Factors Affecting Pricing Decisions: A Qualitative Review

Mehwish Channa, Adnan Pitafi***

Abstract

This study examines the factors affecting pricing decisions and how consumers are being affected by those decisions, which can eventually generate revenue for a business and have been given much importance for so many years. This chapter discusses the factors affecting pricing decisions along with the appropriate way of choosing a pricing strategy and price competition in different market structures, which can eventually bring a business towards success by helping to generate more sales and making a solid customer base by looking at the different perspective of pricing as well as a nature of the products to set pricing strategies accordingly. The study also focuses on the different pricing models for different businesses or industries. It deeply explains the price in all aspects of the business & provided deep insight into the concept of price from the economic concept to the marketing element, which can help a marketer to choose appropriate pricing strategies set according to the nature of the business.

Keywords: ***Pricing strategy, Appropriate pricing, Price Factors, Market structure, Market Competition.***

JEL Classification: D40, G12, L11, R48

INTRODUCTION

Many businesses and organisations today face a competitive and rapidly changing price environment for the goods and services they provide (Philip et al., 2005). Globalisation, rapid technological developments, economic growth such as industrialisation, which is considered an era of social media information as well as concerned with the spread of many of these, and social and civilising interactions across the globe and provincial scale are the essential grounds on the one side and dispute the achievement of companies' firms or it can be organisations as

Correspondence:
, Mehran University Institute of Science Technology & Development, Jamshoro, Sindh, Pakistan.*

they are unable to manage affecting factors in the present predicament wisely.

As a result, to conquer such issues, the business environment and their managers should focus on strategies to build an appropriate pricing plan by recognising all elements that contribute to the price. Retail organisations find it challenging to traverse the price jungle due to increasing market openness, more viable pressure, and intelligent, knowledgeable consumers. Furthermore, not only is pricing strategy crucial to identify solutions to challenges from the bottom up. However, to maintain a competitive advantage in a cutthroat business climate, it is also necessary to design alternative strategies involved in the business representations that resemble the current strategies of the proposed prices and investigate different incorporated costing strategies and all the other models contextually.

Because the incorrect use of Strategic Business models and other methodologies might influence a company's resource prioritisation or overall business strategy, revenue optimisation through price techniques that keep a loyal customer base, on the other hand, is not a simple undertaking to do (Victor et al., 2019).

As a result, to achieve success, organisations or businesses should focus on resource management that reduces costs while providing a product or service at the proper price for the possible return. Because of this mismanagement, many businesses make costly blunders when pricing a product or service improperly.

Finally, the goal of this paper, which was based on reviews, was to review the pricing strategies that are available to find a solution to the issue of price controls, the structuring information and difficulties throughout costing and innovation of pricing models, type of pricing policies, examine the methodological come up to use to general pricing, price change and essential choice, dynamic pricing strategies based on the purchaser and contextual factors, and dynamic pricing practices based on the purchaser and contextual factors. As this paper answers the questions related to the price quoted in different models and theories, the price being an economic term has different aspects in business studies. The purpose of this paper is to gather all the data relevant to the different aspects of prices, including models, theories and strategies to know the price in a better way which can help the readers to price the product in a better way by knowing the importance of the price and carefully taking the decisions as there are so many factors that are affecting pricing decisions which may vary from economic indicators to the trends and perceptions of customers by setting different pricing strategies.

LITERATURE REVIEW

Price is the most crucial factor of all business which connects with the customers. A lot of the studies conducted to explain the behaviour of consumers based on prices and basic pricing strategies (Dolgui & Proth, 2010 and Johansson et al., 2012) studied the major parameters which are having a significant impact on the revenue, which the eventual goal of every business. Further, the authors studied price skimming, market segmentation, revenue management and discounts. They explained the relationship among variables related to selling level by discussing the relevant pricing method, customer surveying, involvement of experts, cost plus method and market analysis. (Tellis J. 1986) also discussed the taxonomy of strategies based on simple propositions among the different segments of buyers. (Demirkan 2009 & Faith and

Agwa 2018) explained how consumer purchases are being affected by using different pricing strategies, value-based pricing through the internet, and IT services to have insight into the competition in the market due to pricing.

The relationship between pricing strategies has been studied for many years in different markets along with consumer purchases Dockner, E., & Jørgensen, S. (1988) explained the pricing policies in oligopolistic markets and how customers behave in such markets. Codini et al., 2012 and Hinterhuber, A. (2008) provided a range of remedies to deal with the obstacles deficits in value assessment, lack of adequate market segmentation, communication deficit and implementation of value-based pricing strategies Schade, J., & Schlag, B. (2003) road pricing strategies (David A. & Hensher ZhengLi, 2013).

Schindler, R. M., & Schindler, R. (2011). Dr Shaun West 2016 and Hinterhuber, A. (2018) Importance of pricing strategies So many studies were conducted to explain the different aspects of pricing and the Impact of pricing strategies on the market and corporate profitability.

Recent studies also showed concern about the effective pricing method and different pricing strategies for different market segments of buyers. Forrest, J. Y. L., & Liu, Y. (2022) and Aman, A. H. (2022) studied the practice of effective marketing strategies in business entities and explained the methods of why, when and how business entities need the development of appropriate strategies to price a product by studying different pricing factors, challenges faced by the organisation for setting pricing strategies and approaches to strategic decisions. Jakhar et al., 2022 studied the interaction between participative pricing strategies and cognition findings. They showed some practical implications that offering such pricing strategies as participative pricing that matched the cognitive orientation of the different types of customers in different markets could boost consumer purchase intention. Li and Xu (2022) studied the preferences of consumers and their costly efforts to match value. Even if the inspection fee is cheap, the company may persuade low-preference clients to overpay for their match value. Customers might acquire suspicions due to the opportunistic incentives, which may lead to excessive customer scrutiny that would not be necessary if the company could not provide individualised pricing. As a result, individualised pricing will never be able to eliminate the requirement for customer inspection. Because inspection costs entail a social welfare deadweight loss, governmental rules prohibiting businesses from discriminating against customers based on price may benefit both businesses and customers.

Furthermore, establishing pricing for an item or brand can be complex due to the numerous elements determining a price. Among the (commodities, location, advancement, and price), pricing is the only one that generates money for the company, whereas the others are all tied to expenditures (Victor et al., 2019). As seen from the previous notions, the price is the most flexible part of the marketing strategy, as pricing choices may be executed relatively rapidly in contrast to the other elements. As a result, pricing may be regarded a crucial factor affecting an organisation’s, company's, or firm's performance (Michael et al., 2016).

Pricing of products and services impacts the amount of profitability and general liquidity experienced by enterprises, according to Hinterhuber and Liozu (2014), as addressed in Ester et al. (2019).

Furthermore, Sije and Oloko (2013) suggest that enterprises that do not manage their pricing lose control of them, resulting in lower profitability owing to a dwindling inclination to pay a higher price. According to Ester et al. (2019), pricing is influential in drawing attention and generating sales. It may also significantly impact customer loyalty, which affects the firm's capacity to continually earn revenues in the long run, boosting profitability and liquidity. As a result, preparing to implement a pricing strategy is a critical duty in enhancing the success of organisations or firms.

According to Victor et al. (2019), pricing strategy is critical to ensuring long-term revenue management in any firm. The proactive adjustment of price to market conditions is known as strategic pricing. It coordinates connected promotional, strategic, and budgetary choices to profitably established prices. In most cases, strategic pricing necessitates more than a shift in mindset; it necessitates a shift in when, how, and who makes price choices. However, before marketing and finance can achieve this aim, they must abandon the faulty price thinking that causes them to disagree and push them to make unproductive judgments. It is vital to investigate and destroy these problematic mindsets once and for all.

Theoretical Reviews

The concept of pricing, especially the word Price, which is taken in every business to set the value, is different in terms of its meaning. It depends upon the people and the thing that how. Some of the academic course teaches that the price is an equation which is considered as the cost that is incurred to produce a product and the profit that we are going to take from selling this product which a company decides to value their product, on the other hand, many people think of a product as the quality of a product as when product is expensive it must have some quality due to is the price (Kain et al., (1992). Despite all these concepts taken by different people, the price is a very broad concept as well as it is very much essential to be discussed in depth to take important decisions as the price is everything for a business and plays an essential role in generating revenue as well as the growth of the business. Logically, there are so many ways to define the products and ideas given by so many decision-makers, but there is no particular one to define at. However, it can be some amount of money which a company charge from its customer to give them value in return in terms of product or service it is a value that is being exchanged between two parties having, Before going towards the setting through a method a company needs to have a clear understanding of a price strategy that how this product is going to behave into the market and what is a market of this product and what customers are being targeted by the company for a particular product which will be very helpful for a company to set a price accordingly (Hinterhuber & Liozu, 2013 and Deonir De Toni A. et.al, 2017). In proportion to the study by Deonir De Toni A. et.al (2017) that the prices of the products offered by any company have a lot of impact on its profitability, as well as market situations and pricing strategies, are being handled by such decisions taken by marketers into the markets.

The Economic Theory

Showing concern about prices and strategies is not new, so many theories show such concern for an effective method for setting a price and using proper marketing strategies. Adam Smith brought the Economic theory in the year 1759; this theory of well-known economics came up with the price concept that supply and demand influence the price of every product and service this theory has importance in explaining the other things also that other essential factors are also a part of that when the price is being influenced like new product development and quality of the product as well as another critical factor like competition (Yannelis, 2001 & Lasoi M. Chepkemoi 2020). As quoted earlier, the price is a function of profit and is determined through the demand and supply equilibrium. Whenever the business is set, its goal for every business is to maximise the revenue, and this theory assumes that to have a clear understanding of price and sufficient knowledge about the output for a business here to run maximisation the profit. So, the businesses are well aware of the value of the product they are charging into the market. This concept, therefore, implies the equation that when marginal cost and revenue are equalised for optimum profit realisation. (Filippas & Gramstad, 2017 and Lasoi M. Chepkemoi 2020). For the practical applications, there are very few businesses that accept these assumptions and consider them as realistic, as according to the economic concept or law for demand as customers are attracted towards the cheaper products more than the expensive, so at lower prices, they will purchase more out of it. And the impractical assumptions behaving like equally challenging the market on the other hand, the elasticity of Demand is another motive to be learned, and it is supposed to be known by marketers and economists, and this is how the different markets give reactions due to the changing in prices.

(Yannelis 2001 & Lasoi M. Chepkemoi 2020). Theories in today world recognizes that the actual motive for the price set is not only to earn the profit but there are so many things in connection with the different pricing models that could be a sales motive if a company wants to increase the sales of the business, all the business that is done is not profit but another motive to attract customers to have a share into the market as well as to build the relationship with labour, again when talking about the choice of the customer a business cannot take any business a common as to build the customer base a company must be sound in knowledge about the individual preferences, their status, as well as taste, matters for every demographics & advertising and displays of the products in various shops in the market matter that being carried out into the market. (Glautier 2001 & Lasoi M. Chepkemoi 2020). And being specific to this theory, it can be quoted that for the perfect market concept, it is applicable there must be other factors like customer satisfaction, quality, values, and loyalty by the customers towards the products are considered to be the competitive factors for the market that can have a lot of impact on the price. There are critics between the concepts of classical economic theory and the modern market due to the dynamic where the customer is taken as a key in the pricing and any marketing strategy. After addressing the variables, the theories have formed the pillar that is the strategy which is based on competition or the strategy that is cost plus price.

Marketing View Theory

Jerome McCarthy came up with the theory in 1960. He suggested that organisations in the business world focus more on their market penetration tactics and aim to improve customer happiness. According to Bett (2018), marketing mix through price strategy substantially affects organisational performance. The theory of the market mix also describes how to consider items, promotions, and locations. The pricing theories may help understand essential economic relationships, but there are important reasons why they are not appropriate for solving real-world price issues. For this reason, more research is needed to provide information that will aid in making decisions about pricing strategies. According to entrepreneurs, price is a critical factor in determining the profitability of business firms. Among the 4Ps—products, promotion, place, and price—market mix theory discusses the significance of price. This hypothesis considers the pricing part of the market mix but does not connect it to performance. The theory plays a significant role in highlighting the significance of pricing as a marketing concept. This hypothesis was developed by Demsetz in 1973. He claimed that most businesses base the prices they charge for goods and services on the perceived values associated with them. Demsetz (1973) noted that higher bank profits were not the product of collusive activity but rather a high degree of efficiency, resulting in a larger market share and influencing the organisation's profit share. In most circumstances, the value of the services provided by customers also determines the profitability of a commercial organisation in addition to market concentration (Grygorenko and Lasoi M. Chepkemoi 2020).

The value-based pricing strategy study needs to be informed by the theory. Customers frequently contrast the costs and merits of various services. Prices are often expected to increase if the services or goods are more valuable. The efficient structure theory supports value-based pricing, which states that when a good or service's value rises, so does its price. Based on the product's value to the clients, the business can establish its pricing strategy using this approach.

Capital Asset Pricing Theory

The hypothesis was created by William Sharpe in 1964, and DeBont and Thaler are two of its prominent proponents (1987). This theory's fundamental tenet is that hazards can be systematic or unsystematic. The idea also makes clear that those systematic hazards are brought on by outside circumstances that are out of the organisation's control.

These elements include the political climate, inflation, and governmental restrictions through policies. On the other hand, unsystematic risks are brought on by internal factors that can be managed by the organisation, such as quality control, public relations, and the introduction of new rivals. The hypothesis is essential to the study because it addresses the issue of price-skimming tactics used with recently developed goods (Bett, 2018 & Lasoi M. Chepkemoi 2020).

The idea can be used to establish pricing that considers internal elements for unsystematic risk and external factors for systematic risk. The business can then estimate the market forces before deciding on a price. Some concepts are used in cost-plus, competition-based, value-based, and skimming pricing.

Models

For this seminar, a model can be described as tactical strategies based on an appropriate theory—one of the numerous theories now available—to achieve the intended objectives or goals. Businesses are usually trained to lower prices to attract new clients or raise prices when revenue is more critical. Such actions, however, may result in excessive issues, including unwarranted price cuts, customer confusion, and the provoking of hostile rivalry. As a result, when, adopting effective technical models or guides is crucial when the pricing process is done pricing component structure addresses questions such as how the numerous components of each good or service will be priced, how prices will differ between clients and goods, and when and how payments will be accepted. The analysis is done on issues like volume discounts and price discrimination. The fourth element relates to price ranges and associated strategies. This component's considerations include establishing reasonable price ranges, deciding whether to charge "odd prices" (such as $99 instead of $100), determining the types and quantities of discounts, and determining taxes. The crucial aspect of this component is that customers must perceive any price changes as stable and consistent. Rebates, two-for-one discounts, and trade-in programs are typical price-level strategies. The authors emphasise that these four elements must function as a unit and that the pricing issue must be considered about other firm tasks and activities.

Additionally, there is a case to be made for the development of a new market or niche for unique products or services, which has the considerable benefit of allowing established global enterprises with patented and innovative products to set the benchmark pricing for their new product categories (Copeland & Shapiro, 2015; Geng & Saggi, 2015; Neubert, M., 2017). They must decide on the right pricing strategy, procedures, and models during the startup phase, with frequently limited access to pertinent information (Neubert, M., 2017).

A cost-plus pricing method calculates prices after considering all the manufacturing items' direct, indirect, fixed, and variable costs. To get at the customer's price, these costs are converted to a per-unit price and a markup, or profit is added. When pursuing a target return, this markup may be a fixed percentage or vary depending on the goal of profit maximisation. Cost-plus pricing involves adding the product's transportation expenses, shipping costs, additional fees, and a profit margin (A. Dolgui & J.-M. Proth, 2010).

Product-Mix Pricing Strategies

When a product is a component of a product mix, the pricing strategy frequently needs to be modified. In this instance, the company seeks a set of prices that optimises earnings across the entire product mix. Pricing is challenging because different items confront different demands, costs, and competition.

Levels of rivalry Philip et al. 2005 demonstrated 5 product-mix pricing scenarios, which are addressed below:

- Pricing for a product line as a whole is known as product line pricing, and it is determined by the cost differences between the individual goods, how customers rate the various features and competitors' prices.
- Pricing for optional or auxiliary products when included with a primary product.
- Pricing for ancillary goods that must be purchased in addition to the main item, such as film for cameras and razor blades. In the case of services, this strategy is called two-part pricing. The service's price is divided into a set charge and a variable use rate.
- By-product pricing: First, By-products Items are created due to the primary production process, such as waste and reject items. Captive-product pricing: determining a price for products that must be utilised in conjunction. The next step is by-product pricing, which involves setting a price for by-products to make the price of the core product more competitive.
- Pricing for product bundles: When setting prices, vendors frequently bundle a number of their goods and sell the combination at a discount. Product bundle pricing may also be utilised to sell items the consumer may not need.

In contrast to the aforementioned pricing methods, creative businesses today are concerned with aspects that will affect future pricing strategies. Economists, discounters, and financial analysts have dominated pricing judgments for far too long. Pricing must develop into a more strategic marketing component, even while earning a fair profit is still necessary.

The value-based strategy's portrayal of more innovative pricing is the future of John Burnett (2010). The Ford Motor Company is a prime example since it earned USD 7.2 billion in 2000, the most of any carmaker ever (John Burnett, 2010). Ford reduced the pricing of its most lucrative automobiles just enough to increase demand while preserving their favourable profit margins (John Burnett, 2010).

Objectives of study

- To study the importance of pricing decisions by Organizations.
- To clarify the fundamental concepts of marketing strategies, market structures, pricing objectives and factors affecting price decisions.
- To have deep insight into Appropriate Pricing Strategies and how to set pricing for different businesses or industries.

Methodology

This is a qualitative study which gives a deep insight into the factors affecting pricing decisions for which data is collected from different secondary data sources and research journals, and a critical analysis of literature has been done to know about what has gone before and according to the previous studies how those factors are affecting the decisions. Objectives of this study have been achieved with the support of different pricing models and theories, and data for pricing strategies for industries and different natures of products are collected from internet sources (secondary data) to reach the point of conclusion.

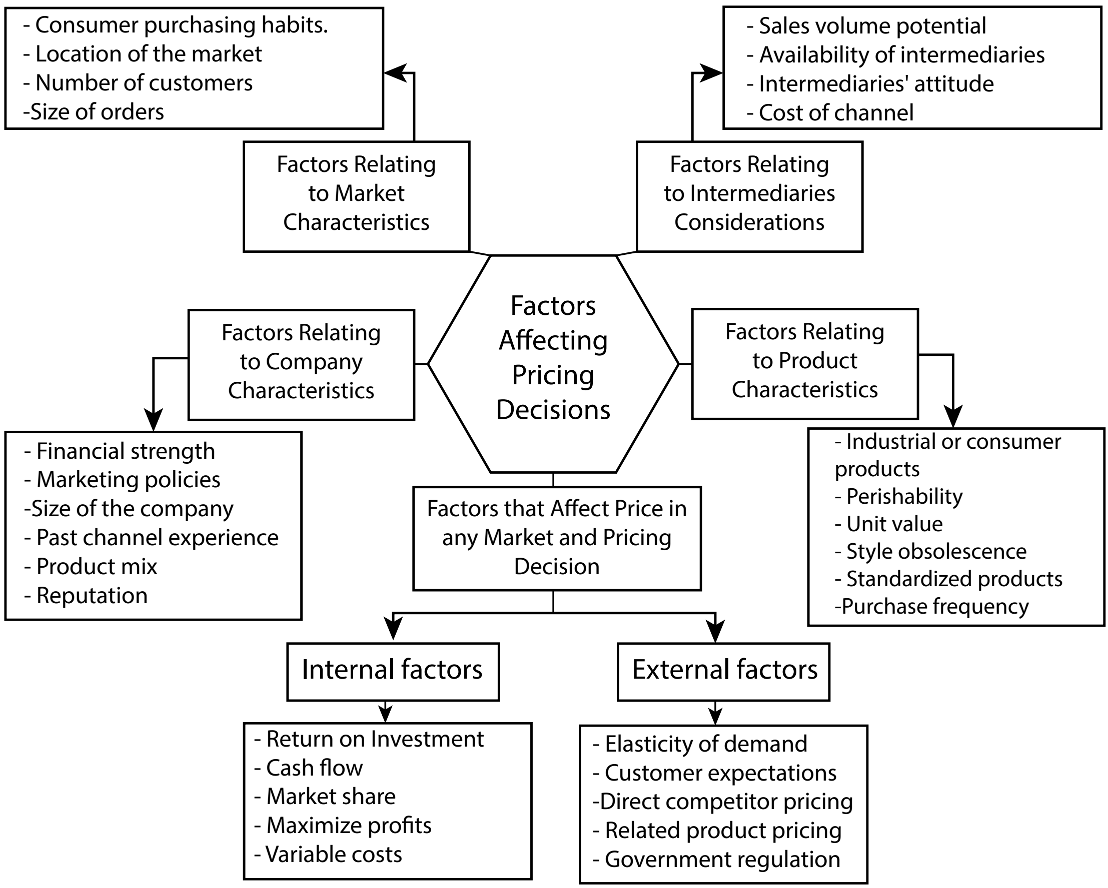
Theoretical framework

Internal and external corporate factors influence price decisions. For example, internal elements influencing pricing decisions include the firm's marketing objectives, marketing mix strategy, costs, organisational concerns, and the company's strategy, purpose, vision, and values. The market and demand for the product or service, as well as rivals' activity and other external factors, all influence pricing decisions.

This study provided a detailed assessment of elements influencing pricing decisions, categorising these factors into five groups: factors that affect price in any market and pricing decision, product characteristics, firm characteristics, market characteristics, and intermediary considerations.

Price and Decisions

When can *say whether a price is considered a tag or may be an assigned number for any product so many functions are performed by the price even it is having so many forms along with performing functions like commissions, rates, wages, fares, retainers, tuition, tolls, fares, as well as rent which anyone pays is a form of the price that may be paid by any good or any other offering of your business (Kotler P. & Kevin L. Keller, 2012). Narrowly, any amount that could be charged for the offering by organisations, companies or firms is known to be the price. If going broadly, the primary definition of marketing, which is the exchange of values between*



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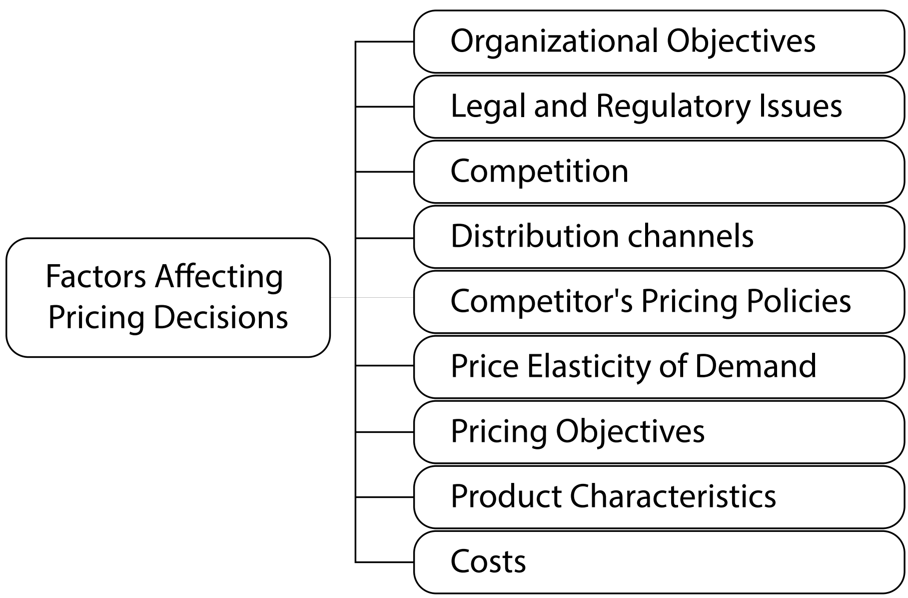
the two of the trade along with that definition of the price concept, can be taken as the pricing strategy is an essential part of the Marketing decisions so, to take the benefit values

is exchanged however some other factors can affect the customer or buyer choice and purchase and price is one of them (Philip et.al. 2005). When taken, this concept is usually applicable to developing countries that may be said to be poorer with less affluent or products having different natures or usually commodity products. According to the recent decade concept, there are so many non-price factors through which consumption choice is affected, not just the price factors (Philip et.al. 2005). Looking at the viewpoint of the customer, the satisfied customer gives more importance to the value by neglecting the cost incurred in the particular product as well as other expenses bear by the producer that went into making the commodity, and the buyer thinks that value is the only thing, they want regardless of all other things that could be considered if so, they think the product target is somewhere else. (John Burnett, 2010).

Looking at the elements that are part of the 4 P model, only one factor, price, is said to be the revenue-generating element from all of the elements. However, it is said to be the flexible yet profitable part of the organisation, unlike other parts of the offering, like features are fixed almost, but the price may vary. It can have fluctuations according to the factors by which it is being affected. So, the competition related to the pricing and the price setting can have massive challenges for businesses (Philip et.al. 2005). No company can handle the price procedure and value a product well handling is a problem due to the different paying abilities of the customers Kotler P. (1995) and Bempah1et.al. (2013). when taking the proper price decisions can have effective results for the organisation running a marketing campaign, and giving proper attention to strategy for the price is as essential as giving attention to other organizations activities. Price changes are very rapid compared to other activities like distribution, product designs, and promotions, consume time and may take so many days or months or may take years to be changed. (Bempah1et.al. 2013).

Factors affecting pricing decisions

Process of setting a price is to set the value of a product along with the value that a manufacturer of a product is going to have after selling it as discussed earlier that both the manufacturer and the consumer of good or service are mutually having benefit from it so for the very reason it is essential to mention here that it is highly dependent on the various things first is from the cost side that is a manufacturer side in which he has to bear the cost incurred to produce that product, again various cost in the production process like cost of inputs, have an impact on the production cost because such factors will decide the final price of the product and value of product in the market and the value is given by the consumer to the particular product, every business want to earn the profit but that may not be true for everyone as the environmental conditions vary from place to place and that conditions are known to be factors



by which the decisions are being affected such as prices of the complimentary goods, that can be a cost of labor or Input or the prices of supplementary goods. Below are given the factors that affect pricing decisions,

Considering Factors when Setting Price

Companies whenever take decision to have an effective pricing way it looks towards the varieties of strategies it does matter how much a company is a small or big corporation every company has to encounter this phase of looking towards a variety of ways to set a proper strategy as mentioned in above contents that the companies do so, as it generates the profit as well as the share with ease somehow when making sales out of it as well as adoption being difficult for offerings of the product. Neubert, M. (2017). The important thing for any business is to have some market research before taking any decision regarding the company's operations and other decisions, as pricing decision is one of them without doing market research, no company can know the consumers, so for such decisions, some strategic evaluation, research and analysis are the key components to be covered as without these a company can lose its customer base as well as cannot go through the generating profit and may lose profitability. (Bempah1et.al. 2013). Not just high prices, but when a company sets very low prices, it is a customer psychology that may get a product worthless and may have doubt about its quality there are so many such types of customers in the market low price may mean that the company has missed some critical margin along with economic concept when there is a willingness by the target to spend more money to have that product out of it. Additionally, when a company sets a very low price during the introduction of a product or very initials stages of the product after reaching different levels of the product, when a company suddenly increase the price, the consumer will think that the company is not providing value to its customer as its working to have more advantages from the market now so a very bad impression on the customer base and customer may switch because such decisions affect the loyalty of the customers. As a result, customers seek more options and visit the different options, especially new products, so both high and low prices can affect the buyer's decision towards the purchase. Setting the right price is the only option for a company (Bempah1et.al., 2013). When there is no effective decision, consequently, the outcome could be terrible out of these decisions. As mentioned in studies, price is the only element which can significantly impact other business factors. Therefore, when it is time to decide on the valuation of the company's products and strategic development and should be well aware of the factors and market situation to have a better guide to value a product (Michael et. al, 2016). Along with profit maximisation, companies have a goal for their organisation to meet the vision or mission statement of the company for which they have set some objectives along with revenue they must accomplish that goal even if the reason should be apparent for providing particular offerings to a specific market (Feargal, 1990; Bempah1et.al. 2013)

Companies set the prices for their products to give them value in the best way possible, not just to earn profit but to reach the ability of a consumer to pay for a particular product. It can also be helpful to determine market share as well as the profit earned by the companies and also productive in using whether to ease or difficulty for the adaptation of a product Neubert, M., (2017). Whenever setting prices without doing sufficient research, strategies, and analysis can lead towards a negative impact on its profit and can minimise the revenue (Bempah1et. al., 2013). Any strategy a company set is according to a consumer's willingness to pay for a particular product when they set low prices. Still, if customers are willing to pay for it, then the company has a gap in its earning, which can be possible to be filled by setting prices accordingly and earn profit from its target market on the other hand, setting prices too low at the initial stage and having a sudden rise in prices again have a negative impact as the customers may perceive that the marker is taking advantage from the market, pricing a product too high initially is also not a good decision as the interested customers may not purchase the product on that price and marketer can lose the customer base for a product. So, pricing a product right is the best option by having sound research about the product and testing different ranges in a market, especially when introducing a new product, because when setting poor pricing strategies is terrible for a business to exist. (Bempah1et.al. 2013).

Deciding on the value of a product is more difficult for managers than making it, which is a considerably critical decision (Monroe, 2003). The company and decision-makers need sound knowledge about the customers before deciding on a product's price. Knowing a buyer's reaction is crucial as the first thing the customer encounters is the price after its appearance. Suppose the preferences, abilities and willingness are appropriately studied. In that case, having a customer base is very easy as the demand for the product is directly related to a customer's satisfaction (Rao & Sattler, 2003). However, it is not necessary that customers will always have to prefer lower prices as this concept depends upon the market and it varies from each locality irrespective of the similar appearance of a product there is empirical evidence for supporting this concept (Kardes et al., 2004), argues that most of the time the buyers think of high quality when looking at high prices in this way the perceived utility is increased due to this behaviour of the market and the opposite for this concept have the same effect as the lower price of a product create a perception of low quality of a product in this way price plays a dual role and its very important for the decision makers to know such perception of the consumers regarding pricing.

The firm's most crucial trade element is the price, without which a proper customer base and profit on the company side is very difficult and eventual company loss when a price is attached to a product means a marketer is deciding the worth of a product and on the other hand, is deciding the customer base for the company as there is a trade of value between the company and the customer, it does not depend upon the willingness of a company to set the price accordingly as so many factors are there to be considered as the cost incurred on the product is the very first priority of the marketer because it means the equation of the profit which is revenue minus expenses, looking at the basic concept of the business the very first reason of doing business is to earn profit so, looking at the expenses first is the very first decision of a marketer before earning profit. After cost, when looking at the price decision for which market conditions are essential because the products have complementary and supplementary products available in the market and changes in the economic conditions due to which raw materials availability and cost are affected.

Therefore, companies, when going for pricing decisions, must consider the factors which can have an eventual effect on the revenue of a company these factors assist companies in setting their proper pricing strategies (Michael et.al, (2016).

So, such decisions are affected by both internal and external factors.

Internal Factors

When there are some internal variables through which a company is being affected, or it can be said that when it is affected from within, they are known as internal factors, so it is considered more important to understand a company's decisions that can affect itself properly.

These factors are under the company's control to a large extent as they result from their decisions so that they can be altered accordingly. However, these factors are controlled by the organisation, but to a large extent and for rapid change, they cannot be considered realistic (Bempah1et.al., 2013). Most of the time, pricing strategies heavily depend on a business's manufacturing and productivity within a certain period. In this sense, the cost to produce a product, Marketing objectives, and marketing mix can be considered.

Marketing Objectives

A company must know about the objectives to accomplish before altering any strategy or setting the price for a new product, as clearance about the objectives is very much important, which can make it very easy to set the value of a product in the market these objectives can be anything that company had considered before starting a business whether it started to take a dominancy in market share or profit maximisation and becoming the leader in the market to provide a quality product into a market.

(Kotler et al, 1997; Bempah1et.al. 2013). Four valuable objectives must be considered for a price strategy to be affected accordingly. Return on Investment (ROI), when a company is setting any strategy as an objective to have a return on what it has invested in the business, it is required for a business to perform accordingly to have a return according to the objective of a company the other could be the Cash Flow, organisations may have such objective to seek the performance which at least can meet all types of cost incurred whether marketing or production cost. Another objective can be Market Share, which is a decision that can be a strategy for any business to have a hold on the market to get a particular share in the new market or gain a position in the existing one; it can be an essential objective for companies. Maximise Profits, there can be some older products that create some appealing way that the market is no longer improving, or there is a gap between the performance of a product and the need of the market, so for such products, companies set objectives to get the profit out of it even when there is a decline in the demand for that product and almost no incentive available for improvement of the product and marketer is continuously selling at the premium, and some are willing to buy that product into that market.

Marketing Mix Strategy

Whenever it is a matter of pricing a product, its suitable to discuss the marketing mix as it is relevant that the pricing decisions are matched with the other decisions of the products destination, including promotion, distribution as well as product design these all decisions should be coordinated with the price decisions because these decision again have impact on the price decisions most of the organisations take price decisions at very earliest as to meet the market requirements and take other decisions according to the price decision they already had taken.

4P's Of Marketing Mix

Product

Here is a very first thing that can be considered before using any marketing strategy or making any decision that is the understanding a very first offering which is a product, where fundamental questions arise and usually marketers seek those questions for which one thing is to whom a marketer wants to give thing products which clear means understanding of the need for a product you are offering to the targeted market and reasons behind such offering to that market and very important question is why this product a marketer thinks would be accepted by the targeted market even being in a competitive market the answer can be any of the features of that product apart from its characteristics whether design its functionality or quality related to any aspect of that offering can be a game changer for that market or the appearance of a product that brings a customer very close to that product. For that, what a marketer can do it to explain all the qualities and specialities to the customers to give them a reason to purchase a product apart from the job of describing a product, a marketer is responsible for having a sound knowledge of the life cycle of a product which is being offered so that the information could be quickly disseminated as the planning done by executives regarding each stage through which a product encounters. This element's nature, appearance and type also show the cost incurred for its base to introduce into the market. Then it is an essential factor in price decisions, and eventually, pricing decisions lead to revenue generation.

Price

Price is a value of a product on one side and on the other side it’s an amount which the customer gives as a value of a product. In return, purchasing a product shows the willingness of a consumer to purchase it. Not just the amount or value of a product is essential, but also a link between the value and quality of the product; marketers have to create a link between the price being charged and the product being offered. It does not mean that if the appearance of a product does not match the price, the value cannot be decreased because there are some factors which can be considered, like cost, and prices charged by the competitors, as marketers have to go with the market competition and have to consider the prices already charged in the targeted market, retail markup and seasonal discounts. For showing exclusivity, sometimes the price is kept high by the decision makers, or maybe the prices become lower for the motive to give a trial to the customers, come determination about the product is done to understand the need for a discount so the meaning of a discount is considered to make strong customer base or drawing more customers to it either, or it can be an impression the product is not that much desired as it was before

Place

Place is the element which is considered to be an availability of a product it can be in the stores, outlets, or online plate form. It does not mean only the layout of the product but also involves some strategies for where and how it should be displayed to have an audience for it. Place varies from product to product and brand to brand. The actual meaning of displaying a product in different places is with the motive of being in front of a shopper who is likely to invest in it, which means the place is not just a store where products are displayed. Still, also an advantage for a business to have a proper place for a product to be offered to the consumers. Choosing a suitable media for advertising a product is a placement which is a term used to have a solid customer base.

Promotion

The motive of the term promotion is not only limited to the advertising strategies or campaigns it has a lot of objectives to be covered when starting promotional activities. Its primary goal is to realise the need for a product by the marketers to its customers and to satisfy them about the product price is set appropriately charged or the value of a product is set as per the quality and appearance of a product so that to have satisfaction from customers that they are paying a proper price for a product, on the other hand, a promotion is not just limited to the awareness but also related to the media strategies taken, public relations, and design of overall characteristics and features of a product. Marketers are making a solid connection between this concept's placement and promotion element and combining both elements to have a core customer base and relevant audience for the product. Both the online and offline factors are affecting for displaying products it depends on how a product is shown on a website and offline on the physical layout, so here, the job of a marketer is to find out the potent triggers into the products which become reason for purchase by the customers also affect their buying behaviour in the market place.

How to Use the 4 Ps of Marketing in Your Marketing Strategy

Based on the above-mentioned elements (4Ps), it is a framework and guidance for the importance of every element in the marketing mix when building a strategy for a product. It shows that each factor should be carefully considered to take any decision by the marketer where the price is again a revenue-generating element. The first thing to do at a very initial level is to clearly understand and analyse a product itself. It is characteristics which should be appealing to the customers and give reason to buy this product and also consider all other relevant offerings on the market which are being offered by the competitors or the products which are in trend. However, again the product can be differentiated by being more attractive, environmentally friendly, easy to use and long-lasting a marketer has to identify the features which are the triggers and appeal to its customers.

Thinking of the appropriate value for a product is a pricing objective it is not simply a product value in which cost and profit are involved. However, price decides that a product is luxury or lower-priced and, if discounted, may be considered less desirable than before.

Placement of a product is a layout out, outlet, store or any online plate form where the product is displayed, and its appearance matters a lot to the particular place, which depends upon the nature of a product.

Promotional activities are done to capture value from customers by having knowledge about them and giving knowledge to them about a product which is awareness such activities like social media have to bring a vast audience and solid customer base by using proper strategy, whether online or through the physical stores with the right message to the targeted audience for that product.

Costs

This factor is the most critical factor for every business for any decision because the cost is from the supplier or producer side variable if a company cannot take a practical decision for its cost, it cannot have the right decision for pricing a product that can be a mismatch with the demand into the market, so before all other decisions including pricing decision it is very much essential to determine the cost of a product because a company will lose money if the price set cannot generate revenue even to meet the cost for a product even it can exceed so company cannot maximise the profit without having explicit knowledge about all costs incurred from production to the final destination of the products to the consumers. In addition to all these internal factors, a company must have a match between the price and quality of a product to provide value to the customers.

External Factors

As price factors have always gained a lot of interest whenever setting prices (Gilboa & Schmeidler, 2003) discussed in the study (Bempah1et.al., 2013), not only a single but there are so many factors under consideration for this particular topic such considerations. Deep understanding the very first thing is to conduct market research as these factors can vary from market to market according to the willingness or maybe the ability of the customers in the particular market which is going to be targeted for such study the main things to study is demand in a market, market itself as well as the perception of a consumer for the product going to be offered in that market because if customer does not give it much importance the product cannot be priced well as the customer is not willing to pay for it or it is not given much importance. A proper understanding of demand in a market or market itself is essential because whenever the price is set, there is a reaction from the market. Hence, it is very important to study the behaviour of the market by fluctuating prices for a product here better to discuss the elasticity of demand, which eventually gives knowledge about the purchases with the effect of price changes, so it will be interesting to note that how keeping are other things constant and making a few price changes can make a change in demand and market as well.

On the other hand, Consumer Perception is a perception of a consumer about the price of a product and whether it is right because it can affect the buying decision consumer perception is also an essential factor to be considered because whenever a consumer purchases a product, it exchanges some value to the business as well which is offered in the form of price to the consumer to get the product which is another value by a company to its consumer.

Consumers

The consumer does not exchange value for the particular company. Still, customers play a very major role in the business as every offering by the business highly depends on the customer whether they like the product or not. Before starting any idea, every business thinks of the novelty, eventually leading to the customers' problem-solving. The business will never be successful until and unless it meets the customer's demand. No strategy for pricing or anything related to business cannot work well without customer consent in other words, we can say studying market needs or wants means the study of the customer, not a marketplace where it is going to be conducted as the customers are beloved of the company without the customer company is nothing, or it is having nobody to produce for the problem-solving motive of a company. Business needs to be well aware of the economic, social and psychological factors of the customer before entering into the market these factors affect the company's performance because every market, in terms of customer psychology, does not behave identically. It also has a lot of impact on the other external factors which are related to the customer perception of the company's offering because the demand can be affected by the pricing, it is very important to know about the customer to have a required Demand curve price, and demand is said to have inverse relationship Michael et.al. (2016). Still, some other market behaviour does not perform the same way as a product is priced very low and is considered cheap and low-quality in the market where customers are willing to pay. When it comes to a luxury product high price can add value to the product because it plays a role as an indicator of the quality of a product which is customer psychology. So, higher prices sometimes increase the demand for a product.

Competitors

Companies need alertness of their rivals as they can play any price game in the market it has some pre-decided measures as well as should be adaptive to change for a particular behaviour of the market because competitors can destroy the whole business due to the price war because the entry of a competitor especially new introductory prices which can be high or sometimes very low as in the case with the price dumping into the international market where a competitor enters the market with very low price even from its local market it can destroy the business of domestic market of the country where it enters such competitors do so to get the competitive advantage in the international or to capture the new market this is very harmful to the businesses of the domestic market of a country because such businesses can create an eventual monopoly into the particular market because no one can beat their comparative advantage as well as comparative advantage. Companies should be aware of their rivals as they can penetrate the market anytime and should be prepared to respond to such entries.

Channels of distribution

Channels of distribution are also a very important external factor for prices because the product coming from the company to the final consumer has some channels to encounter, which can increase the cost of intermediaries because there is a chain between the company and the customer where the product is finally reached from company to wholesaler and retailer it can increase the price of a product because they resell the product by fluctuating the prices according to their profit. Hence, there is a price differentiation from the company to the different channels or intermediaries.

Legal and regulatory

So many countries create boundaries for international trade instead of liberalisation, but this does not mean they restrict trade entirely. Still, some duties and tariffs are imposed on the organisation for import and export businesses. For such businesses, fixed prices can be valuable as the regulation by governments of the countries when increasing costs for such businesses can create limits for organisations to earn a profit on the other hand, they are required to have lawful conduct, so such variations can be proved to be a strong reason for price fluctuations when the businesses are legally controlled.

Pricing Objectives

Before pricing its goods and services, the firm must identify its price objectives after evaluating the organization’s goals and objectives, vision, and values statement. Pricing goals guide activity and must align with the organisation’s mission, vision, and goals. How frequently would the costing process lose importance without this integration, jeopardising the company's ability to meet its strategic goals?

As a consequence, the company had to establish its price objectives, both short and long-term, carefully. As a result, various authors have attempted to explain how corporations set their prices. According to Pennsylvania, firm price objectives include substantial financial sustainability, greater profitability, sales growth, continuous improvement, volume enhancement, conservative establishment, and existence.

Pricing and Market Structure

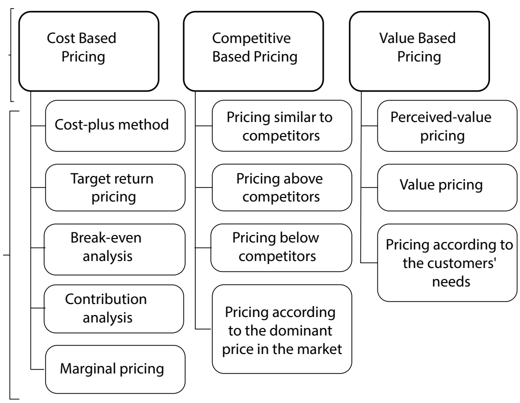
Given the foregoing, deciding on a pricing strategy is tied to the market in which the firm works. Consequently, assessing economic structure is critical in determining how much pricing flexibility a company has. As a result, the next section will show this connection. Given the aforementioned, assessing market structure is essential in determining a company's price freedom. This relationship will be demonstrated in the next section. The four primary forms of market structure are perfect competition, oligopoly, monopolistic competition, and monopoly markets. They range in proportion to the number of businesses, the things they offer being comparable, and the convenience with which they may join and exit the market.

Pricing and *Market Structure*

Market Structure	Perfect competition	Monopolistic competition	Oligopoly	Monopoly
Number of Producers	Many	Many	Few	One
Type of Product	Standardized	Differentiated	Standardized or Differentiated	Unique product
Power of firms over prices	None power -price taker	Some power-price maker but actual and potential competition limits pricing power	Some power- price maker, but an interde-pendent behavior	Considerable power, price mak-er- constrained by demand curve and possible regulation
Barriers of entry	Low	Low	High	Very High
Non-price competition	None	Advertising and product Differentiation	Advertising and prod-uct differentiation	Advertising

Mona M. Awad 2017

Pricing Approaches to Achieve Pricing Objectives



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Cost Based Pricing approach

In cost-based pricing, a company first develops a product, then analyses the total costs of producing or supplying the service, calculates a profit factor, and finally sets a value that covers expenses and profits. (Sakhawy and Awad 2019), (Connie Mok et al.) and (Sakhawy & Awad, 2019). (Zeithaml et al., 1996) This approach is essential and commonly adopted, but it misses demand, market circumstances, rivals and competitiveness concerns, customer segmentation and positioning, and possible substitutes.

Competitive Based Pricing approach

When utilising the Competitive Based Price approach, the company will first determine the pricing of its rivals (Avlonitis & Indounas, 2005; Sakhwy & Awad, 2017; SA Roth, 2007). When distinguishing their offering from that of their opponents is challenging, or when they offer a similar service as their competitors, companies use this method. That does not imply the price would be the same; because the company is not aiming for a set link between price and demand, it may strive to maintain its pricing greater or lower than competitors.

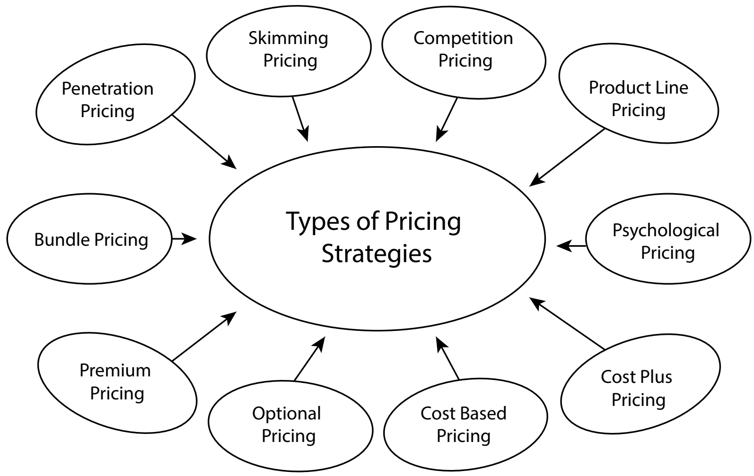
As a consequence, the business may charge its offerings similar to rivals, though according to average market rates, beyond counterparts, below rivals, as per the market's dominant price (Avlonitis & Indounas, 2005). The essential advantage of this pricing approach is that it avoids market price wars, which occur when firms decrease prices frequently to undercut the competitors. Conversely, pricing far above the competition protects businesses against declining sales. The main flaw with this technique is that it overlooks customer perspectives.

Value Based Pricing approach

Value-based pricing, in contrast to cost-based pricing, starts with the customer rather than the company's costs (Zeithaml et al., 1996), (Avlonitis et al., 2005), (lovelock 1996), (Zeithaml, 2013), and the price is set based on the value that somehow a product or service provides to a class of users (Hinterhuber, 2008). Even though many researchers consider value-based pricing to be one of the best promotional strategies (Doctor et al., 2004), it is not popularly used (Calabrese & Francesco, 2014) and (Sheryl & Witz, 2003) for a range of factors, along with difficulties assessing value, interacting worth, product differentiation, sales force management, and senior management support (Calabrese & Francesco, 2014). (Hinterhuber 2008).

Pricing strategies

You will miss out on critical sales if your prices are too high. You will incur losses if you keep them too low. Pricing is not always a compromise or a gamble, luckily. There are a variety of pricing techniques and concepts to better set the right rates for your potential customers and targeted growth. Whether you are a first-time entrepreneur or a seasoned veteran, the tactics and insights in this paper make you feel at ease when pricing your items. A pricing model is a model or approach for establishing a product or service's most acceptable price. It aids you in selecting pricing that maximises productivity and shareholders’ wealth while also considering customer and market demand. If only the pricing were as simple to comprehend as the ideas - there seems to be a lot to it.



Determine the Best Pricing Strategy for Your Business

Price Elasticity of Demand

The price elasticity of demand measures how a price change influences consumer demand. Inelastic products (such as cigarettes and gasoline) are those that people continue to buy despite price increases. Elastic products, on the other hand, are subject to price swings (such as cable TV and movie tickets).

% Change in Quantity ÷ % Change in Price = Price Elasticity of Demand

The concept of price elasticity aids in determining whether a product or service is price sensitive. The product should ideally be inelastic so that demand remains stable even if prices change. Here are some popular pricing techniques now. These are not strictly stand-alone techniques; many can be combined when pricing items and services.

Competition-Based Pricing Strategy

Competition-based pricing is also known as competitive pricing or competitor-based pricing. This pricing strategy focuses on the current asking price (or going rate) for a company's product or service rather than the product's cost or consumer demand. A pricing strategy focused on competition, but on the other hand, utilises the prices of rivals as a benchmark. Customers may choose this strategy if they participate in an intensely crowded marketplace where a minor price difference might be between winning and losing. Using competition-based pricing, an item can be marketed marginally under, equal to, or slightly above its competitors.

Competition-Based Pricing Strategy in Marketing

Consumers are searching for the perfect value, which is not necessarily the lowest price. Competitively pricing items and services in the market might help a firm get more clients. When a firm offers something that its competitors do not, such as more extraordinary customer service, a liberal return policy, or unique loyalty rewards, competitive pricing is exceptionally successful.

Cost-Plus Pricing Strategy

The primary focus of a cost-plus pricing approach is the cost of creating a product or service, or COGS. It is also known as markup pricing because businesses who use it "markup" their products based on how much profit they want to earn.

The cost-plus approach involves doubling the product's production cost by a certain percentage. Cost-plus pricing is commonly used by retailers that sell tangible goods. This strategy is not optimal for service-based or SaaS organisations because their products frequently give substantially more worth than the creation cost.

Cost-Plus Pricing Strategy in Marketing

When the rival uses the exact pricing mechanism, strategies like cost-plus pricing can go with the business well. Although it may not be that effective in attracting new customers, a company's rivals are more focused on acquiring the customers than what they may earn or revenue bases approach. Before going with any tool or strategy to set the price, it is essential to have sound knowledge and the closest view of competitors to know what will happen or what has gone before setting the strategy. It is very important that the company is well aware of the strategy and that it will work quite well after implementation.

Dynamic Pricing Strategy

When setting such strategies, time-based pricing demand or surge pricing is the alternative marketing term. All terms are alternatively used for dynamic pricing thing that is being fluctuated due to customer choice or any factors that are all depended on the pricing approach the organisations which use these strategies are utility businesses, hotels, event venues and Airlines as well which use algorithms to have an idea about how to assess the competition in that market which include the competitive pricing, and somehow demand is included as well as other factors. When organisations use such algorithms are enabled to adjust prices according to the willingness of the customer to pay for the product or the precise moment when they are ready to purchase a product.

Dynamic Pricing Strategy in Marketing

Dynamic pricing in practice can have a significant impact on the strategy designed by the company may be promotional based as it can have ahead-of-time promotions and algorithms set up which are required for a particular time to have promotions at the right time and right strategy it can also be used to revenue maximisation, in real-time AB dynamic pricing test.

Freemium Pricing Strategy

It is a strategy, and the term combines two words, free plus a premium, in which customers are given free services along with the premium or the paid options. In this, the free options are given as essential services, and premiums are offered as advanced, which are mostly upgraded to these

High-Low Pricing Strategy

A high-low pricing strategy can help a company retain constant foot traffic in their stores throughout the year. By evaluating the popularity of items at different periods of the year, it may employ low prices to promote sales during traditionally slow months.

Hourly Pricing Strategy

The term is hourly-based pricing which shows based on time. Usually, the pricing decisions are taken based on costs which are incurred, like raw materials, and other costs are labour, but this strategy is somehow different from others as it is based on the number of hours when given services; freelancers usually use such strategies as they charge based on the time.

Skimming Pricing Strategy

A skimming pricing approach can be helpful if items have different life cycle durations. The popularity of a product might change fast, leaving just a brief window to profit in the early phases of its entire lifespan. On the other side, a commodity with a prolonged life cycle can be considered more valuable for a longer length of time. Without continuously changing all items, the firm will remain consistent with its marketing initiatives for each product.

Penetration Pricing Strategy

When a corporation uses a penetration pricing strategy, rather than skimming pricing, it comes to market with a very low price, diverting attention (and revenue) away from higher-priced rivals. Penetration pricing, but from the other extreme, is not long-term viable and is often employed for only a short period.

This pricing strategy is ideal for organisations just getting started and seeking clients and those entering a crowded field. The idea relies on disruption, temporary loss, and the hope that the company's early customers will remain around when its prices grow. (Another lateral strategy is loss ruler pricing, in which businesses purposely undercut competitors' prices to persuade customers to buy more expensive products.) Customers are acquired in this manner by Target and other retailers.)

Penetration Pricing Strategy in Marketing

In the same way that money does not trickle in immediately, penetration pricing is identical to freemium pricing. It may, however, continue to generate money and develop a company while raising pricing, provided it delivers significant value and an excellent product or service. One idea for this pricing approach is to emphasise the value of the items offered rather than the price.

Premium Pricing Strategy

When a corporation uses a premium pricing strategy, grandeur or luxury pricing, it sets its prices high to convey that its items are high-value, luxury, or premium. Prestige pricing places a premium on a product's perceived worth above its actual value or cost of manufacturing.

Prestige pricing is strongly tied to brand familiarity and perception. Brands recognised for providing eminence through their products adopt this price strategy if they are more costly than their competitors. Because fashion and technology may be depicted as luxurious, unique, and uncommon, this strategy is commonly used to price them.

Premium Pricing Strategy in Marketing

Premium pricing is heavily influenced by the market's perception of a product. Using influencers, restricting supply, and increasing demand are all methods for building brand awareness and influencing a premium picture of it.

Project-Based Pricing Strategy

A project-based marketing strategy is the absolute antithesis of hourly pricing in that it charges a predetermined amount per project rather than a formal arrangement of money for services. It is also used by consultancies, freelancers, developers, and other persons or employees that provide commercial services.

Project-based pricing can be estimated using the value of project deliverables. Those who may choose this pricing structure can also get a fixed charge depending on the project's estimated completion time.

Project-Based Pricing Strategy in Marketing

Project-based pricing may be more enticing by stressing the advantages of collaborating on a project with a firm. Despite the program's massive cost, it may be a worthy one-time investment. Clients will understand that they may collaborate with a firm until the job is completed, not only when their time limit expires.

Value-Based Pricing Strategy

A value-based pricing strategy is when a company prices its value proposition based on the customer's willingness to pay. Although it can charge so much for a product, the company sets its charges depending on customer interest and statistics.

When used appropriately, value-based pricing may boost consumer satisfaction and loyalty. It can also help in other aspects of a business, such as dealing with customers, to prioritise a company's clientele.

Value-Based Pricing Strategy in Marketing

A value-based pricing plan should help improve demand for products and services since value should still come first when communicating with clients. Ensure that your audiences are unique enough in terms of what they are willing to pay for - you do not want to get into difficulty by collecting more or less based on factors, not on the table. On the other hand, value-based pricing needs a constant knowledge of different consumer and customer profiles and the capacity to change the company's prices in reaction to those differences.

Bundle Pricing Strategy

A bundle pricing approach is used when a firm provides (or "bundles") two or more complementary items or activities for a single price. It can offer bundled things or services as a bundle component or multipack elements and standalone products.

This is an excellent way to give value to clients ready to spend extra upfront for various items. It can also help a firm attract clients interested in further than one of the company's goods.

Bundle Pricing Strategy in Marketing

If you offer products separately, marketing packages can help you sell more. It is an intelligent strategy to up-sell and cross-sell items that help the purchaser and the company's bottom line.

Psychological Pricing Strategy

Psychological pricing uses the perception of the customer regarding any product. Through this strategy, the prices are set by looking at the perception during purchases. The 9-digit strategy is an example of this pricing strategy where the 99 is written instead of 100, but when technically thinking it is 100, according to the perception, it is considered below 100.

Geographic Pricing Strategy

Geographic pricing is when materials or products are priced differently based on their geographical region or market. This strategy may be utilised if a consumer from another nation purchases a product or if there are differences in aspects such as the market or salaries (between the place where the firm selling the product is situated and the site where the individual buying it is located).

Geographic Pricing Strategy in Marketing

Paid social media marketing makes it simple to promote a product or service that is regionally priced. Segmenting by zip code, city, or even region may be done at a reasonable cost with exact results. The pricing model will stay the same whether specific customers migrate or relocate permanently, keeping marketing expenditures low.

How to Create a Pricing Strategy

Evaluate pricing potential.

Come up with a plan that is customised for your company. It must first examine its pricing capabilities. Based on cost, desire, and other considerations, this is an approximation of the value proposition pricing a firm may achieve. Geographical market details, operational expenses, inventories, demand changes, competitive advantages and concerns, and demographic statistics are all elements that might impact a company's pricing potential.

Determine buyer personas.

It must price a product based on the customer persona who is interested in it. Client Payoff, Willingness to Pay, and Buyer Pain Points are all factors to consider when defining your ideal customer. Interview prospective buyers to understand their likes and dislikes and gain feedback here on the best leads and qualities from salespeople.

Analyze historical data.

Examine past pricing strategies. It may evaluate the amount of sales value, churn statistics, and sold goods for various pricing methods a firm has attempted in the past to determine which were the most efficient.

Strike a balance between value and business goals.

When developing a pricing strategy, the company wants to ensure that the price suits both the bottom line and the customer personas. Keeping the following aims in mind, this compromise will help businesses and consumers more: Maximising profits, improving income stream, brand recognition, expanding market share, and increasing lead conversion are all goals that need to be achieved.

Look at competitor pricing.

It cannot develop a price strategy without first researching what competitors offer. When the company sees a pricing discrepancy for the same goods or service, it will have to choose between two options:

- Undercut competitors' prices - Lower the price if a competitor charge more for the same service as the company's brand.
- Outperform competitors' value – Value-based pricing can charge a higher price for an offer if the value delivered to the consumer is higher.

Conduct a complete competitive analysis to see the entire product or service offering, their strengths and shortcomings, and adjust the pricing approach accordingly.

How to apply these processes to various organisations and industries?

Pricing Models Based on Entities

It is not necessary that every pricing plan may work for every company. Some tactics are better for tangible products, while others are better for SaaS businesses. Here are some prevalent pricing models for many industries and businesses.

Product Pricing Model

Unlike virtual products or services, physical goods have observable expenses (such as transportation, manufacture, and storage) that can influence pricing. These expenses should be factored into a product pricing strategy to generate a price that maximises profit, encourages R&D, and outperforms the competition. Value-based pricing, prestige pricing, better rates, and cost-plus pricing techniques are advocated for physical items.

Digital Product Pricing Model

Pricing for digital items such as software, online programs, and digital books is unusual since no accurate providing or unit economics (production cost) is associated with them. Prices should be determined by the company's brand, industry, and total product value. Value-based pricing, competition-based pricing, and freemium pricing models are advised for digital product pricing.

Restaurant Pricing Model

The price of a restaurant includes physical expenses, administrative charges, and service costs. Consumer base, broader customer trends for region and cuisine, and food cost should all be considered, as these factors may vary. Value-based pricing, premium pricing, and cost-plus pricing techniques are advised for this category.

Event Pricing Model

The cost of manufacturing cannot be used to accurately judge events (not unlike the digital products we discussed above). Instead, event value is determined by the cost of advertising and producing the conference, as well as the presenters, entertainment, community outreach, and overall experience, and ticket sales should reflect these factors. Competition-based pricing, value-based pricing, and dynamic pricing techniques are advocated for pricing live events.

Services Pricing Model

Offerings can be challenging due to their perishability and lack of direct manufacturing costs. A substantial percentage of the service value is based on the service provider's capacity to deliver and the assumed quality of their job. Independent contractors and entrepreneurs, in particular, must adhere to a service pricing strategy. Project-based pricing, hourly pricing, and value-based pricing techniques are advised for pricing activities or intangible items.

Nonprofit Pricing Model

Non-profits also require price plans. Nonprofits may use a pricing strategy to help them optimise their operations to be more successful over time. Current expenditures and costs, the operation's breakeven threshold, the intended profit margin, and how the strategy will be disseminated to participants, licensees, and anybody else who needs to know should all be considered in a nonprofit pricing plan. A charitable organisation's pricing strategy differs from others in that it usually incorporates elements from many pricing systems. Hourly pricing, cost-plus pricing, competitive pricing, and demand pricing tactics are advocated for pricing non-profits.

Education Pricing Model

Education costs cover various expenses based on the type of education received, whether privatised or public, and the scholastic program/discipline pursued.

In an academic pricing plan, specific costs include tuition, bursaries, and other fees (labs, books, housing, meals, etc.). Competition between comparable institutions, demand (number of opportunities to access), the number and cost of faculty members, and enrollment numbers are all important factors to consider. Cost-based marketing and competitive pricing tactics are advocated for pricing education premium pricing.

Real Estate Pricing Model

Real estate includes assessments of home values, market competition, price growth, and cost of living. Real estate pricing strategies are influenced by potential long-term contracts, housing projections and benchmarks (available through real estate brokers and free internet sites like Zillow), and variability in the real estate industry. Dynamic pricing, competitive pricing, and premium pricing tactics are advocated for pricing real estate cost leadership.

Agency Pricing Model

The profitability, retaining existing customers, and how a corporation markets and sells its agency are all affected by pricing structures for agencies. When growing and updating an agency's pricing model, it is vital to consider a variety of options in order to choose the optimal plan for increasing profits. Value-based pricing, project-based pricing, and hourly pricing techniques are advocated for pricing agencies.

Manufacturing Pricing Model

Manufacturing is a complex industry with many dynamic segments, and the manufacturing pricing model of a corporation is not taken as an exception. Considering it as the development of a product, desire, production costs, selling prices, unit sales capacity, and just about any other process and product-related costs. Another crucial part of a production strategy for pricing is determining the maximum amount the industry will pay for a unique item to gain profit. Cost leadership strategy and value-based pricing techniques are advocated for manufacturing cost-plus pricing.

E-commerce Pricing Model

E-commerce costing models calculate how much it costs to sell items digitally at any price. A business must evaluate the price customers are prepared to pay for shopping sites and the cost of obtaining and/or generating those items. Customers should be able to find identical items on competitors' e-commerce sites. Therefore, the company should consider its online marketing strategies for these products. Value-based marketing, variable pricing, better rates, penetration pricing, cost-based pricing, and freemium pricing techniques are advocated for pricing E-commerce.

FINDINGS

Different pricing mechanisms were demonstrated following Wuollet (2013). It is acknowledged that systematic literature reviews on marketing pricing strategies are used as a problematic fix for various factors that affect (like internal factors and external factors) various situations or environments. Because determining different prices depends on specific customers and circumstances, it is essential to utilise a pricing strategy relevant to setting prices. These fallacious paradigms must be examined and permanently disregarded. Proactively controlling prices to market conditions is known as strategic pricing. Setting prices involves coordinating associated marketing, competitive, and financial choices.

Additionally, before choosing a suitable pricing strategy for a business, considerable consideration must be given to the variables employed in price determination; Approaches, models, and knowledge of the theory underpinning effective pricing strategy development are of utmost importance nowadays because improper application of the Strategic Business models and other techniques may affect how organisations allocate resources or their overall business strategy.

Given its crucial strategic importance and complexity, deciding on the price of new items is a particularly difficult issue. The uncertainty the company faces on both the supply and demand sides, the environment which is not static and continuously being changed, and the need for long-term decision-making perspectives, given that the firm's pricing decision in the current period is likely to have an impact on future results, all add to the complexity. Regarding new product pricing, there is a somewhat different pricing scenario (John Burnett, 2010). When it comes to a brand-new product, there is little to no competition (John Burnett, 2010). What price level is appropriate in these circumstances? According to John Burnett's (2010) analysis of this event, penetration and skimming are the two general tactics that are most frequently used.

Implications Today's' According to Philip et. al., 2005, many Companies or Organizations are dealing with a competitive and rapidly evolving price environment for their offered goods or services. Globalisation, rapid technological advancement, and quick and easy access to information can all benefit or harm the products or services we use to improve our lives. The managers must therefore equip themselves with information about what pricing may do, how to set prices for their products or services, and potential consumer and competitor responses to their pricing choices. Policymakers, the authorised body, and managers can react and balance the impact of pricing resulting from surviving in a changing environment.

Pricing strategy is an essential tool that can decide a business's success and is crucial for generating revenue, especially when a business is new. Its decisions are taken based on the nature of the business and setting prices accordingly (Burnett, 2010), There are different theories and models which explain the price in different aspects, which shows that price is the most essential element to be considered in the business decisions which is the very first thing that is encountered by the customers in a market when a product is introduced or promoted and proves to be attractive in creating demand.

Cost, competition and value-based pricing are essential approaches to be considered as the decision can not only be made based on the market, but for a business, its cost control is again a significant objective which is eventually a factor by which a price is being affected. A business has to cover its cost first after that, it can set the strategy to enter the market.

A study about the Geographical pricing, psychological pricing, skimming and penetration strategies shows that valuing a product is the very first decision for any business when it is in the stage of segmentation and targeting a market because looking at the demographics can give a better idea about the life cycle of a product.

CONCLUSION

The study explained and contributed to the knowledge of markets and discussed a series of marketing strategies that can be used for pricing a product which can help a marketer to set appropriate prices by using different pricing models for industries. The study also discussed the relationship between setting proper pricing to companies' ROI or revenue generation. A combined model for different factors related to pricing can allow marketing to look at the pricing factor at the next level and have a deep insight into every aspect of pricing. According to numerous writers, customers' loyalty to organisational goods is maintained when pricing is consistent. As a result, frequent price adjustments may drive consumers to switch brands.

Buyers are subjected to much additional information on the internet, influencing their value perceptions and shortening the product lifespan. It has also been discovered that the more rivals a product has, the further elastic the product gets and the more competitively priced people become towards it. Thus, according to Docters et al. (2004), most firms utilise several pricing strategies, making them even more adaptable. Competitive, value-based, privilege, accommodative, predatory, differentiated, psychological pricing, penetration and skimming for new goods are only some of the pricing strategies/policies that a corporation might employ.

Summary and Implications Conclusion paper's main goal was to examine pricing strategies used by various business entities (organisations, industries, and farms), as well as the reasons for, circumstances under which, and methods of developing pricing strategies. It also examined the impact of selecting an accurate or appropriate pricing strategy on the organisations'/firms' overall desired goals, growth, and price. As much as pricing is discussed in related literature, it is also one of the four Ps continuously discussed as the marketing mix and can vary swiftly.

This paves the way for a summary of the importance of effective pricing and the problems and intricacy of price determination. Correct and effective price determination is very important as it influences customer choice and an organisation's eventual performance, which can negatively impact productivity (Michael et.al. 2016). Even if the price of a product is not set in stone, when we consider the pricing process, the first thing that may come to mind is pricing strategy. Despite this, most managers lack expertise regarding the pricing process due to the abundance of Related Literature that has been published.

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