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THE ROLE OF THE ENTERPRISE'S PRICE POLICY IN MODERN CONDITIONS

РОЛЬ ЦІНОВОЇ ПОЛІТИКИ ПІДПРИЄМСТВА В СУЧАСНИХ УМОВАХ

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Ковтуненко Ю.В., Григор'єва А.В., Пробняк О.Є. Роль цінової політики підприємства в сучасних умовах. Оглядова стаття.

Стаття присвячена дослідженню ролі сучасної цінової політики в реаліях сьогодення. Розглянуті основні дослідження і публікації вітчизняних вчених-науковців, охарактеризовані різні трактування цінової політики, її методи, стратегії, принципи та підходи, визначені основні ознаки цінової політики підприємства в сучасних умовах. Звертається увага на значущість цінової стратегії для підприємств в умовах глобалізації та посиленої конкуренції на ринках. Під час аналізу ціноутворення розглядається сучасні позиції ціни, враховуючи не лише фактори внутрішнього управління, але і зовнішні впливи, такі як зміни попиту, кон'юнктури ринку та стратегії конкурентів. Визначаються основні функції цінової політики, включаючи регулювання прибутковості, позиціонування на ринку, забезпечення конкурентоспроможності та стимулювання споживачів.

Ключові слова: цінова політика, ціноутворення, вартість товару, цінова політика організації, фактори ціноутворення, стратегія і тактика ціноутворення, методика ціноутворення

Kovtunenکو Yu.V., Hryhorieva A.V., Probniak O.Ye. The Role of the Enterprise's Price Policy in Modern Conditions. Review article.

This article is dedicated to exploring the role of modern pricing policy in today's realities. It examines the main research and publications of domestic scholars-scientists, characterizes different interpretations of pricing policy, its methods, strategies, principles, and approaches, and defines the main features of a company's pricing policy in modern conditions. Attention is drawn to the significance of pricing strategy for companies in the context of globalization and increased competition in the markets. During the analysis of pricing, it considers contemporary pricing positions, taking into account not only internal management factors but also external influences, such as changes in demand, market conditions, and competitors' strategies. The article identifies the main functions of pricing policy, including profit regulation, market positioning, ensuring competitiveness, and stimulating consumers.

Keywords: pricing policy, pricing, product cost, pricing policy of the organization, pricing factors, pricing strategy and tactics, pricing methodology

The significance and essence of the concept of "price" have been of interest to scholars since the dawn of trade. The earliest references to price as a factor in exchange can be traced back to the works of ancient philosophers in Greece, China, and India. The ancient Greek philosopher Aristotle (4th century BCE) viewed price as one of the categories of commodity exchange. In his research, he concluded that in order for a fair exchange of goods to take place, their value must be determined. He stated, "Exchangeable goods must be equal in some respect, and exchange must compensate for the loss suffered by the seller due to the loss of the goods". Thus, Aristotle formulated the concept of "fair price", which is the price determined through mutual agreement between exchange participants.

Much later, during the Middle Ages, the Italian thinker Thomas Aquinas (13th century CE), in his work "Summa Theologica", dedicated to the study of human existence, also mentioned the concept of a "fair price". He argued that a "fair" price should fully cover the costs of producing the goods. However, he also believed that the price should vary depending on the buyer's closeness to God, meaning that prices for clergy should be lower than for other citizens.

From the 18th to the 20th centuries, economists emphasized three aspects of price: the value of the product, the utility of the product, and the costs of production. These approaches to studying price and pricing factors were used by representatives of various economic schools and their followers. John Stuart Mill, while studying the pricing factor of competition, introduced the concept of price as the "money expression of the value of a commodity".

Later, this definition became the basis of the "value theory of price".

Therefore, the issue of pricing policy and price has been a subject of interest for scholars for a significant portion of human history and remains relevant to this day.

Analysis of recent researches and publications

Recently, as in the past, pricing policy has received significant attention from domestic scholars and researchers. Studies on pricing policy have been conducted by researchers such as I.P. Denisova [3], V.M. Ignatovich [4], Ya.V. Leonov [6], Ya.V. Lytvynenko [5], and many others [1-2, 7-15]. Each author highlights the most important components of the studied category. The most common position among scholars is the consideration of the process of forming pricing policy from a multi-stage perspective. However, different authors approach the determination of the number, sequence, and content of pricing policy stages differently.

Unsolved aspects of the problem

Price plays a crucial role in a country's economy and in the business activities of organizations, especially product manufacturers. It affects both production structure and volume, as well as the profitability and financial results of a company's operations. Therefore, sound pricing policy is an integral part of a firm's management strategy, which underscores the relevance of this topic.

The aim of the article is to identify the main characteristics of pricing policy for enterprises in modern conditions.

The main part

When choosing a pricing strategy for their organization, entrepreneurs typically base their

decisions on commonly accepted types of pricing strategies. There are three main types:

1. Pricing strategies for new products:
 - Premium pricing strategy or "skimming strategy", mainly applied to unique products with no market equivalents.
 - Neutral pricing strategy, which bases prices on the market average, considering the product's value to customers and the prices of possible alternatives.
 - Penetration pricing strategy or "market entry strategy", which sets prices below the market average for similar products to gain market share.
2. Geographical pricing strategies:
 - These strategies involve setting different price ranges for the same product depending on transportation costs to the point of sale.
3. Discriminatory pricing strategies:
 - These strategies consider differences among consumers, products, or locations when determining prices.

The process of choosing and forming a pricing policy strategy for a company usually consists of several stages. The first stage involves gathering necessary information. The second stage includes a strategic analysis, including financial analysis, market analysis, and analysis of government regulations. The final stage is the formation of the pricing policy strategy. After developing the pricing strategy, a company must choose tactics for its implementation, which includes a series of practical measures to manage the pricing process.

In conclusion, the pricing policy and the concept of price have been subjects of scholarly interest for centuries, and they continue to be relevant in contemporary business and economic contexts.

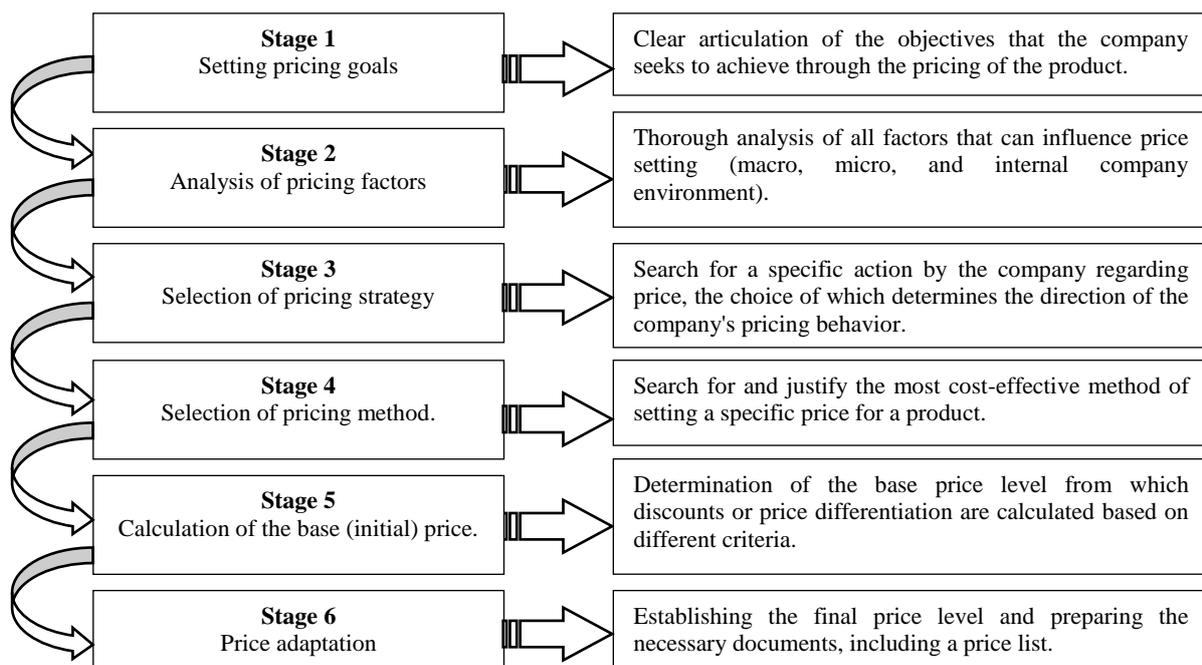


Figure 1. The Process of Choosing and Forming Pricing Policy Strategy for a Company

Source: compiled by authors on materials [2]

In contemporary economic theory, the concept of price is examined from several perspectives: price as an economic category; price as the value of a product expressed in monetary terms; price as the relationship between the seller and the buyer; price as a monetary

amount determined by free-market factors such as supply and demand, intended for payment per unit of the product (if retail price) or for a certain quantity of the product (if wholesale price). Modern views on price define its primary functions (Figure 2).

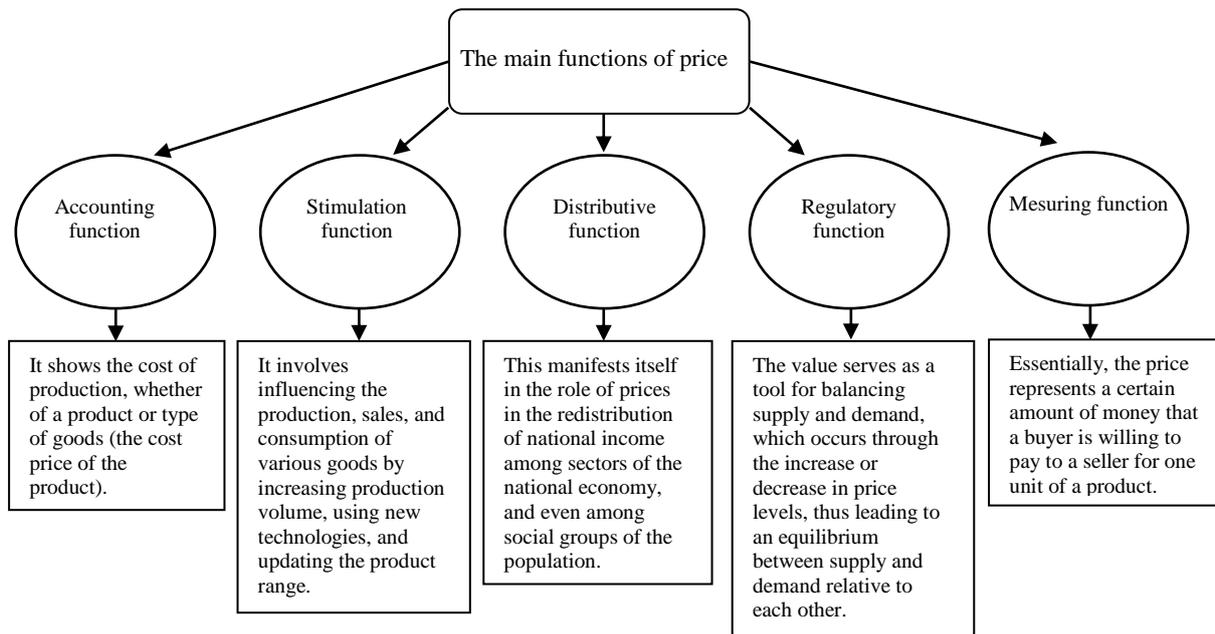


Figure 2. The Primary Functions of Price
 Source: compiled by authors on materials [3]

The application of tactics in pricing policy aims to stimulate sales volume by creating favorable conditions for intermediaries, wholesale buyers, or end consumers of the organization's products. Unlike pricing strategy, tactics are developed for the short

term – a month, a quarter, or a year. The most commonly used types of pricing tactics include "Pricing tactics with discounts, surcharges, and allowances" and "Sales promotion tactics". The main types of discounts include (Figure 3).

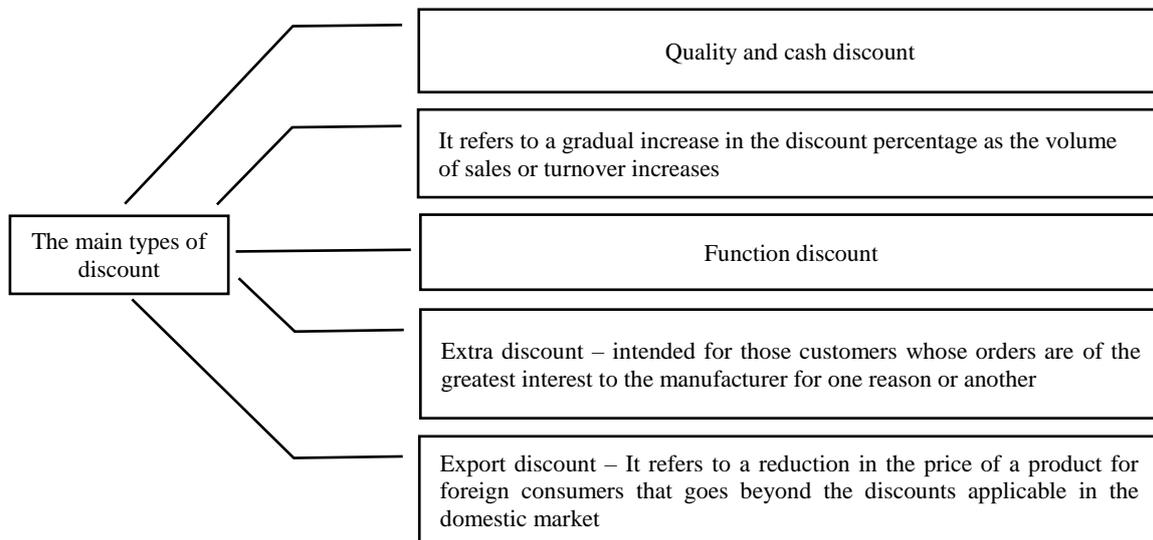


Figure 3. Main Types of Discounts
 Source: compiled by authors on materials [4]

Let's take a closer look at the pricing tactics of discounts, surcharges, and allowances. The formation of prices with discounts in the pricing policy of a company depends on various factors and may vary depending on the specific business. Here are some

tactical aspects that can be used in the pricing policy of a company:

- Volume Discounts: Offering discounts to customers who purchase large quantities of products. This can incentivize large buyers to place orders.

- Seasonal Discounts: Temporary price reductions during periods of high demand, such as holiday seasons or seasonal clearance sales.
- Discounts for Regular Customers: Creating loyalty programs that provide discounts or bonuses to regular customers.
- Inventory Clearance Discounts: Lowering prices on products that have been in inventory for an extended period to speed up their turnover.
- Bonuses and Cashbacks: Providing bonuses or cashback to customers under certain conditions, such as reaching a certain purchase amount.
- Time-Limited Discounts: Organizing flash sales or limited-time promotions to stimulate urgent purchases.
- Discounts for Specific Customer Groups: Offering discounts to students, seniors, veterans, and other specific groups.
- Bundle Deals: Creating package offers that include several products or services at a discounted price when purchased together.
- First Purchase Discounts: Attracting new customers by offering discounts or bonuses on their first purchase.
- Liquidation Discounts: Reducing prices on products that are being phased out of the assortment or going into liquidation.
- Prepayment Discounts: Offering discounts to customers who prepay for regular deliveries or services.

It is important to analyze the specific needs and behavior of customers and monitor competitors to adapt pricing policies and discount tactics for maximum success.

The formation of prices with surcharges in a company's pricing policy can also be a crucial strategic element. Surcharges are a certain portion of the product's cost added to the base price to increase its level. Unlike discounts, surcharges are applied in cases of improving product quality, reducing production and delivery times, and more. Here are some tactical aspects that can be used:

- Exclusivity Surcharges: If your product or service has unique characteristics or is offered exclusively by your company, you can set higher prices.
- Quality Surcharges: If the product or service offers high quality, you can charge higher prices to emphasize this feature.
- Brand Surcharges: Well-known brands can charge higher prices due to their reputation and consumer perception.
- Service and Support Surcharges: If you provide a high level of customer service or additional services, you can charge extra fees for them.
- Urgency Surcharges: Extra fees for expedited delivery or quick order fulfillment.
- Custom Order Surcharges: If customers order products or services with custom specifications, you can set higher prices.
- Additional Features Surcharges: Providing extra features or options for an additional cost.

- Convenience and Accessibility Surcharges: Charging additional fees for convenience, such as a closer location or extended hours of operation.
- Packaging and Delivery Surcharges: Imposing additional charges for specific types of packaging or special delivery methods.
- Warranty Surcharges: If you offer extended warranties or service plans, you can include them in the product price with a surcharge.

When applying this type of pricing tactic, it's important to ensure that surcharges are justified and transparent to customers. They should see the value they receive in exchange for the additional costs. It's also crucial to monitor the market's reaction and competitors' response to your surcharges, as well as customers' willingness to pay them.

Credits are one of the types of price reductions for a product listed in the price list, and they involve giving a discount on the purchase of a new item in exchange for returning an old one. This type of price reduction is widely used for durable goods such as automobiles or large machinery.

Sales promotion tactics, on the other hand, is the second type of pricing tactic, involving motivated price reductions (sometimes even below cost) for short-term increases in the sales of a produced product. For example, a company may announce the release of a limited batch of products at a reduced price, often tied to a significant national event or even the company's own anniversary. Currently, the most commonly used pricing tactics in commercial activities of a company involve offering discounts on the base price or list prices.

In general, the priority goals of an organization's pricing policy include:

- Maximizing profit.
 - Increasing the sales volume of manufactured products.
 - Ensuring the company operates without losses.
 - Maintaining product competitiveness in the market.
 - Exploring new sales markets.
 - Achieving leadership in the production of goods.
- After developing its own pricing strategy and selecting the tactics for its implementation, the organization proceeds to choose the principles and methods by which the final price for the manufactured products will be formed. Pricing principles are the general conditions necessary to ensure a full-fledged process of creating, establishing, and applying prices. These conditions can be applied both to the formation of prices at the national economic level and within a company's pricing policy. Some of the common pricing principles include:
- Cost-Based Pricing: The organization calculates the price of its product based on cost methods.
 - Market-Based Pricing: The company's pricing policy is based on market-oriented pricing methods, taking into account the product's value to consumers.
 - Parametric Pricing: The organization sets prices based on parameter-based pricing methods (which

is relatively rare and mostly occurs in well-developed market economies, particularly in dealing with government contracts).

Thus, pricing methods encompass a wide range of methods grouped based on various criteria.

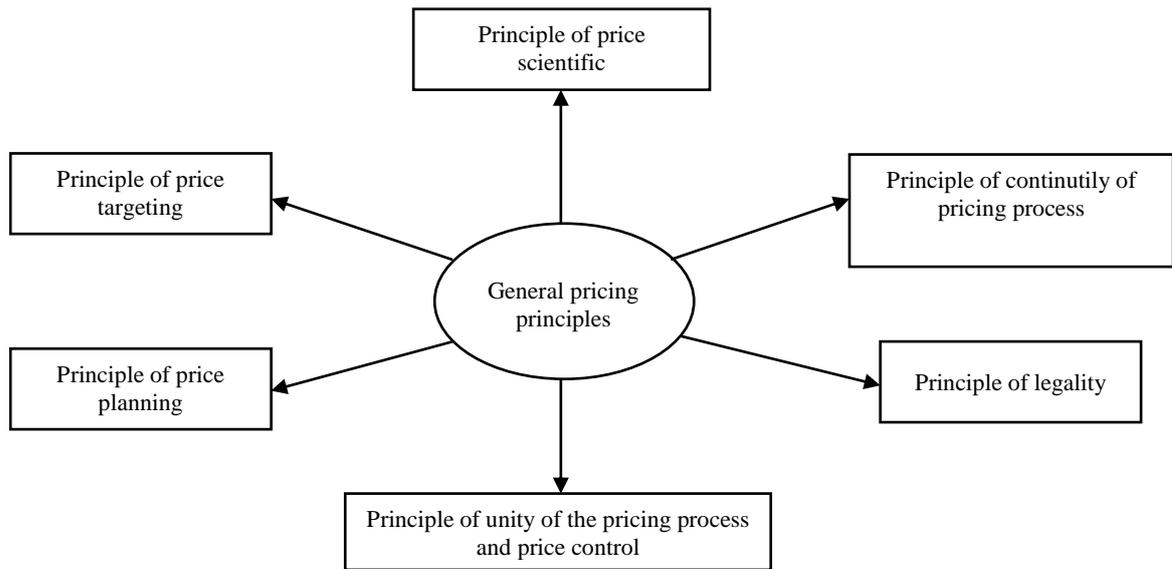


Figure 4. General Pricing Principles

Source: compiled by authors on materials [5]

All the pricing methods mentioned above have their own advantages and disadvantages. For example, the advantages of cost-based pricing methods include simplicity in calculations, the ability to quickly obtain the necessary information for calculations, and the reliability and accuracy of parameters, as the data is provided by the company's accounting department. The disadvantages of cost-based pricing methods include the fact that the price is not related to market demand for the product, there is no incentive to reduce production costs and increase resource utilization, and consumer product quality and demand are not taken into account. In essence, the price of the product is oriented toward the interests of the manufacturer rather than the consumer [7].

In contrast, market-based pricing methods are based on consumer perception of the value of the product being produced and the level of interest of buyers in purchasing this product, which are undoubtedly positive characteristics.

Advantages of market-based methods can also include simplicity in calculations for the manufacturer and the possibility of maximizing profit when using a "tender method". The disadvantages of pricing using market methods include:

- The price is set almost arbitrarily.
- If, for example, the "follow-the-leader method" is used, the company's profitability may be significantly lower than that of the leader, and most importantly, profitability growth may take a long time.
- Since prices are set almost arbitrarily, the production costs of the manufacturing company do not affect the price, which also applies to the level of consumer demand.

Parametric pricing methods, compared to market-based and cost-based methods, are used much less

frequently. The reason for this is, first, that the price of a new product is based on a connection to the price of a base product, which, according to manufacturers, is a significant drawback since the price of the base product may not correspond to the optimal price of the new product. Second, when calculating the price, only a limited number of parameters are taken into account. At the same time, the advantages of parametric pricing include the fact that the pricing methodology is based on the technical and economic parameters of the product. The price calculated based on the study and evaluation of parameters more accurately reflects the conditions for price formation in the market than the calculation based on cost methods.

Conclusions

In conclusion, based on the above, it can be concluded that:

Pricing policy is one of the crucial factors in the successful operation and prosperity of an organization, as well as its competitiveness in the market.

- Effective pricing policy should be responsive to current market needs and aimed at achieving the best financial results for the organization.
- The result of effective pricing policy should not only be the establishment of a competitive price for the product but also the creation of a pricing system within the organization that considers the possibilities of all categories of buyers interested in the product. This should take into account the geographical location of the sales market, the financial capabilities of consumers, seasonality of product consumption, and other equally important aspects.

— Summarizing all interpretations of the economic essence of price, it can be stated that as an economic category, price is a multifunctional tool for regulating the market economy. It significantly influences economic activity both at the macro and micro levels. In state-level management of the

economy, price is a basic element used for forming and regulating market relations. At the micro level, the price is one of the main factors in the economic activity of an organization, contributing to its development and achieving the main goal – making a profit.

Abstract

The article is devoted to the study of the role of modern price policy in today's realities. The main studies and publications of domestic scientists-scientists are considered, different interpretations of price policy, its methods, strategies, principles and approaches are characterized, the main features of the price policy of the enterprise in modern conditions are determined. The main stages of pricing, modern price positions, which determine its main functions, are analyzed.

Setting the price of a product has always been an art, because the price must satisfy the needs of all consumers interested in purchasing the products produced by the enterprise. Unreasonably low – causes the buyer to associate the product with low quality, high price - makes it impossible for many buyers to purchase the product. Since the volume of sold products is the main factor in obtaining profit, the price of the product should contribute to increasing the volume of sales. That is why special attention should be paid to the development of pricing policy and strategy by the company's management, since any ill-considered decision or unreasonable step in the field of pricing decisions can lead to negative consequences. The concept of pricing policy of the enterprise is quite broad and multifaceted, it implies a whole set of measures, principles and methods of forming and setting prices for manufactured products.

In the works of the examined scientists, topical issues related to the development and establishment of price policy in Ukraine are highlighted in the context of constant globalization processes in the economic and social spheres of our country. The price plays the most important role in the economy of the state, as well as in the economic activity of organizations – commodity producers. It affects both the structure and volumes of production, as well as indicators of profitability and financial results of the enterprise. That is why conducting a competent price policy is an integral part of the company's management strategy, which determined the relevance of the mentioned topic.

At the state level of economic management, the price is the basic element by which market relations are formed and regulated. At the micro level, cost is one of the main factors in the economic activity of the organization, which contributes to its development and the achievement of the main goal – making a profit.

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