



Fair Price Policy for Long Term Business

Vidhusekhar P.

Assistant Director, Centre For Management Studies, Kannur University Main Campus, Mangattuparamba, Kannur-Kerala 670567.

ABSTRACT

The Research paper reviews the anomalies of price quotation in Services and Goods based products. It gives the long term advantage in fairer long term business. Paper highlights the issue of value addition. Customer retention is highlighted as a loyalty strategy. It narrates demand supply issues of service products.

KEYWORDS : Price Quotation, Service Characteristics, Value addition, Customer loyalty.

Introduction

Product pricing and business ethics go hand in hand. Whenever there was an attempt to go for unethical pricing, customer loyalty and retention was at stake and had dent the business prospects. This paper tries to bring out customer retention and product pricing ethics in goods and services based Industries.

Price quotation in Goods and Services

Product pricing issues concerned in price quotation are often debated in society. Services and goods industry justify their stand in quoting the price of their products based on certain criteria. If we look at the price quotation strategy of goods-based products, most of them quote cost plus pricing as a bench mark.

Depending on the position of their product in the life cycle and competitive position they enjoy in the market, they go for change in strategy. It can be normal price or super normal price for their product to earn profit.

The matter in quoting normal or super normal price for profit has always come up as a social issue. Many a time it is the conscience of the businessmen or manufacturer which decides the price quotation. Status of the product will help the entrepreneur to quote higher price in a monopoly market. As long as the product enjoys the market leader position, price quotation goes for a higher side. This position can be maintained if the entrepreneur continuously innovate the products with value addition.

Value addition helps to justify the higher pricing. The higher price will stay in the market till the competitors arrive with the same product or replaceable product. The perfect competition market

is a threat from the entrepreneur point of view. With the arrival of competitors, the market leaders will be forced to cut the price to remain floating.

With regard to service products, the same theory is applicable. The unique characteristics of service goods help the entrepreneur to charge differential pricing for same product. Transportation product and timing are related in fixing the prices for Air/Rail/Road travel. Transport service pricing varies as per peak season/low season/promotion.

If we compare Goods and Services entrepreneurs, the latter has got more flexibility in price fixing. The intangibility, inseparability, homogeneity and Ownership help them to charge higher prices.

Customer loyalty and Pricing

Complete customer satisfaction is the key to secure customer loyalty and to create long term business performance. Most entrepreneurs realise that the more competitive the market, the more important the level of customer satisfaction. This is a case of buyers market. On the other hand if it is sellers market, degree of affection to customer goes down. Here marketers command the market. What most do not realise, however, is just how important the level of customer satisfaction is in markets where competition is intense, such as hard and soft durables, business equipment, financial services, and retailing. In markets like these, there is a tremendous difference between the loyalty of merely satisfied and completely satisfied customers.

In fact, attempts to create complete customer satisfaction in commodity industries will often raise the product or service out of the commodity category. In most instances, totally satisfying the members of the targeted customer group normally get top priority. Developing loyal customers is the important agenda of any entrepreneur. But the factors like hidden costs, misleading offers and price variations will end up in losing a loyal customer. The business strategy must be to make the customer stick around for the long haul.

In this situation customer stimulation can be an important point for retention. Discounts, promotions and active sales efforts can deepen the bond for loyalty. Increasing investments in education, training and marketing the products for a customized service can increase the relationship.

High risk customers quickly change their loyalty. Since this group brings high return, sudden action is required to monitor their attrition. Customer service call can be made effective to retain them. Product campaign strategy can be concentrated on the most attractive category not to lure them away.

The credibility of the business will be at stake if the accuracy and clarity in bills are not shown. Increasing the power of the service organization and the sales team to address customer complaints promptly and offer retention-oriented promotions are other ways to appease dissatisfied customers. Existing customers will always force for discounts. But as a practice marketers slow the discounting as much as possible to improve the margins while minimizing attrition.

Reorienting field sales incentives to reward acquisitions of customers in key segments can exhibit proximity to the customer services. Within months of acquisition, customers typically exhibit behaviour that clearly indicates how valuable they will be as ongoing customers. These signs can be proactively focused on retaining the most attractive customers, long before they might consider leaving. At the same time it can improve customer retention and create significant value for business.

Corporate Social Responsibility in Pricing

Many studies pointed out that the time period to remain as market leader for normal goods or service products are very short. Exorbitant prices are charged during this short period to capitalise the market leadership. The fundamental question is to whom and at what cost.

Industry leaders need to undertake a cost benefit analysis to assess the situation for a larger cause. Products which are in the last leg of their life cycle go back to R&D for modification. Normally modification is made peripherally to bring back the product again in the market. Basically fundamental changes are not brought out to give a new product to the customers. This reduces the life span of the market leader and is prone to duplication.

Price quotation at a higher level brings fluctuating business and customers have to bear the burden. If they could keep normal price for the product, entry of competitors and product duplication can be curtailed. This will help them to maintain the market leadership position and can cut the unnecessary cost on R & D to a minimum.

Service products in air travel are priced with no logic to justify price quotation. Even though a perfect match between demand and supply for service products is impossible, entrepreneurs excuse to justify higher pricing policy. During peak season, supply is made at minimum to excuse for higher price quote.

Conclusion

The lessons from the international trade for goods-based industry, especially from developing countries must be taken for introspection. The domestic industries which charged exorbitant prices for their products have vanished from the scene due to high pricing strategy. This has given space for products from developing countries, a possible threat for the host economy. Industry must create a level playing field. The danger which awaits service industry is going to be the same unless they change strategy. Let the governments bring benchmarking agencies to monitor the unethical pricing practices in the industry to enable the customer to get services and goods at affordable prices..

REFERENCES

1. Leon G.Schiffman/S Ramesh kumar, Consumer Behaviour, 10th Edition | 2. Christopher Lovelock/Jayantha Chatterjee - Services Marketing, 7th Edition | 3. A C Fernando- Business Ethics, An Indian Perspective 2nd Edition | 4. Thomas Wheelan and David Hunger-Strategic Management 3rd Edition |