A Study on Role of Pricing Strategies In Business Enterprises

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Abstract- *Pricing strategies refers to act or plan of price fixation which varies from time to time in such a manner he/she may successfully achieve the target of profit maximization or sales maximization. The core strategies of business enterprise in marketing activities is product pricing which has an important impact on the market share, profit level and brand image of enterprise products. There are many factors that enterprises consider in product pricing, are cost, customer demand, brand awareness, market penetration, market trend, market development prospects, market competition environment, policy and other factors, which are important factors affecting enterprise product pricing. This study explores the role of pricing strategies in business enterprises. This research is done by both doctrinal and non doctrinal research methods. The data was collected from 50 respondents to analyze how the price is fixed for an product and what are the strategies used to attract the consumer. This study aims to provide comprehensive understanding of role of pricing strategies in business enterprises.*

Keywords- Pricing strategy, product pricing, price fixation, pricing factors, profit maximization, sales maximization, marketing, business enterprise.

I. INTRODUCTION

This Paper firstly introduces the importance of product pricing in marketing strategy, combined with the nature of domestic and Foreign enterprise products, and then summarizes the pricing strategy, pricing methods and applicable conditions of enterprise Products, and analyzes the pricing factors and influencing mechanism of enterprise products. Then, it summarizes the product Cost, product types, customer demand, price elasticity, consumer behavior, sales channels, etc. Pricing strategies are critical tools used by businesses to determine the price at which they sell their products or services. These strategies are influenced by various factors such as cost, demand, competition, and market conditions.

The right pricing strategy can help businesses increase profitability, improve competitive advantage, and establish brandid entity.Below is a breakdown of how pricing strategies plays a role in business enterprises. A successful pricing target includes not only the company beating its competitors by actively participating in the market competition, but also the Company’s market planning and profit expectation for the Product. Only by setting a good product price can enterprises better adapt to the development of market competition and attract more customers to buy their products. As one of the core strategies of most enterprises, most Scholars have studied the pricing strategy from different market environments such as the price demand elasticity of Products, consumer preferences, sales channels and sales models.

Statement of the problem:

The highly competitive business environment and organizations face significant challenges in determining optimal pricing strategies that balance profitability with customer demand. At present, enterprise product pricing is affected by many Complex factors such as economy, law, customers, competitors and enterprise cost management status. Identifying the key factors that influence pricing decision in business enterprises. Many previous researches proved that main problem facing nowadays is customer retention in many industries due to instability of pricing strategy. In present economic situation to retain the present consumers, the businesses should declare stable pricing strategy.

II. REVIEW OF LITERATURE:

According to Michael etal , (2016)[1] : Pricing can be Considered to be an important aspect that impacts on the success of an organizations or companies or Firms

According to Ester etal, (2019)[2]: Pricing is a powerful force in attracting attention and increasing sales, and that it can also have a major influence on customer loyalty which determines

[1] Michael et al, 2016
[2]Ester et al, 2019

the ability of the firm to consistently generate revenues to boost profitability and liquidity in the long run.

According to Simon ,(1992)[3]: The organizations or Companies are need to use a strategy to determine their prices not only based on intuition also by the manager's market experience.

Research gap of the study:

There is a Limited understanding of the impact of pricing strategies on customer behavior, while many researchers has explored the impact of pricing on customer behavior, there is still a need for more contextualized studies. Lack of research on pricing strategies in small and medium-sized enterprises. Also limited understanding of the impact of pricing strategies on business performance.

Objectives of the study:

1. To identify the key factors influencing pricing decisions.
2. To find which pricing strategy is best to retain customer.
3. To examine the relationship between the pricing strategies and customer behavior.
4. To examine the impact of pricing strategies on business performance.
5. To evaluate the effectiveness of different pricing strategies.

III. RESEARCH METHODOLOGY

This research adopts both doctrinal and non-doctrinal research. The data sources includes newspapers, magazines, books, reports, and electronic resources. The sample size comprises 50 respondents, from which data was collected. A random sampling method was used to ensure diversity in the sample. For data analysis, statistical tools such as the percentage method and the average method were applied. The geographical scope ofthe research was limited to Chennai city, and the research was conducted over a period of three months.

Significance of the study:

This study contributes to the existing body of knowledge on pricing strategies and their impact on business performance. It provides business managers with a better understanding of the role of pricing in business enterprises, enabling them to make more informed pricing decisions. This study provides managers with a better understanding of the factors that influence pricing decisions, enabling them to make more informed decisions. It also provides new insights into the role of pricing in business enterprises, advancing our understanding of pricing theory. This study may contribute to economic growth by providing businesses with insights into how to develop effective pricing strategies.

Hypotheses of the study:

H1**:**There is a significant positive relationship between the effectiveness of a company's pricing strategy and its business performance like discounts, promotions, price bundling and anchoring, dynamic pricing, revenue growth.

H2: The price strategy varies and becomes challenging in terms of pricing with other organizations like competition, customer pricing sensitivity, cost pressure, regulatory requirements, others.

Limitations of the study:

The study may be limited by the sampling method used, which may not be representative of the entire population.The quality of the data collected may be limited by factors such as respondent bias, incomplete data, or inaccurate data.The study may oversimplify the complexities of pricing strategies and their impact on business performance.The study's findings may be limited by temporal factors such as changes in market conditions or consumer behavior over time.The study may not fully consider external factors that can impact pricing strategies, such as economic conditions, regulatory changes, or technological advancements.

IV. RESULTS AND DISCUSSION

Pricing strategy is the policy a firm adopts to determine what it will charge for its products and services. Strategic approaches fall broadly into the three categories of cost-based pricing, competition-based pricing, and value-based pricing. Pricing strategy is a key variable in financial modeling, which determines the revenues achieved, the profits earned, and the amounts reinvested in the firm's growth for its long-term survival. A number of pricing strategy options are available, including markup pricing, target return on investment pricing, perceived value pricing, competition-based pricing, penetration pricing, and skimming pricing.

The choice of pricing strategies adopted by the firm will depend on thebuyer expectations and behavior, competitor strategy, industrial changes, and regulatory boundaries. Other factors affecting the nature of pricing

[3] Simon, 1992

strategies are corporate image, geography, price discrimination, and price sensitivity. Future trends in pricing policies are likely to focus on information-based optimization through cost reduction of inefficiencies in the supply chain, the reduction of trade allowances, an increase in responsiveness to changes in market conditions, greater pricing flexibility, and a reduction of pricing disparity across different channels. Pricing strategies play a crucial role in business enterprises as it directly impact revenue, profitability, and market share. A well-designed pricing strategy can help the businesses to differentiate themselves from other competitors, and also creates value for customers, and ultimately improve the business growth.

Effective pricing strategies can influence customer behavior, purchasing decisions, and loyalty. Businesses can use the pricing strategies that creates psychological effects, such as anchoring, bundling, and discounts, to influence customer perceptions and also drive sales. Pricing strategies can also be used at segment markets, that target specific customer groups, and create offerings. By analyzing customer willingness to pay the amount, the businesses can develop a pricing strategies which balance profitability with customer affordability. Pricing strategies can be used to respond to changes in the market, like fluctuations in demand, changes in the competitor pricing, and shifts in customer preferences. Businesses that fail to adapt their pricing strategies with changing market conditions has a risk of losing market share, revenue, and profitability.

Logistic Regression Model:

Logistic regression or binary logistic regressionis the first statistical method chosen for this study to measure how thatCertain event (i.e., the selection of a specific pricing strategy) will happen. LogisticRegression is a type of regression analysis that is frequently employed in statistical modelling and machine learning for binary classification problems. It allows the prediction of a categorical dependent variable in terms of one or more categorical or non-categorical independent variables. In this model, the dependent variable only can take the value of either 0 or 1, representing Whether an event has occurred or not.

Binary logistic regression explains the relationship between each predictor variable and each pricing strategy in detail, before moving on to multinomial logistic regression. Also, it helps to identify which independent variables are most strongly associated with each outcome category. Thus, it would be helpful while interpreting the results of multinomial logistic regression. Further, running both binary and Multinomial logistic regression models allow comparing the results of the two methods and assessing whether the multinomial model fits the data better than the binary logistic Regression models.

Multinomial Logistic Regression Model:

The multinomial logisticregression model is the second statistical method to estimate the effects of the industry of the company, the firm size, the firms location on the pricing Strategies. The multinomial logistic model is one of the most used regression models for anominal outcomes in the social sciences. Multinomial logistic regression is an extension of binary logistic regression and that can be used when the dependent variable Contains more than two outcome categories which are nominal or ordinal type.

The results of a multinomial logistic regression can be used to estimate the Likelihood of each outcome based on the values of the independent variables, as well as it is used to evaluate the importance of various factors in influencing the outcomes. The logistic model has the advantage of being somewhat less complex in terms of the basic normal distributional assumptions, and it also helps to limit the impact that outliers have on the findings.

In the study, binary logistic regressions and multinomial logistic regressions are used to find the relationship between the dependent variable and the explanatory variables. In The thesis, the pricing strategies are categorized into three groups: cost-based pricing, Competition-based pricing, and value-based pricing.

In the first method, the dependent variable is the pricing strategies.Three models are there for each of the pricing Strategies they are as follows; cost-based pricing, competition-based pricing, and value-based pricing. For The first model, the dependent variable contains a binary outcome that the dependent Variable takes 1 if the firm has only cost-based pricing and 0 if the firm has another pricing Strategy along with a cost-based pricing strategy.

The dependent variable for the second Model contains a binary outcome that the dependent variable takes 1 if the firm hasCompetition-based pricing, and 0 if the firm has no competition-based pricing strategy. The same approach with the third model has been followed for value-based pricing.

Overall, the binary logistic regression models in the paper contains thewhole are not statistically Significant, in other words, the relationships between the independent variables and the dependent variable are not strong enough to significantly predict the dependent variable. There could be several reasons for this result. The pricing decisions for businesses are highly complex considering that the pricing environment has a dynamic structure that is affected by increasing globalization, market condition, technological progress, rapid changes in product lines.

Therefore, the pricing decisions will becomprehensive analyses and comprehension of the specific characteristics of the firms environment. However, several factors that affect the pricing Strategy decision have been ignored due to data limitations. Another problem is t low sample size. The low number of observations causes a challenge to predict a reliable model, even if individual independent variables have significant effects. In particular for Model 1, however, the insignificant results obtained might also be related to the fact that all firms have some degree of cost-based pricing strategy.

Considering the results obtained at the individual level, both the binary logistic regression model and multinomial logistic regression results shows that larger firms are more likely to select a competition-based pricing strategy compared to smaller firms.The size of a firm has a crucial effect on the firms ability to respond to competition.

For instance, large-sized companies may have more bargaining power with their suppliers and distributors, allowing them to negotiate better terms and reduced prices as discussed before. Also, larger firms may have more unique resources such as financial capital, human resources, and technology.

In India, thelegislation that supports pricing strategies are as follows;

1. The Consumer Protection Act, 1986[4]also plays a role by protecting consumers from unfair pricing practices and providing avenues for redressal . Provides some measures for regulating two types of pricing practices that is excessive of pricing and bargain & deceptive of pricing.
2. The Competition Act, 2002[5] which regulates anti-competitive practices like price fixing, predatory pricing, and abuse of dominant market position, effectively influencing how businesses can set prices to avoid unfair advantages.
3. The Essential Commodities Act, 1955 [6]allows the government to control prices of essential goods during emergencies or shortages.
4. The lndustries (Development and Regulation) Act, 1951[7]

[4] The consumer protection act,1986.
[5]The Competition act,2002.
[6] The essential commodities act,1955.

The Common pricing practices considered problematic under international laws are as follows;

Market sharing agreements, Price fixing, Bid rigging, Predatory pricing.

Examples of relevant international organizations and their role are as follows;

World Trade Organization (WTO):

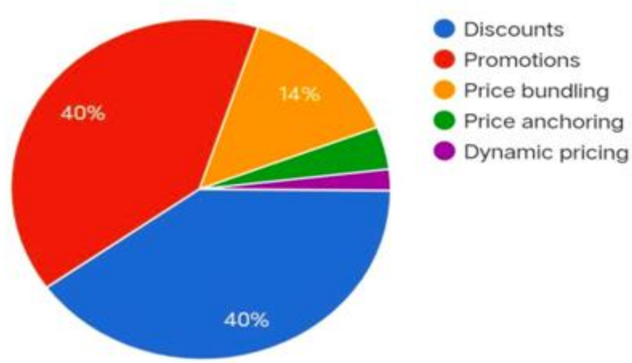
It will not directly regulating pricing, the WTO promotes fair competition and also investigate cases where the pricing practices are deemed to be unfair trade practices.
European Commission (EC):

The European Commission has robust antitrust laws that actively monitor and penalize the companies engaging in the anticompetitive pricing practices within the European markets.

Table 1: Pricing tactics the organization use

Indicators	Male	Female	Total
Discount	12 (24.00)	8 (16.00)	20 (40.00)
Promotion	15 (30.00)	5 (10.00)	20 (40.00)

Source: Primary data



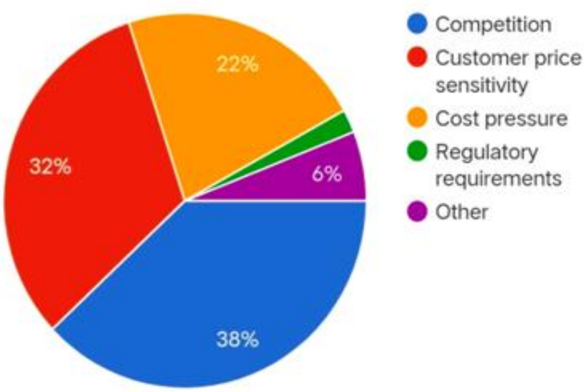
The above table 1 shows the pricing statics the organization use where there are 20 respondents (40.00) said as discount, 20 respondents (40.00) said as promotion, 7 respondents (14.00) said as price bundling, 2 respondents (4.00) said as price anchoring, 1 respondent (2.00) said as dynamic pricing. The total number of respondents are 50. The pricing statics varies from one organization to other.

[7] The lndustries (Development and Regulation) Act, 1951.

Table 2: Challenges faced by the organization in terms of pricing

Indicators	Male	Female	Total
Competition	13 (26.00)	6 (12.00)	19 (38.00)
Customer price sensitivity	11 (22.00)	5 (10.00)	16 (32.00)
Cost pressure	7 (14.00)	4 (8.00)	11 (22.00)
Regulatory requirements	0 (0.00)	1 (2.00)	1 (2.00)
Other	3 (6.00)	0 (0.00)	3 (6.00)
Total	34 (68.00)	16 (32.00)	50 (50.00)

Source: Primary data



The above table 2 shows the challenges faced by the organization in terms of pricing where 19 respondents (38.00) said as competition, 16 respondents (32.00) said as customer price sensitivity, 11 respondents (22.00) said as cost pressure, 1 respondent (2.00) said as regulatory requirements, 3 respondents (6.00) as other. The total respondents are 50, the challenges faced by the organization in terms of pricing may vary from one organization to other. Where 34 respondents are male and 16 respondents are female.

V. TESTING OF HYPOTHESIS

Hypothesis 1: There is a significant positive relationship between the effectiveness of a company's pricing strategy and its business performance like discounts, promotions, price bundling and anchoring, dynamic pricing, revenue growth.

Comparison with Non doctrinal data Table 1:

The businesses use pricing tactics in the organization like discounts, promotions, price bundling and anchoring, dynamic pricing. Most of the organization use Discounts and promotions as pricing tactics. Some organization use only the price discounts as pricing tactics. The hypothesis 1 is accepted with relation to table 1.

Hypothesis 2: The price strategy varies and becomes challenging in terms of pricing with other organizations like competition, customer pricing sensitivity, cost pressure, regulatory requirements, other.

Comparison with Non doctrinal data Table 2:

The biggest challenges faced by organization in terms of pricing will be through competition, customer price sensitivity, cost pressure, regulatory requirements. The majority of organizations face customer price sensitivity as the biggest challenge. The hypothesis is accepted with relation to table 2.

VI. CONCLUSION

Pricing strategies are a critical component of business decision-making by influencing revenue, profitability, market share, and customer behavior. Businesses must be carefully design and implement the pricing strategies to achieve their goalsand also respond to the changing market conditions, and to create sustainable competitive advantages. The study highlights the importance of the considering factors such as customer willingness to pay, market conditions, and competitor pricing while developing pricing strategies. The businesses must be adaptable and willing to adjust their pricing strategies in response to the changing market conditions. Pricing strategies play a vital role in business enterprises by influencing the revenue, profitability, market share, and customer behavior. Effective pricing strategies can helpbusinesses to differentiate themselves from the competitors, it creates value for customers, and drive growth. By understanding the various pricing strategies, such as penetration pricing, skimming pricing, competitive pricing, value-based pricing, and dynamic pricing, businesses can develop advanced approaches to achieve their goal.

VII. SUGGESTIONS

1. Develop a dynamic pricing strategy that takes into account changing market conditions and customer behavior.
2. Invest in pricing analytics tools to better understand customer behavior and optimize pricing strategies.

3. Understand customer willingness to pay, market conditions, and competitor pricing.
4. Consider price elasticity when developing pricing strategies, to ensure that changes in price do not negatively impact demand.
5. Continuously monitor market conditions to adjust pricing strategies as needed

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