

PRICE POLICY OF ENTERPRISES IN MODERN CONDITIONS

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Abstract

Prices and pricing are one of key elements of market economy. The important role of prices in economic life is determined by that they are basis of all economic measuring, render considerable influence on expenses and results of activity of all managing subjects: both enterprise structures and housekeeping, and national economy on the whole. Prices determine efficiency of foreign economic activity.

In the conditions of market economy commercial success of any enterprise in a great deal depends on the correctly chosen strategy and tactics of pricing on goods and services. A price is an economic category, meaning the sum of money, for that a salesman wants to sell, and a customer is ready to buy a commodity. The cost of certain amount of commodity makes his cost.

Key words: price, expense, pricing, price policy

Price in the broadest sense is the basis of all economic measurements; it has a significant impact on the expenses and performances of economic entities and businesses, as well as households and of the economy as a whole. Price is the main regulator of the proportions of social reproduction and economic relations in the most widespread market model of the economy.

Pricing in an enterprise is a complex process, consisting of several interrelated stages: the collection and systematic analysis of market information, the substantiation of the main objectives of the enterprise's pricing policy for a certain period of time, the choice of pricing methods, the establishment of a specific price level and the formation of a system of discounts and surcharges to the price, the correction of the enterprise's price behavior depending on the emerging market conditions.

MATERIALS AND METHODS

The theoretical basis and methodological work are studies of such authors as: Lipsits I., Bazdnikin A., Gerasimov B. and others, materials, articles from scientific and information periodicals. We used such general scientific research methods as synthesis, grouping, comparison, and others.

RESULTS AND DISCUSSIONS

Pricing policy is a mechanism or model of decision-making about the behavior of an

enterprise on the main types of markets in order to achieve the set goals of the economic activity.

The study of all aspects of price and pricing requires constant research, since its installation or change is closely interrelated not only with the economic aspect, but also with the social and political aspects of the state's life and of the world economy on the whole.

Particularly relevant is the study of prices under the conditions of transition to a market economy, which implies an objective and all-round participation in the regulation of the reproduction process of all cost-based economic categories, primarily prices. In a market economy, the commercial success of any enterprise largely depends on the correctly chosen pricing strategy and tactics for goods and services. Prices are an active tool in shaping the production structure, they have a decisive impact on the movement of the social product, they contribute to the increase of the production efficiency, they affect the distribution and use of the labor force, they predetermine the living standard of the population.

The tasks and the mechanism for developing a pricing policy

The company independently determines the scheme for developing a pricing policy based on the goals and objectives of the company's development, on the organizational structure and management methods, on the established traditions of the enterprise, the level of production costs and other internal factors, and the state and

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development of the business environment, i.e. external factors.

When developing pricing policy, the following issues are usually solved:

- in which cases it is necessary to use the pricing policy;
- when it is necessary to react to the market policy of competitors with the help of the price;
- what measures of pricing policy should accompany the introduction of a new product on the market;
- on what goods from the sold assortment it is necessary to change the prices;

- on which markets active pricing policy should be pursued, the pricing strategy should be changed;
- how to distribute certain price changes in time;
- what price measures can improve the efficiency of sales;
- how to take into account the existing internal and external constraints of business activities and a number of others in the pricing policy.

The process of developing and implementing the pricing policy of the enterprise can be presented schematically (*figure 1*).

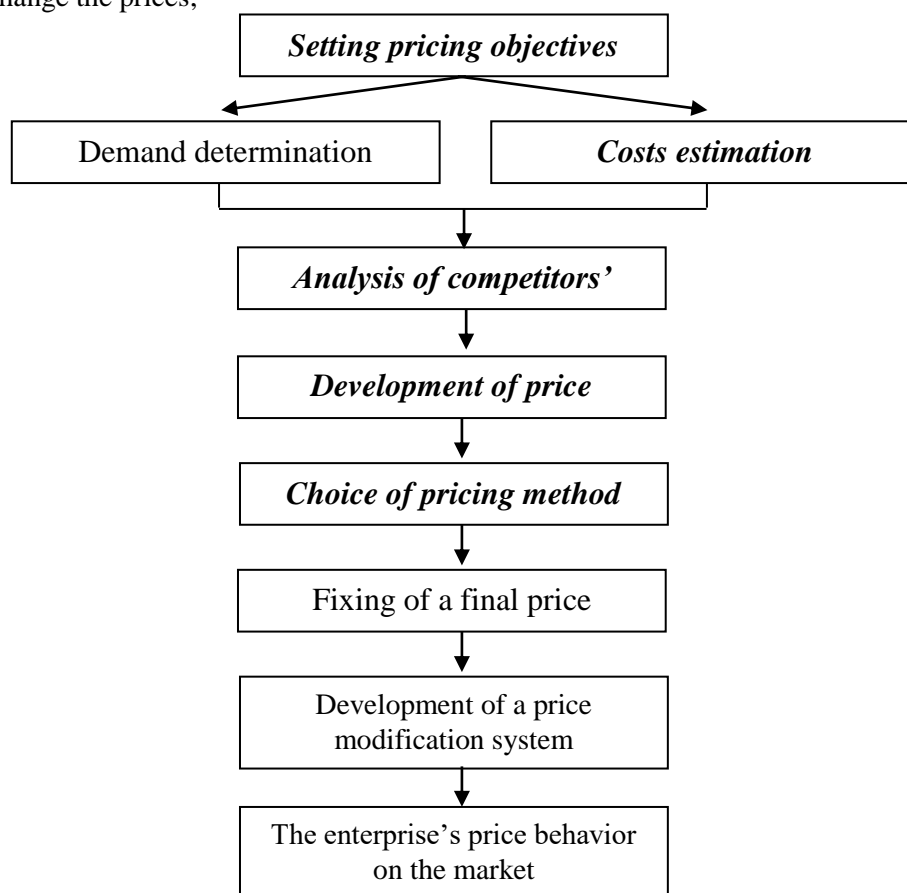


Figure 1 **Stages of the development and implementation of the enterprise's pricing policy**

Setting the objectives of pricing policy

At the initial stage of pricing policy development, the enterprise needs to decide which economic goals it seeks to achieve with the launch of a specific product. Usually three main objectives of pricing policy are distinguished: sales (survival) support, profit maximization, market retention.

Sales (survival) support is the main goal of enterprises operating in a highly competitive environment, when many manufacturers of a similar product are represented on the market. The choice of this goal is possible in those cases when the consumers' demand for the price is elastic, and also in those cases when the enterprise sets the task of achieving the maximum growth in sales and

increase in aggregate profit by some reduction in income per each unit of goods. The enterprise can proceed from the assumption that an increase in the volume of sales will reduce the relative costs of production and marketing, which makes it possible to increase the sales of products. To this end, the enterprise understates prices - uses so-called penetration prices - specially understated prices, which help expand sales and capture a large market share.

Setting the objective of profits maximization means that the company seeks to maximize current profits. It makes an estimation of demand and costs in relation to different price levels and selects the price that provides the maximum cost recovery.

The objective of the market retention means that the enterprise maintains the existing market position or favorable conditions for its activities, which requires the adoption of various measures to prevent a sales slowdown and sharpen the competitive struggle.

The above pricing policy objectives are usually long-term, calculated over a relatively long period of time. In addition to long-term objectives the enterprise can set short-term objectives of the pricing policy. Usually they include the following:

- stabilization of the market situation;
- reducing the impact of price changes on demand;
- preservation of the existing leadership in prices;
- restriction of potential competition;
- improving the image of the company or product;
- sales promotion of those products that are weak on the market, etc.

Demand patterns. The study of the patterns of demand formation for the product is an important step in the development of pricing policy of the enterprise. Demand patterns are analyzed with the help of demand and supply curves, as well as elasticity coefficients for the price.

The less elastically the demand responds, the higher the price a seller can set. And vice versa, the more responsive the demand is, the more grounds exist to use the policy of lowering prices for manufactured products, as this leads to an increase in sales volumes, and consequently, to the company's revenues.

The prices calculated considering the elasticity of demand for price can be considered the upper bound of the price.

To assess the sensitivity of consumers to prices, other methods are used that allow determining the psychological, aesthetic and other preferences of customers that affect the formation of demand for a particular product.

Cost estimation. To implement a prudent pricing policy, it is necessary to analyze the level and structure of costs, to estimate the average costs per unit of output, to compare them with the planned volume of production and existing prices on the market. If several competing enterprises operate on the market, then it is necessary to compare the costs of the enterprise with the costs of its main competitors.

Production costs form the lower bound of the price. They determine the capacities of the enterprise in the field of price changes within competition. The price cannot fall below a certain limit, reflecting the production costs and the profit

level acceptable for the enterprise; otherwise the production is economically unprofitable.

Analysis of competitors' prices and products. The difference between the upper bound of the price determined by effective demand and the lower bound formed by costs is sometimes called the entrepreneur's playing field in prices setting. It is in this interval that the specific price of a particular commodity produced by an enterprise is usually set.

The level of the established price must be comparable with the prices and quality of similar products.

Studying the competitors' products, their price lists, interviewing customers, the company must objectively evaluate its position on the market and on this basis it adjusts prices for products. Prices may be higher than those of competitors, if the produced goods exceed their quality characteristics, and vice versa, if the consumer properties of the goods are inferior to the corresponding characteristics of the competitors' products, then prices should be lower. If the goods offered by the enterprise are similar to the products of its main competitors, then its price will be close to the prices of the competitors' products.

CONCLUSIONS

At the same time, the pricing policy of many enterprises, especially of those in the Republic of Moldova, is often not sufficiently qualified. The most common errors are: pricing is excessively cost-oriented; prices are poorly adapted to changing market conditions; prices are not structured enough for various product options and market segments. In some cases, these errors lead to substantial losses, and sometimes to the bankruptcy of the enterprises. These shortcomings are largely due to the legacy of the planned economy, when prices were determined by directive or only on the basis of costs. When setting prices for their goods the manufacturers, and later the implementers, must strictly observe the provisions of current laws in the field of pricing. They should avoid:

- price fixing, as the practice of price fixing is illegal;
- price discrimination;
- sales at prices below the allowable minimum.
- fraudulent overpricing.

Thus, we can conclude that:

1) price is one of the key economic categories, which is actually of paramount importance in commercial activities and therefore it requires special attention.

2) the high level of prices is associated with gaps in the legislative acts, its consequence is the free, uncontrolled pricing by economic agents.

3) due to a weak raw material base, the prime cost of goods increases, which ultimately negatively affects the pricing.

4) poor equipment with STP items also adversely affects the cost price, since most of the goods are produced by hand (manual work is expensive).

5) in the Republic of Moldova the tax system has a tightened form, and in order for an enterprise to have a profit, many taxes are indirectly or directly paid by the consumer (excise taxes). On this basis, for the more efficient operation of the enterprise, the following can be proposed:

- The use of scientific and technical achievements and best practices, which ultimately will help push back part of the competitors and increase the market share in which the products of the studied enterprise will be subsequently sold;
- Improving logistics, which involves the use of inexpensive, but high-quality raw materials in the production process;
- Reducing transportation costs through the introduction of a new machine-tractor fleet or the use of the existing ones. Also, when providing services to the public or other economic agents, the cost of maintaining the MTF will pay off;
- Increased productivity and the introduction of new technologies that are the result of STP. This is characterized by an increase in the productivity of workers through additional material incentives for the daily

norm. Also quite important is the introduction of new equipment, which will be the most productive and the cost of its operation will be minimal.

- Market segmentation allows take into account the needs of people more fully and more accurately, to predict the demand for goods and services, and save resources when setting prices.
- Search for new markets, as the result the company finds new ways to market its products and the cheapest raw materials.
- Competent pricing strategy. The choice of a suitable pricing strategy determines the rational pricing of products and its quick implementation, which ultimately will bring profit.

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