



**ISCTBL 2020**

INTERNATIONAL SCIENTIFIC CONFERENCE

Универзитет „Гоце Делчев“ –  
Штип

Goce Delchev University  
Shtip

Факултет за туризам и бизнис  
логистика

Faculty of Tourism and  
Business Logistics

**Трета Меѓународна Научна Конференција  
Third International Scientific Conference**

**ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС  
ЛОГИСТИКАТА ВО 21 ВЕК**

**CHALLENGES OF TOURISM AND BUSINESS  
LOGISTICS IN THE 21ST CENTURY**

**ЗБОРНИК НА ТРУДОВИ  
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Милан Здравковиќ, извршен директор на операторот на дистрибутивниот систем во Ј.П.Србијагас, Белград, Србија – „*Supply of natural gas in COVID-19 conditions - experience and expectations*“

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Проф. д-р Татјана Бошков, професор и декан на Факултетот за туризам и бизнис логистика – „*The impact of coronavirus on global growth and global supply chain shifts*“

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### **Plenary session**

Prof. Gligor Bishev, University Professor and Chairman of the Board, Sparkasse Bank-Skopje – “*The impact of the pandemic on economic developments*”

Peter Tabak, Executive Director, Leading Regional Economist for Economics, Policy and Governance in the Western Balkans Vice-President for Policy and Partnerships, European Bank for Reconstruction and Development - “*Economic outlook for the Western Balkans during and after the epidemic*”

Milan Zdravkovic, Executive Director of the Distribution System Operator in J.P Srbijagas, Belgrade, Serbia – “*Supply of natural gas in COVID-19 conditions - experience and expectations*”

Prof. Misko Dzidrov, University Professor and Vice-rector for Teaching and Students, Goce Delcev University of Stip – “*UGD in a time of pandemic*”

Prof. Tatjana Boskov, University Professor and Dean of the Faculty of Tourism and Business Logistics, Goce Delcev University of Stip – “*The impact of coronavirus on global growth and global supply chain shifts*”

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**УНИВЕРЗИТЕТ „ГОЦЕ ДЕЛЧЕВ“ - ШТИП**  
**GOCE DELCEV UNIVERSITY OF STIP**

**ФАКУЛТЕТ ЗА ТУРИЗАМ И БИЗНИС ЛОГИСТИКА**  
**FACULTY OF TOURISM AND BUSINESS LOGISTICS**

**ТРЕТА МЕЃУНАРОДНА НАУЧНА**  
**КОНФЕРЕНЦИЈА**

**THIRD INTERNATIONAL**  
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13 ноември, 2020, Штип / Shtip, November 13<sup>th</sup>, 2020

## ПРЕДГОВОР

Факултетот за туризам и бизнис логистика при Универзитетот „Гоце Делчев“ во Штип, беше организатор на Третата меѓународна научна конференција „Предизвици на туризмот и бизнис логистика во 21 век“. Конференцијата се одржа на 13 ноември 2020 година на платформата Microsoft Teams, со повеќе од 90 учесници од матичната земја и странство. Оваа година Меѓународниот научен комитет брои еминентни професори од нашата земја и над 15 странски земји како Израел, Шпанија, Франција, Молдавија, Италија, Грција, Египет, Полска, Турција, Романија, Бугарија, Србија, Хрватска, Босна и Херцеговина и Словенија.

Целта на оваа конференција е да промовира поголемо разбирање на бизнис администрација, логистиката, туризмот и угостителство во однос на управувањето, економијата, образованието и претприемништвото. Ова подразбира дека фокусот на учесниците го насочивме кон најновите трендови и предизвици во врска со развојот на туризмот, менаџирањето со компаниите, пазарот на труд, можностите за придобивки и профит, изгледите за подобра конкурентност на меѓународниот пазар, што пак е императив за финансиската стабилност на нашата земја во целина.

Имено, со пристигнатите трудови и авторските истражувања се оствари целта на конференцијата - а тоа е оценувањето на тековната состојба и идните изгледи за развој на микро план што се однесува на домашниот пазар, како и движењата на глобалната економија, подготвувајќи ја бизнис заедницата за предизвиците со кои ќе се соочуваат при остварувањето на нивните цели, што де факто влијае врз одржувањето на финансиите особено во времето кое го живееме под притисокот на пандемијата.

Препораките кои се пренесоа се однесуваат како да се зајакнува капацитетот на компаниите како и промените во регулативите кои го диктираат нашиот пат кон ЕУ. Дискусиите во текот на конференцијата беа одговор на тоа како реагираа и се позиционираа менаџерите на финансиски средства во услови на голем пазарен ризик, пазарни шокови и турбуленции и како треба да се подготвуваат инвеститорите во поедини сектори. Трудовите прикажаа изгледи и кон идната интеграција на земјите од Западен Балкан, со осврт на досегашните постигнувања и идните предизвици пред овие економии како и размена на искуства на сите учесници кои сме денес присутни од повеќе земји.

Токму овие препораки треба да бидат двигател на процесите на реформата во насока на подигање на квалитетот на образованието заради поголема продуктивност на трудот, конкурентност на економијата и намалување на неусогласеноста на понудата на вештини и компетенции како и побарувачката на пазарот на труд.

Постигнувањето на овие цели е заедничка задача на сите оние што се во позиција да го дадат својот придонес за имплементација на реформите во општеството. Токму тие реформи, тие промени во начинот на пристап, методологија на работа и организација, не треба да ги правиме само за да станеме дел од економскиот блок, туку да бидат во насока да постигнеме нешто друго, многу позначајно, односно сите напори што ги правиме да бидат за остварување на повисок степен на благосостојбата на нашите граѓани, за создавање на достоинствени услови за живот и работа.

Во регионот, меѓутоа и пошироко, во Европа, искуствата се најразлични. Наидуваме на успешни, и на не толку успешни модели. Токму ваквите научните конференции, дебатите што се развиваат тука, се најдобриот начин за размена на искуства, за идентификација на предизвиците и перспективите, за споредување на моделите и третирањето на нивните недостатоци или предности, меѓутоа и презентирање

на можните нови комбинирани модели. Едукацијата на новите генерации кои ќе бидат подготвени да се соочат со предизвиците што ги носи глобализацијата, е заеднички предизвик на Универзитетите, на бизнис заедницата, но и на централната и локалната власт.

Штип,  
13 Ноември 2020

Главен уредник  
Проф. д-р Татјана Бошков, *Декан*

## PREFACE

The Faculty of Tourism and Business Logistics in Gevgelia, part of the University Goce Delchev from Shtip, hosted the Third International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century". The conference was held on 13<sup>th</sup> of November 2020 on the platform Microsoft Teams, with more than 90 participants from the country and abroad. This year the International scientific committee included eminent professors from our country and more than 15 from foreign countries, such as Israel, Spain, France, Moldova, Italy, Greece, Egypt, Poland, Turkey, Romania, Bulgaria, Serbia, Croatia, Bosnia and Herzegovina and Slovenia.

The aim of this conference is promoting a greater understanding of the business administration, logistics, tourism and hospitality in terms of management, economics, education and entrepreneurship. In that context, the focus of our participants was on the latest trends and challenges related to tourism development, company management, labour market, opportunities for gain and profit, opportunities for better competitiveness in the international market, which is imperative for the financial stability of our country entirely.

Furthermore, the conference papers and authors' researches fulfilled the aim of the conference, the assessment of the current situation and future prospects for the development of the micro plan in terms of the domestic market, as well as the global economy changes, prepared the business community for the challenges that will they face during their goal achievement, which de facto affects the maintenance of finances especially in the time we live under the pandemic pressure.

The detection of the conditions that have been presented is a real mirror of where we are, where we have been, and what is even more difficult, to answer the question what next? Achieving these goals is a common task of all those who are in a position to contribute to the implementation of reforms in society. Exactly those reforms, those changes in the way of approach, methodology of work and organization, we should not make only to become part of the economic block, but to be in the direction of achieving something else, something much more significant - efforts for achieving a higher degree of well-being of our citizens, for creating dignified living and working conditions.

In the region, but also beyond, in Europe, the experiences are diverse. We come across successful and not so successful models. Exactly such scientific conferences, debates that develop here, are the best way to exchange experiences, to identify challenges and perspectives, to compare models and how to treat their disadvantages or advantages, but also to present possible new combined models. The education of the new generations that will be ready to face the challenges posed by globalization is a common challenge of the Universities, the business community, but also of the central and local government.

Shtip,  
November, 13<sup>th</sup>, 2020

Editor  
Tatjana Boshkov, Ph.D. *Dean*

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## THE IMPACT OF PRICE MANAGEMENT ON BUSINESS OPERATION OF THE ENTERPRISE: THEORETICAL ASPECT

*Snezana Bardarova<sup>1</sup>; Mimoza Serafimova<sup>2</sup>*

### Abstract

Marketing strategy has been a focus of organizations and a tool for attaining overall firm performance. Prices are crucial for the efficient operation of the company. Managers need guidance on which organizational levers to activate in order to increase the effectiveness of the pricing programs at their firms. Strategic pricing requires a stronger relationship between marketing and the other sectors of a company. In order to enhance companies' economic and financial performance, the pricing policies should be defined by their internal capacities and on the basic systematical understanding of needs and wishes of their customers, in addition to market conditions such as, economic conditions and degree of competition. In this context, this paper will analyze a theoretical aspect and model that indicates the impacts of pricing management (price policy and price strategies) on business operation of the enterprise.

Key Words: enterprises, price management, price policy, marketing, strategy

JEL Classification: M3, M13

### Introduction

The main goal of every enterprise is to be successful, financially stable and to ensure long-term business. In common for all enterprises and entrepreneurs is that they strive to be efficient on the market, competitive and profit. In order to see the degree of achievement of these goals, it is necessary to measure the basic indicators that indicate, firstly, the realization of short-term profit, and then providing the possibility of maintaining a profitable long-term business. (Bardarova & Serafimova, 2020). Hence, the whole complex of the business process is seen from the aspect of increasing profit and profit as the main motive of the business, given the characteristics of the costs arising from reproduction and their impact on the price of the product or business result.

There isn't a unique way for defining prices. Pricing is a very sensitive and complex issue from a marketing point of view. Many internal and external factors must be considered in determining prices, such as demand, competition, economic policy measures, measures of state bodies in the field of market and prices, as well as production costs and total operations. The issue of prices is not just an internal matter of the company, but an issue that violates the different interests of consumers, the state and companies. We can say that price is one of the instruments of the marketing mix that used alone or in combination with other instruments

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should enable the realization of the goals of the company. Price determines the volume and structure of sales, and hence affects the financial result of the companies. When is making a price decision, it must, on the one hand, be acceptable to consumers and, on the other hand, make a profit. Such goals are often in conflict, and can be diametrically opposed. Only through a successfully harmonized organizational structure and efficient price management the goals of the enterprises can be achieved.

### **Price as an instrument in marketing-mix**

Marketing is a modern system of synergistic business activities that are needed for the product, service, knowledge and financial resources to go in an optimal way through all stages of the business process to the user and to meet his needs and the social needs of the national economies. Marketing is a major stakeholder in new product development, customer management, and value/supply chain management and marketing strategy provides concepts and processes for gaining a competitive advantage by delivering superior value to the business's customers. In marketing according to Lancioni(2005) the main focus is placed on the development of new products, distribution channels and communication strategies, and this could lead to precipitated pricing decisions without properly evaluating market and cost factors. Thus, according to Simon, (1992) pricing is treated as the simplest strategy within marketing, perhaps because many companies determine their prices based on intuition and the manager's market experience. In addition, only few managers strategically think about pricing while proactively administrating their prices in order to create favorable conditions that lead to profits (Nagle & Holden, 2003). Considering this, Liozu & Hinterhuber(2012), highlight the need for more research regarding the pricing preferences and practices because, according to the authors, less than 2% of all published articles in marketing journals are focused on pricing.(De Toni.D. at all, 2017) Marketing strategy has become important tool globally for any organization to remain competitive and stronger enough. Therefore, to deal with the current challenges, the businesses must design and implement more distinctive and purposeful marketing strategies (Jain, 1997). Marketing strategy must focus on delivering greater value to customers and the organization at a lower cost (Cowden, 2009).

Marketing is about customers; customers are an essential component of a marketing system (Kotler et al. 2005). Regardless of type and size, marketing strategies are very important for all organizations.

The marketing mix is defined as 4P's namely the product, price, promotion and place. They are often designed to influence consumer decision-making and lead to profitable exchanges. Each element of the marketing mix can affect consumers in many ways. A marketing strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of the products or services the business provides.

Today's retail market differs vastly from the 1990s and the 2000s, and the internet has fundamentally changed the retail sector. Consumers now have [the power](#) to comparison shop instantly. These changes have a huge impact on the way shops should manage their marketing - and which P's they should pay attention to in the marketing mix. As the internet has leveled the online playing field, one P has emerged as the clear focus for most consumers: Price. In the broadest economic sense, price is the amount of money that must be paid when purchasing a unit of a good, product, or service. Price, in a narrower sense, at the microeconomic level, is a marketing tool that affects the results of entrepreneurs, so each move upwards brings greater profit, i.e the reduction leads to lower profits or loss in operation. The challenge is to create a

price that will allow the company to make a decent profit from the value it creates for the customer. In everyday use, price is the amount of payment or compensation given by one party in exchange for goods or services.

In modern economies, prices are generally expressed in units of some form of currency. Pricing is a process of determining what companies will get in return for their products.

- Price is a symbol of value. Value means the quality of goods and services to meet certain needs. All values are expressed in money.
- Price is a fundamental aspect of financial modeling and is one of the four "P's" of the Marketing Mix, the other three aspects are Product, Promotion, and Distribution.
- The price of the products sends a message to the buyer about the amount of quality or some other characteristics of the specific product, especially if the buyers are not previously familiar with the product. If the price of the same product differs from market to market, it leaves room for the creation of a "gray market".

The price as a marketing tool is especially significant in countries where the purchasing power of potential buyers is relatively low.(Stojmirovic Lj. & Stojmirovic S, 2009). Due to its role in the placement of products on the market, it has the importance of a strategic element. The research of product prices should give an answer to the reaction of consumers to changes in product prices, which will depend on the nature of the market, target groups, the level of differentiation of products and services and the brand of the product and the meaning, i.e the value of product for consumers.

### **Pricing Management**

The optimal combination of inputs is the most economically efficient and economical combination of inputs that allows the given volume of production to be produced with minimal costs, or which allows with the same volume of total costs to maximize the volume of production. The goal to achieve greater economy, i.e greater economic efficiency, requires choosing a combination of inputs, which minimizes the cost of a given volume of production, or maximizes the volume of production, with given volume of costs. Therefore, it is important to consider all the factors that affect the minimization of costs and maximization of production, i.e that affect the increase or decrease of economy. (Bardarova & Serafimova, 2020).

Effective Pricing Management helps to integrate and apply critical pricing information and perspectives. Pricing Management is the process of integrating all perspectives and information necessary to consistently arrive at optimal pricing decisions. Therefore, strong price management capabilities result in effective management of financial risk and revenue. The process entails:

- Balancing company growth, share, and profit objectives
- Gathering and managing information databases within systems
- Defining roles and responsibilities with respect to pricing
- Navigating the organizational politics of different functional interests, and
- Managing various pricing-related workflows.

According to [Monroe \(2003\)](#), price decisions are one of the most important decisions of management because it affects profitability and the companies' return along with their market competitiveness. Thus, the task of developing and defining prices is complex and challenging, because the managers involved in this process must understand how their customers perceive the prices, how to develop the perceived value, what are the intrinsic and relevant costs to

comply with this necessity, as well as consider the pricing objectives of the company and their competitive position in the market (De Toni and Mazzon, 2013, De Toni and Mazzon, 2013, [Hinterhuber and Liozu, 2014](#), [Monroe, 2003](#)). [Nagle and Hogan \(2007\)](#) argue that companies which do not manage their prices lose control over them, impairing their profitability and cost effectiveness mainly due to the customers will on paying a determinate price, which not only does it depend on the perceived value, but also depends on the prices set by the leading competitors. Consequently, mistaken or inexistent pricing policies could lead buyers to increase the volume of information while allowing them to augment their bargaining power thus forcing price reductions and discounts. The difference between conventional price setting and strategic pricing consists on setting prices by reacting to the market conditions or managing them proactively, being their sole purpose to exert the most profitable pricing by generating more value for customers without the obligation of increasing the business' sales volume ([Nagle & Holden, 2003](#)).

Marketing pricing decisions have become a complex and critical management problem for most companies due to the effects of a range of heterogeneous influences, ranging from exchange rate fluctuations, inflation shocks and stability in countries and regions, to intensifying competition and growth of alternative pricing methods compared to traditional ones.

Before setting a price, the company must decide what is going to be the strategy for the product in addition to what will be the proposed objectives, since the clearer these decisions, the easier it will be to establish prices ([Hinterhuber & Liozu, 2013](#)).

Creating prices in the market is a compromise between the strategic goals of the enterprise in the target market which is estimated depending on the amount of prices. When is making a decision about amount of prices it is necessary to take into account a number of factors of different nature and intensity of action, where many of them are beyond the control of the company. Pricing is a process of determining what companies will get in return for their products. Price factors are production costs, market, competition, market situation, and product quality. Prices are also a key variable in the Microeconomic Price Distribution Theory. Price is the main factor the influence the buyer's choice. Price is the only element in the Marketing Mix that generates revenue and all others generate costs. Researchers mostly agree that pricing strategies can be categorized in three big groups: cost-based pricing, competition-based pricing and customer value-based pricing ([Nagle & Holden, 2003](#)).

One of the main factors influencing the increase of prices in recent years is the inflation on the domestic and foreign markets. It is difficult to find a company where increasing productivity offsets rising operating costs.

In the context of the ever-present trend of globalization, in determining and directing the pricing policy, two equally important segments should be taken into account:

- Internal conditions (factors related to the organization and the product) and
- External conditions (factors related to the target market).

If the management has control over the factors, it will come under internal factors, if not it will come under external factors. So the internal factors are within the control of the management and are particularly related to the internal environment of a firm.

Internal conditions (factors) that are specific to each organization, and some of the basic ones are:

- The goals of the marketing activities of the organization,
- The business philosophy of the organization, i.e the strategy of market mix,

- The cost structure,
- The product and
- Organization

External conditions (factors) are a synthesis of the conditions and relations on the global market and the conditions that prevail within the target market of the specific organization. Some of the basics are:

- Existing regulations (international, regional, in countries) and other elements of the environment,
- The competition,
- Market conditions in target markets or market segments - Market nature and demand (Economic conditions) and
- The characteristics of the potential buyers, i.e the target groups of consumers.

Price is one of the most volatile elements of the marketing mix. Unlike product capabilities and affiliate commitments, prices can change quickly. At the same time, pricing is the number one problem most marketing managers face. Many companies are not good at setting prices. One of the problems is that companies are rapidly lowering prices to boost sales, rather than convincing consumers that the higher price of their product has a reason. Other common mistakes are cost-oriented prices rather than the value they present to customers and prices that do not take into account other parts of the marketing mix.

Some managers see price creation as a major headache, preferring to concentrate on other parts of the marketing mix. Successful managers treat prices as a key strategic part of creating and capturing customer value. Prices have a direct role in the final results of the company.

Research shows that the consumer's perception of value sets the upper price limit, and cost sets the lower. When setting prices within these limits the company should take into account other external and internal reasons.

Prices are a factor that drives the business. They are used to calculate financial results, as well as losses. Prices that are too high or too low can cause high results, even destroying the business. In order to achieve optimal, normal prices, the key factors for the business should be researched, introduced and measured:

- How much the company's product or service is positioned in the market,
- The impact of price on demand,
- The dependence of the price on the costs of products and services (fixed and variable),
- The impact of legal aspects on restrictions or price reductions.

The research should be aimed at studying the internal (internal) factors that affect the price, as well as the external (external) factors that affect the price.

Internal reasons that affect prices include the company's overall marketing strategy, goals and marketing mix, costs, product-service, and other organizational reasons.

#### **Internal factors that affect the price**

- **Entrepreneurial marketing goals and marketing mix strategy**

Price is just one element of a company's broader marketing strategy. So before setting the price, the research should focus on the marketing goals of the company:

- Company survival (low prices are formed - only costs are covered),

- Maximization of current profit (characterized by short-term profit and return on investment),
- Market leadership (formation of lower prices than the competition and long-term profit),
- Top quality products (high prices only if there is demand).

General goals for price creation can include survival, ongoing profit maximization, market leadership and customer retention, and relationship building. To a more specific way, the company can set prices to attract new customers or to retain existing ones profitably. It can set a lower price to prevent competition from entering the market or equate prices with those of the competitor to stabilize the market. It can also create low prices to maintain reseller loyalty and support or avoid government interference.

Prices may be lowered briefly to create brand popularity, or a product may have a price to help sell other company products. Such price creation plays a big role in the company's intention to achieve the desired goals. The price can be set by the organization for a particular product depending on what the buyers will want to buy. This is often referred to as the value at which customers will have the product.

The price is determined according to:

- The importance of the customer and the benefits offered by the product, and
- Alternatives available from the direct and indirect competitors.

Prices are just one of the tools of the marketing mix that the company uses to achieve its marketing goal. Pricing decisions should be coordinated with product design, distribution, and promotion decisions to create a regular and effective marketing program. Decisions made about other elements of the marketing mix can influence pricing decisions. Some companies do not concentrate on prices and use other marketing mix tools to create a priceless position. Some marketers use high prices as part of their positioning. Traders need to consider the overall marketing strategy of the marketing mix when setting prices. If the product is positioned for price unrelated reasons, then quality, promotion and distribution decisions will strongly affect the price. If price is a major positioning factor, then price will strongly influence on decisions made about other marketing mix elements. But when price plays a role, traders must remember that the consumer rarely buys just because of the price. They are looking for a product that offers the best value for money for the price they pay.

If the company is sensitive to changes in the price of the competitor, it is necessary to carefully monitor its actions. If there is a reduction in the price of the competitor, it should be determined how this will affect the market share and the profit of the company. If it does not reflect market share and profits, it is necessary to maintain the existing prices, and if it has a significant impact, it is necessary to consider which actions would be effective. The simplest way is to reduce prices. A better way to respond is to improve the quality of the product. Improving quality increases prices and a low-cost brand can be launched to compete with the competition.

Price research should also focus on:

- Determining the costs of products and services, for reasons that are a key factor for the success of the companies, ie for achieving the desired amount of profit. It is necessary to know both direct and indirect operating costs, ie. fixed and variable costs, how a lower price limit could be formed.
- Prices should be formed based on the quality of products and services, their characteristics (spoilage and risk).
- Organization.

Management must decide which of the organization will set the price. Companies create price in different ways. In small companies this is usually done by top management rather than marketing and sales. In large companies, prices are typically set by sector or production managers. In the industrial market, commercialists are allowed to negotiate with customers within certain price limits. Even then, top management sets pricing and policy goals and often approves the price proposed by middle management or commercialists. In industries where price is the most important factor (aviation industry, aerospace, steel railways, oil companies), companies often have a stake in creating a price or helping others. This section is suitable for the marketing department or top management. Others who have a role to play in price creation are sales, production, finance and accounting managers.

### **Externals factors that affect the price**

Good pricing begins with understanding how the consumer's perception of value affects the prices they are willing to pay. Together, consumers and industrial buyers balance the price of a product or service against the benefits of owning it. Therefore, before setting prices, the marketing officer should understand the relationship between price and demand for his product.

Market nature and demand have an impact on:

- The upper price limit,
- Are the products unique? What is the competition like?
- Elasticity of demand - How price change affects (non) purchase!

The competition has an impact on:

- Positioning the product according to the prices and quality of the products competition (competition costs for raw materials, promotion, distribution, etc.)

Other elements of the environment:

- Economic conditions (inflation, recession, interest rates),
- Other participants in the environment (resellers),
- Government (legal restrictions, unfair competition),
- Social aspects (unemployment, poverty, standard of living) influence the formation of prices, as external factors.

### **Creating price in different types of market**

The freedom to set prices for the seller varies depending on the type of market. Most companies, when deciding on the prices of their products, can aim to see the reaction of other companies, domestic and international, to its decision and based on that to build a rational strategy for the price of their products.

Economists recognize four types of markets, each with a different kind of challenge.

**Pure monopoly.** Exists when only one company offers a particular product (post office, electricity company). Monopoly can be the result of regulations, patents, licenses, economies of scale. The monopoly tends to maximize profits by accruing high prices.

**Oligopoly.** That industrial structure has a small number of (mostly) large companies that produce products in growth from highly differentiated to standardized products. Pure oligopoly consists of several companies that produce the same product (oil, iron). Companies in the pure



oligopolistic industries can hardly have higher prices than known ones, except when differentiating services. A differentiated oligopoly consists of several companies that produce partially different products. The difference is manifested in the quality, properties, style and services. Management calculates high prices for these features.

**Pure competition.** The market consists of multiple buyers and sellers who trade in uniform products, such as grain, copper or financial bonds. No buyer or seller plays a major role in market prices. The seller can't charge more than the current price, because the buyer can get as much as he wants for the current price. Sellers will not charge less than the market price, because they can sell whatever they want. If prices and profits rise, new sellers can easily enter the market. In a purely competitive market, market research, product development, pricing, advertising, and promotions play little or no role. Sellers in this market do not waste much time on market strategies.

Under **monopolistic competition**, the market consists of many buyers and sellers, who trade at different prices rather than the same market price. It consists of many competitors that differentiate their products and services. The price difference occurs because sellers can single out their offers to buyers. The product may differ in quality, role, style and associated services. Customers can see the difference in the products and will pay different prices for them. Sellers try to develop different offers for different segments of customers and in addition to price they freely use branding, advertising and personal selling to single out their offers.

Under **oligopolistic competition**, the market consists of several sellers who are sensitive to other prices and marketing strategies. The product can be uniform (iron, aluminum) or non-uniform (cars, computers). When all firms sell at the same price, any firm trying to raise its selling price will experience a decrease in sales and revenue (preventing firms from raising prices unilaterally), on the other hand, any firm in an oligopoly that reduces its prices mainly are likely to be replaced by competitors, resulting in small increases in sales but decreases in revenue (for all firms in that market). This effect can potentially produce an eccentric demand curve that lies in place of the current market level price. These results depend on the elasticity of the demand curve and the properties of each market. ([http://en.wikipedia.org/wiki/Price\\_point](http://en.wikipedia.org/wiki/Price_point)) The number of sellers is not large because it is difficult for newcomers to enter on the market. Every salesperson is aware of the competition strategies and its every move. If the iron company cuts prices by 10 percent, buyers will quickly turn to it. Other blacksmiths should respond by lowering prices or increasing services.

In the case of prestigious products, consumers think that a higher price means higher quality. In a monopoly, the demand line shows the total market demand caused by different prices. If the company encounters competition, the claims from different prices will depend on whether the competition prices remain unchanged or change with the company prices. Consumers are less price sensitive when the product they buy is unique or of high quality, prestige or exclusivity. They pay less attention to price even when similar products are difficult to find or can't easily compare the quality with a similar product. Finally, consumers are less price sensitive when the overall cost of the product is relatively small compared to their revenue or when they share the cost with someone else. If demand is elastic, sellers may reduce prices. A lower price will produce higher overall revenue.

More and more companies need to understand price sensitivity and their customers, their expectations and the exchanges that people are willing to make between prices and product features.



In researching a competitor's pricing strategies, the company needs to consider several aspects. First, how does a company's market offer compare to that of a competitor in terms of customer value? If he thinks that the company's product and service offer more value than he may ask for a higher price. If the buyer gets a lower value than the competitor, the company should either ask for a lower price or change the buyer's opinion to justify the price. Next, how strong are the current competitors and what are their current pricing strategies? If a company is faced with small groups of competitors seeking higher prices relative to the value they generate, it may seek lower prices to remove weaker competitors from the market. If the market is dominated by larger competitors with low prices, the company may decide to concentrate on the neglected parts of the market with high value-added products at high prices.

### **Reaction of the price changes on the market**

Due to the acceleration of technological progress, the shorter lifespan of products and the faster change in the amount of investment costs in production, the likelihood that competing companies will change prices or that the ability to buy in the target market will vary after the placement of goods.

One direction of the organization's response to market price changes includes the following possibilities (Simic A.,D., 2013):

- Keeping the existing price and waiting until the amount of the change and the possible duration of the situation is determined.
- Reduce prices if there is a possibility that customers will be lost because the competition has already reduced their prices,
- Price increase justified by product improvement,
- Reducing prices in order to prevent other companies from entering the market.

Another way of reacting to price changes involves concentrating on reducing the cost of exported goods and includes the following options:

- Reducing the number of intermediaries in the distribution channels or the organization itself to take over the intermediary function,
- Eliminate expensive product components, reduce product quality or offer a cheaper version,
- Product modification
- Transferring the obligation to service the distributors instead of including the service in the price of the product,
- Production on a foreign market where production costs are lower,
- Allowing a "gray market" to develop where sales are declining.

### **Conclusion**

Price management as an element of the marketing mix is the most effective mechanism for successful and profitable operation of companies. Organizational structure and management capabilities are essential for successful price management. If there is a good organizational set-up, successful price management can be expected and the company in general. Prices are the most efficient marketing tool, which directly affects the demand. The main feature of the process of market price formation is the mutual intertwining and conditionality of the large number of internal and external factors that affect price formation, as well as their heterogeneous conditionality with the unique characteristics of different target markets. Some of the specifics of price influencing factors are:

Price is the only market variable that directly provides income. It is an integral part of the product / service market and is important because it affects demand. It is related to the other elements of the marketing mix and is not isolated from them.

The price that the buyer pays for the product or that is required for it, becomes the reference price on the basis of which other products will be evaluated. Reference prices are not constant and change depending on the market situation.

Price is the only variable in the marketing mix that can be changed in a short time without reimbursement. At what price it will enter the market depends on the independent decision of the organization itself or under the influence of operating factors.

The price charged for the product refers not only to its physical attributes but also to many other aspects of the purchase that may affect the experience of its value. For example, when selling cars, the price includes not only the vehicle but also some features such as: built-in air conditioning, warranty period and servicing under certain conditions, discount for the next purchase, etc.

Pricing is complex. The reason for this is the large number of variable and heterogeneous influencing factors and the high degree of uncertainty. Therefore, it is necessary to make significantly more effort in this process.

Equally important are the internal and external influencing factors. Internal factors refer to the overall strategy and practice of the organization, its goals, the measure in which it wants to control prices, the current approach in price formation and the degree of engagement of the organization in the market, ie whether the market approach approaches the expansion of market activities or as a separate strategic activity. External factors include the activities of the market competition, the level of market demand, legal restrictions in terms of prices, government regulations and obligations as well as the general economic conditions of the market.

Product type or industry affects prices. For example, technologically advanced products typically have less competition. When products have unique advantages, their price is more stable than other factors in the marketing mix. When setting the prices of its own products, the organization must take into account the competitive prices, as well as the prices of alternative products. The entry of the organization into a new market usually follows the reduction of prices of similar products in that market. Sales promotion is an element of the promotional mix with a long tradition. It can be said that it appeared at the same time as propaganda, and even earlier than it when small traders and craftsmen used various activities to provide information and to facilitate and increase sales. Since then, greater importance has been given to economic propaganda, especially with the development of the mass media, and their advantage in communication, as well as personal selling. In order to improve and stimulate the sales process, in the early 80's sales promotion activities gained their true significance.

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