

PRICE SETTING AND PRICING AS PART OF THE MARKETING

Marketing development connects to the growing problem of products realization. First of all, there is a necessity to improve sales policy in order to build the appropriate market and greatly improve the planning of sales. The modern concept of marketing is focused on the development of relations with the market and defines the relationships with consumers and increase product value to the consumer as a major problem. Thus one of the major problems in the organization is to establish prices for their products. The price level depends largely on economic indicators of the organization and the results of its business.

Investigation of the product value for the consumer, consumers' benefits and the ratio of benefits to price increases the importance of marketing. The marketing approach to the price, which differs from the cost method of pricing, requires the development of new methods of formation of pricing decisions. The entrepreneur should always be sure that he had chosen the price which would be appropriate for the target market and help to achieve profit.

To be successful at price setting and overall pricing strategy a producer will make a point of making in-depth use of competitive analysis. He must attach great importance to the calculation and results of break-even analysis and the measurement of price sensitivity. Producers would rather rely on hard evidence to make pricing decisions. They should also realize that there are a number of factors that are crucial in affecting price sensitivity and that these should not be ignored. A good example of such a factor is the customers' perceived value of a product/service. Price competition occurs not only between producers, but also between producers and retail. The producer would like to control the two prices: the wholesale price and retail price of the product since its revenue depends on the first price but the second price influences the positioning of a product. However, with accordance to the law which is in force in many countries retail business controls the retail price of the product. This constrains the producer's capabilities, since it can only forecast the retail price based on its own wholesale price and its normal trade margins. Producers should seek to know if the price they have set will help offset all their operating costs. They should also make a point of investigating what prices their competitors are offering in addition to know how often they will make changes to their set prices. They need to understand the pricing policy used

by their competitors and investigate the characteristics of the competitors' of consumers. The Producer working up the pricing policy should consider the following aspects:

- The prices should be set up based on the cost
- The ratio between gross income and gross expenses should be calculated to achieve the desired level of margin;
- It is better to set up prices based on the estimation of purchasing capacity;
- The prices should be better set up based on the analysis of the competitors' prices and comparative analysis of the technical level of its products.

Based on the above the producer after setting up a price should adjust the initial price with accordance to the competitors' prices. The producer should always use the pricing strategy which will attract the customers and which can win in competitive struggle.

As part of the pricing policy the producer should consider the following areas of pricing:

- Cost plus pricing. This is the technique which involves calculating the costs involved in production then adding the desired profit to this price as a percentage;
- Competition-based pricing. This is where the price is based on the prices that similar competitors charge;
- Pricing with discounts and bonuses. This is where the price set is as a result of target market analysis and research to stimulate the sales growth;
- Different pricing for different markets but for the same product or service.