

**PRICING**  
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In the market economy the business success of any company or entrepreneur mostly depends on the correctly chosen strategy and tactics of pricing on goods and services. Pricing is a rather difficult process because prices mostly depend on the situation in the market. The range of political, economic, psychological and social factors has a great influence on the price level. Today your price can be determined by the costs factor, and tomorrow its level will depend on the customer's behavior.

However, nowadays the most part of entrepreneurs of our country has no necessary theoretical and practical knowledge of the complicated mechanism of goods and services pricing. As a result, establishing prices they often make serious mistakes that immediately reflects on the financial results, in some cases leads to suffering losses and sometimes even to the bankruptcy of a business.

To avoid this situation any economist and any entrepreneur must acquire the theory and practice of pricing.

All commercial and nonprofit organizations face the problem of determining prices for their goods and services. In the market economy pricing is a very difficult process which is influenced by plenty of different factors and based not only on the marketing recommendations. But nevertheless, the right choice of price strategy, approaches to the pricing for new and still manufactured goods and services in order to increase volumes of realization and commodity circulation, to enlarge production and firm the company's positions in the market is one of the marketing functions.

Prices and the price policy are ones of the major components of the marketing activity, which importance is permanently rising in our days. Prices are in close dependence on other variables of the marketing and other firm's activities. Final commercial results mostly depends on prices and it's important to mention that in the long run correct or fault price policy brings positive or negative results of firm's activity.

The essence of the correctly chosen price policy in the marketing is to fix and vary prices in dependence on a situation in the market in order to win a certain market share, provide the planed profits and solve other strategic and operative tasks. Working out the general price policy all decisions are gathered into an integrated system.

Stating a single price for all buyers is a comparatively new idea. It has been formed historically – a price was a result of the deal between a buyer and a seller. Usually sellers asked for a price higher than they counted to get first. In their turn buyers asked for a price lower than they were ready to pay. While dealing with each other they usually came to the price that was mutually acceptable to everyone. Common prices were widely admitted only to the end of 19 century with the appearance of large retail enterprises, which proclaimed “the strict policy of common prices” as they offered a huge variety of goods and employed a great number of employees.

Historically prices were the basic factors that determined a customer's choice. This is still true for the third-world countries among the population groups living below the normal living standards. Nevertheless, for the last tens of years price factors such as sales stimulation, distribution of goods and services for the customers have obtained a certain influence on the consumer's choice.

The way firms approach the pricing problems may vary. In small firms prices are usually determined by the higher leadership. In large companies department supervisors and

assortment supervisors deal with the pricing problems. But still at this level the higher leadership determines the general targets of the price policy. The higher leadership also confirms prices offered by managers of the lower supervision. In space, railways, gas and oil industries companies often organize special pricing departments, which determine prices or help the others do it. Such employees as sales department managers, production supervisors, finance managers and accountants are those who also influence the price policy.

First of all a firm must determine what purposes it intends to reach with the help of the concrete goods. If the choice of a target sector of the market is well considered the approach to forming the marketing complex including pricing problems is quite evident. The pricing strategy is generally determined by decisions that were made concerning a certain position in the market. At the same time a firm can chase other targets. The clearer a firm's idea of its target the easier to determine a price. There are plenty of examples in practice: providing survival of the firm, maximizing current profits, winning leading positions in the market reaching the high quality of commodities.

Providing company's survival becomes the general purpose under the circumstances of hard competition and when there are too many producers in the market. It's also true in case of rapid change of the customers' needs. To provide the work of enterprises and sales of their goods firms have to state lower prices in hope to get a favorable customer's respond in return. Survival is more important than profits. While the prices reduced cover the production costs firms that get into a difficult situation can continue their commercial activity for some time.

Plenty of the firms aspire to maximize their current profits. They estimate customers' demand and costs taking into account different levels of prices and then they chose the price that will provide the maximization of future profits and cash and also provide maximum of costs compensation. In all these cases current finance indicators (indexes) are more important for a firm than the long-run ones.

Other firms want to be leaders in the market share indicators in hope that a company getting the biggest market share will have the lowest level of costs and the highest profits in the long run. Trying to reach the leadership in the market share they undertake the maximum possible decrease in prices. A variant of this purpose is to rapidly get the concrete increase of the market share.

A firm can also make its goods the most qualitative among all the rest offered in the market. Usually it demands to determine a higher price to cover the costs for reaching high quality and conducting expensive surveys.

To determine a price taking into account the level of current prices a firm usually leans on its competitors' prices and pays less attention to its own indexes of costs and demand. Under the circumstances of oligopoly activity all the firms usually ask for the same price. The smaller firms "follow the leader" changing their prices when the leader changes them, not concerning the fluctuations of the demand for their goods. Some firms can take off a small extra charge as a premium or grant a small discount keeping the difference in the permanent price. Such method of pricing is quite popular.

The seller must take into account not only economic but also psychological factors of the price. Many consumers suppose that the price must reflect the quality of merchandises. Some firms manage to increase the sales by raising prices for their goods and such goods will be considered more prestigious. Such method of pricing based on the goods prestige is also quite effective, especially concerning, for instance, perfume or expensive cars that can cost ten times cheaper but customers pay ten times higher considering that the price assumes something special.

There exists one else, unofficial law of pricing, which is very popular practically among all the sellers. Price should be expressed in a odd figure. For example instead of \$200

they put \$199. And then for the plenty of consumers this merchandise will cost \$100 and plus but not just \$200.

The chosen price must be checked whether it corresponds to the existing price policy. Many firms work out purposes concerning their favorable price image granting discounts and taking relative measures in respond to the price activity of their competitors.

In recent several years plenty of the firms have to higher their prices. Doing so they understand that increase of prices will result in the displeasure of their customers, distributors and own sales personnel. Nevertheless, the successful increase of prices can considerably enlarge the volumes of profits.

One of the main condition affecting the increase in prices is the constant worldwide inflation caused by highering level of costs. The increase of costs not corresponding to the production growth leads to the decrease of the profits rate and makes the firms permanently higher prices. Some times the prices growth crosses the growth of costs in the presentiment of further inflation or introduction of the state control over prices. Firms are not sure to give their customers any long-run liabilities concerning prices, scaring that the inflation caused by costs growth will damage their profit rate. Overcoming inflation firms can increase their prices in several ways.

Another circumstance leading to the price increase is the availability of extra demand. When a firm is not able to completely satisfy their customers' needs it can raise its prices. Prices can be raised practically imperceptibly, for example by abolishing all the discounts and enriching the assortment with more expensive variants of goods.

So there are lots of problems in the existing pricing system. There are plenty of questions to be solved. That is why in the modern economy the problems of pricing are the matter of special concern.

The choice of the proper pricing policy is still the most difficult and important problem as in conditions of the country with high economic level as, to the great extend, in conditions of market reforms. Any enterprise financing stability completely depends on solving this problem as well as the output and profit rate and ability of investing at the expense of own resources.

The proper pricing policy is extremely important for national economy in general because the rational price structure and level contribute to the economic stability.

In the market economy all attention is for the first turn paid to the consumer that should be the main principal of pricing policy which in its turn should be considered as a part of the overall planning of the business activity process.

The constant appearance of new goods and services in the market is one of the main conditions to survive under the circumstances of hard competition. Otherwise, the leg-behind firms face the serious finance problems.

The modern market grants new challenges in determining prices and some innovations concerning this problem. One of the aspects here is orientation to the concrete customer concerning establishing so called "just that price" or "faire price". There is no doubt that such understanding of price is common for customer psychology. Some people consider prices as the ability to obtain consumer's benefits, other think that the price is very high. Sometimes such personal approach is called "moral pricing".

The right choice of the proper pricing strategy is the initial task for any company otherwise it can face the problems of finance loss and unprofitability.

So we can repeat once again that there are lots of problems in the existing pricing system. There exist plenty of questions to be considered and solved. That is why in the modern economy the problems of pricing are the matter of special concern. Pricing issues should be considered in complex taking account of special conditions of the modern market.