition level it consider only profit. As well as, this policy not considered the marginal cost and this policy is not suitable for new product pricing selection. To overcome those demerits of this method, the markup method is used at present.

**Marginal Cost Decision:** It is contribution pricing method and use to acquire the variable cost and some part of field cost. This policy is used where the fuller utilization is not going on of production capacity. It is incremental cost pricing method and it is used by those firms which produce different kind of products and selling its products on good profit. This method is helpful to those firms who are using its personal brand and as well as if fun want to introduce its product in new market then this method is most suitable. On the contrary, this method cannot be used for a long time because it can shut down the firm and it can occurred harmful impact on the firms goodwill

**What the Traffic can Bear Pricing Policy:** Under this method, there is no prefixed price decide of the product and there is no particular procedure adopted to decide the price of a product. Seller decides the price of a product according to the purchasing power of a buyer. Seller decides different price of the same product for the different buyers. In other words, the price of a product is decide according to the pocket of a buyer. It is very convenient method and promote to bargaining theory of economics. This method can be good for a short period but not for a long period and as well as, it also decrease the good deal of the product and it decrease the commitment of the firm and not good for survival of the firm. This price in policy is suitable in monopoly market condition only.

**Market Penetration Price Decision:** This pricing policy is applicable at the time of product enter in the new market. The main motto of this policy is to enter the product in new market that's why a firm has to decide low price as comparison to its competitors. This policy is adopted in product preliminary stage or introductory stage and at the product is accepted by the market the price of the product is increased gradually. Nirma washing powder used successfully this pricing policy. Firm can adopt this pricing policy is goodwill is already good in the market as well as its volume of sale is much better than competitors.

**Skimming the Price Policy:** This policy is decided when a firm want to get maximum profit from the market due to its innovative product or innovative technical of the product or substitute product is not available in the market. The product price is decided high due to product monopoly or

unique feature of product. As the competitors enter in the market with substitute product then the firm decreases its product price. The example of skimming price policy firms are computers, inverters, digital watches, calculators, mobiles and gaming firms etc.

**One Price Policy:** Under this method, firm decide standard price of its product for all categories of customer and the price of product is always same and not since by the firm for different class of buyer. These policies are adopted by those firms who consider their quality and service of customer. Buyers like very much this policy because they know that form get same price from all type of customer and there is no any exploitation.

**Flexible Price Decision:** According to this policy, there are different price are taken from different kind of buyers and this different price is depend on purchasing quantity, delivery location, bargaining power of suppliers and buyers, buyers capacity to pay, mutual relationship of buyer and seller etc. This policy is mainly adopted for the products which are not standardized and seller is free to decide the price according to the market conditions.

**On the basis of Price Level:** According to the price level policies can be decided into three categories namely meeting competition price in policy under the market price in policy and above the market pricing policy respectively. According to meeting competition pricing policy the prices decided in the shadow of competitors product price and the market condition is completely ignore. In under the market price in policy if firm decide its product price some below the current substitute product price and this policy is better for the firms who want to increase the market share. The phones which quality and goodwill is much better than it's completed decide above the market pricing policy.

**On the basis of Geographical Conditions:** There are various pricing policies with depend on the transportation cost and geographical condition of a buyer. Uniform delivery pricing policy is adopted by the firm's equal price from all buyers who live different areas in a country. This policy is also called F.O.B which means the transportation cost is include in product price. Production point pricing decision is adopted by the firms on the basis that form decide its product price up to the factory gate and all expense occurred by buyer with who are far from the factory. It is also called factory pricing policy or F.O.B. at Factory Price Policy or Ex- Factory Price or Mill Price. Under this policy if firm get transportation expenses up to the factory gate and after the factory gate all kind of transportation expenses incurred by buyer and the risk is also with buyer. In zonal delivery pricing policy, for decide the various zones in a country and decide the product price according to its zone all kind of transportation expenses in curd by the firm up to the zone and after the zone a customer have to pay or sustain all expenses. At the same manners firm may decide basement pricing policy rate absorption pricing policy and home delivery pricing policy according to geography and conditions and various factors.

**Line Price Policies:** line price policy is categorized into two policies namely price lining policy and full line pricing policy. In price lining policy, a firm categorized its product

according to its price quality and standards. Firm categorized its product in Likert scale and the price of the product is decided in ascending order. Bayer decide the product according to its requirement purchasing power etc. on the contrary full line pricing policy, firms make its product in different size and weights of a complete line of a particular product and decide the price of product in ascending order but two products price gap is not more.

**Pricing Policy based on Specialties:** On the base of specialties a firm can adopt different kind of policies such as unit pricing decision is taken by a firm when it sales of its product in different weight and size and firm right all price on all kind of product label. In Bait pricing policy, a firm put same product into two standard quality and first of our it so minimum price product which have low standard and after that firm get calculate different kind of demerits of this product and so upper class product quality in front of customer. In psychological passing policy firm decide its product price in the manner that shows that firm product price is less. Bata Shoes Company and Philips Company use this psychological pricing policy. In old pricing policy, a firm decide its product price in odd numbers instead of even numbers and there are customary pricing policy decided by the firms for those products which are regular in use and if the price is increase of these products buyer can oppose this like newspaper, chocolate, panpara etc. and prestige pricing policy is adopted by the form for luxurious goods like jewellery, big freeze, television and furniture etc. In-captive pricing policy, a firm decide low price of main product and high price of its auxiliary product for example all out machine is the best example of captive pricing policy. If a firm have lot of wealth for its future growth then it can decide the loss leader pricing policy and sale it's product in loss and when it increased market share than increase the price of the product. In oligopolistic market, a firm decides leader pricing policy and in monopoly pricing policy a firm adopt in monopolistic market respectively. Duel pricing policy is also adopted by a firm under which a firm sale at lower price its product to government and social welfare organizations and sale same product in upper price to other buyers. As well as, firm can choose disconnecting pricing policy administrated by Govt. policy shield with pricing policy, break - even point pricing policy and promotional pricing policy etc. which are depend on the various factors which affect to a firm.

### Result Analysis & Conclusion

The price determination process is not similar to all kinds of firm due to product cost demand and life cycle conditions of the products. That's why different firm shows different price determination process and methodology which cannot be bound in one mathematical formula. Professor William J. Stanton describe a common price determination process in his book "Fundamental of Marketing" for harmonize the price determination policy. Distribution channel is also play a major role in determination of price of a product. There is no universal formula for determination of price of a particular product. Different kinds of factor affect different firms in a different manner. If there is no competition in market or every competitive form have common per unit total cost and their getting profit with equal rate then a firm can choose cost plus pricing method. Markup pricing method is suitable for determination of resale pricing value

and this method is suitable for wholesaler and retailers. In marginal cost pricing method a firm want to get variable cost instead of fixed cost but this method can be used in certain for a long term this method is not suitable because filled cost is also part of total cost. If there is a condition of recession high competition to determination of tender price for entering in the new market then break- even point pricing method can be used by firms. If a firm wants to get desired percentage of profit then it can decide the target pricing method for determination of price of its product. If there is a perfect market condition, then a firm has to decide its price on demand and supply. In a monopoly market condition, a firm can decide its price according to their convenience. In oligopoly market condition a firm can get higher price but not more than monopolistic firm. So, market condition is also affect to price determination by any firm. Pursued value pricing method and purchasing power passing method is also used by different firms and both method give preference to consumer attitude about a firm's product. Under competition based pricing method if firm can decide going rate pricing method under which the average price of all comparative firms decided by a particular firm or firm can decide its product price equal to the price of competitive firms and if a particular form is in a good condition and have a proper goodwill in the market then it can decide above the competitive fans price and if a particular form condition is not good as the comparison to its competitor then it can decide below the price competition policy.

If a firm product is innovative have a new product strategy or unique product then a firm can decide skimming the cream pricing strategy in the introductive stage of its product. As the competition increase and competitive funds introduce substitute product then a particular firm can reduce the price. In the normal circumstances, the product life cycle (PLC) is also play significant role in deciding the price of a product. Various types of discount policies rebate and premium can be introduced by a firm at the time of deciding the price of a particular product. Non price competition is also play a very significant role to decide the actual price of a product. In short there is various factors which affect different funds differently at the time of deciding the price of a particular product. There is no particular formula to decide the price determination policy of a firm.

### Limitations of the Study

This research paper has written in a very short span of time i.e. one month that is reflect very limited study on problem statement. As well as the problem statement is affected by different kind of factors and there are no limited factors which can be used to analysis the problem statement. Different kind of psychological as well as market factors affect the problem statement and there is no one unique parameter can be decided for problem statement. Researcher can use different techniques to analyze the problem statement for further study.

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