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A STUDY ON PRICING STRATEGY ON ULTRATECH CEMENT

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ABSTRACT

Price is important in determining how much a firm earns. The chosen price must be neither high nor too low, and the price must equal the perceived value to target consumers. If consumers think the price is too high, sales opportunities will be lost. Lost sales mean lost revenue. If the price is too low, consumers may view the product as a great value, but the company may not meet its profit goals. Sometimes, as in the case of services, a price that is too low will cause the product to be viewed as less than credible and lose sales for the company. Managers use various pricing strategies when determining the price of a product, as this section explains. Price skimming and penetration pricing are strategies used in pricing new products; other strategies such as leader pricing and bundling may be used for established products as well. Price skimming has four important advantages. First, a high initial price can be a way to find out what buyers are willing to pay. Second, if consumers find the introductory price too high, it can be lowered. Third, a high introductory price can create an image of quality and prestige. Fourth, when the price is lowered later, consumers may think they are getting a bargain. The disadvantage is that high prices attract competition.

KEYWORDS: Land and Buildings, Plant and Machinery, Cement.

1. INTRODUCTION

Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and pricing strategies take into account many of your business factors, like revenue goals, marketing objectives, target audience, brand positioning, and product attributes. They're also influenced by external factors like consumer demand, competitor pricing, and overall market and economic trends.

It's not uncommon for entrepreneurs and business owners to skim over pricing. They often look at the cost of their products (COGS), consider their competitor's rates, and tweak their own selling price by a few dollars. While your COGS and competitors are important (as you'll see in the various models below), they shouldn't be at the center of your pricing strategy.

The best pricing strategy maximizes your profit and revenue.

Pricing is one of the major elements of the marketing plan. It enables to differentiate a product or service from another one of similar characteristics. Pricing decisions derive from the underlying objectives and best-suited strategies. The elements of pricing objective include profit maximization, revenue maximization, quality leadership, quantity maximization and survival (Roth, 2007). Pricing objective is focused on three factors, i.e. nature, the desired level of attainment and the associated time horizon. Pricing objectives of service organizations are profit maximization, sales maximization, market share maximization, market share increase, return on investment (ROI), price differentiation, price stability in the market, sales stability in the market, discouragement of new competitors, maintenance of existing customers, long term survival (Avlonitis & Indounas, 2005). The underlying factors that determine a company's price decisions can be categorized as internal factors and external factors. Internal factors include company's marketing objectives, marketing mix strategy, and costs; whereas external factors consist of market environment, demand, competition (Khosro, Ahmed, & Ahmed), 2014 input costs, amongst others. It is targeted at the defined customers and against competitors.



A pricing strategy is a model or method used to establish the best price for a product or service. Pricing strategies help you choose prices that maximize profits and shareholder value while considering consumer and market demand.

If only pricing was as simple as its definition. However, there's a *lot* that goes into the process.

1.1 NEEDS AND IMPORTANTS OF THE STUDY

- Price in combination with promotion becomes a strong tool for influencing buyers to buy products. It interests the buyers and highlights the image of the brand to increase sales. Sometimes organisations focus on other marketing mix elements by keeping the price constant based on recovering costs at certain percentage.
- Pricing also determines standard of living. The lower the prices in the economy, the higher is the purchasing power in the hands of consumers. Price reflects purchasing power of the market.
- Price influences two types of management decisions. First is setting price for a new product and second, adjusting the price of existing products basis the market situation, costs, etc.
- Prices should be set in coordination with distributors. Most organisations strive to give higher profit margins to distributors as the distributors like wholesalers and retailers too aggressively promote the products

1.2 SCOPE OF THE STUDY

- The study is confined to the study of pricing strategies adopted by the company.
- Salary and monetary benefits
- Promotion policy
- Employees participation in management
- The period of study is limited to 45 days only.

1.3 OBJECTIVE OF THE STUDY

- The overall financial, marketing, and strategic objectives of the company
- The objectives of your product or brand
- Consumer price elasticity and price point
- The resources you have available

1.4 LIMITATIONS OF THE STUDY

The following points highlight the nine major limitations of the price strategy. Some of the limitations are:

1. Perfect Market is an Unreal Market
2. Sellers Influence Prices in the Real World
3. Price Adjustment is not Automatic
4. Consumer's Sovereignty is Unreal
5. Competition Leads to Monopoly
6. Wastage of Resources May Occur and Others

2. REVIEW OF LITERATURE

Price goes by various names-freight, fare, license fee, tuition fee, professional charge, rent, interest, etc. But price in an enterprise/business system is seldom so simple. By definition, price is the money that customers must pay for a product or service. In other words, price is an offer to sell for a certain amount of currency.

Here, the word, offer indicates that price is subject to change if there are found insufficient number of customers at the original price of the product. That is why prices are always on trial. If they are found to be wrong, either they must be immediately changed or the product itself must be withdrawn from the market.

Pricing of the product is something different from its price. In simple words, pricing is the art of translating into quantitative terms the value of a product to customers at a point of time. Someone has opined that, "The key to pricing is to build value into the product and price it accordingly."

The salient ingredients of pricing are

1. Pricing covers all marketing aspects like the item-goods or services-mode of payment, methods of distribution, currency used, etc.
2. Pricing may carry with it certain benefits to the customers like guarantee, free delivery, installation, free after-sale servicing and so on.
3. Pricing refers to different prices of a product for different customers and different prices for the same customer at different times.



3. RESEARCH METHODOLOGY

Market methodology should include anything you need to know in order to formulate strategy and make business decisions. Information is available in the form of statistical economic and demographic data from clients, research companies and professional associations members interact with the organization. This is called **secondary research** and will require some interpretation or manipulation for own purposes. Additionally we have carry out our own research through customer feed-back, surveys, questionnaires and focus groups (obtaining indicators to wider views through discussion among a few representative people in a controlled situation). This is called primary research, and is tailored to your precise needs. It requires less manipulation, but all types of research need careful analysis. Be careful when extrapolating or projecting. If the starting point is inaccurate the resulting analysis will not be reliable. The main elements typically need to understand and quantify are:

- Customer profile and market mix
- Product mix
- Demographic issues and new trends
- Future regulatory and legal effects
- Prices and values, and customer perceptions in these areas

3.1 SOURCES OF DATA

To perform the Research study by Researcher, the sources of data obtained are:

Primary research is recommended for local and niche services. Formulate questions that give clear yes or no indicators (i.e., avoid three and five options in multi-choices) always understand how to analyse and measure the data produced. Try to convert data to numerical format and manipulate on a spreadsheet. Use focus groups for more detailed work. To be wary of using market research organizations as this can become extremely expensive. If we do the most important thing to do is get the brief right.

Primary data

The primary data is collected with the help of questionnaires, which consists of twenty questions each. The questionnaires are chosen because of its simplicity and liability.

Secondary Data

This data is obtained directly from the company in the form of brochures, charts, diagrams, document and other forms.

Data Collection Tool

Questionnaire:

This is one of the data collection tools. It is quite popular particularly in case big enquires. It is being adopted by private individuals, research worker, private and public organization and even government. In this method, a questionnaire is issued to the persons concerned with a request to answer the questions and return the questionnaire. A questionnaire consists of number of questions printed or type in a definite order or a form or set of forms

Sample Size:100

4. DATA ANALYSIS

. Pricing strategy of ULTRATECH CEMENT

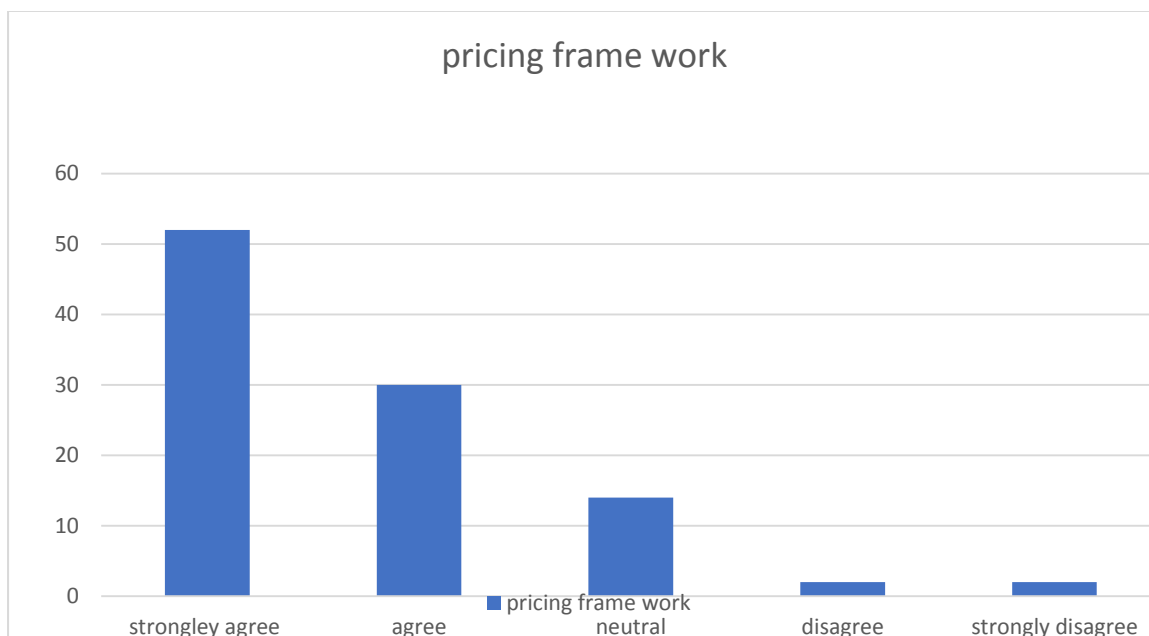
Pricing strategy	
Monopoly	83
Oligopoly	3
Monopolistic	14



INTERPRETATION: From the above table, it is understood that selection of pricing strategy entails that 83% respondents opt for monopoly pricing strategy, only 3% choose oligopoly and 14% go for monopolistic pricing strategy. After observing the organization’s internal environment and product line, selection of monopoly market reduces the scope of new entrants as well its sustenance

• **Pricing framework**

	Pricing framework
Strongly Agree	52
Agree	30
Neutral	14
Disagree	2
Strongly Disagree	2



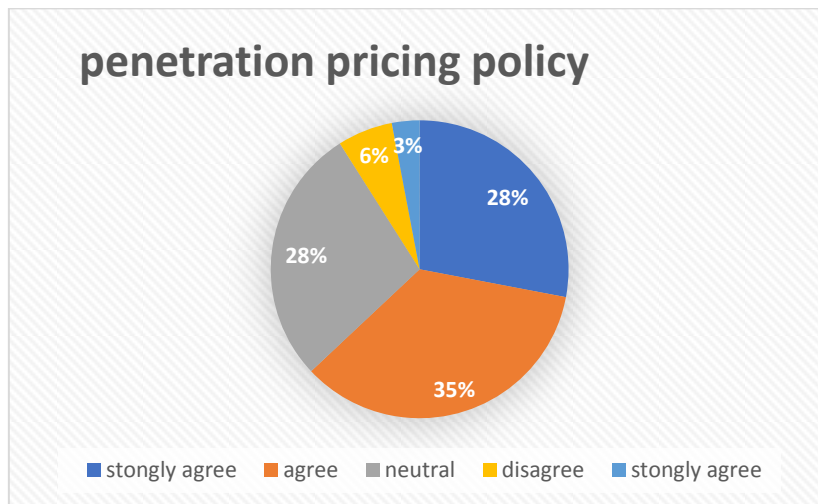
INTERPRETATION

52% respondents are strongly agreed to this concept and 30% respondents also choose this. 14% respondents are neutral, however only 2% respondents are not agreed or disagreed as well as strongly disagreed. So most of the

respondents believe that stable pricing framework is able to bring prospective customers for the good image of the organization.

• **Business penetration pricing policy**

	Penetration pricing policy
Strongly Agree	28
Agree	35
Neutral	28
Disagree	6
Strongly Disagree	3



INTERPRETATION

Adoption of penetration pricing policy expresses that only 35% respondents are agree to this approach, while 28% have opinions of 'strongly agree'. In this regard, 28% employees are given their responses neutrally, 6% are disagreed to this concept and 3% are strongly disagreed.

4. Skimming pricing policy would be detrimental to the eventual growth and development of the company
The policy of pricing to sell consistently at a competitive price

TABLE: Selling pricing policy at competitive price

	Selling Pricing at competitive price
Strongly Agree	27
Agree	36
Neutral	29
Disagree	4
Strongly Disagree	4

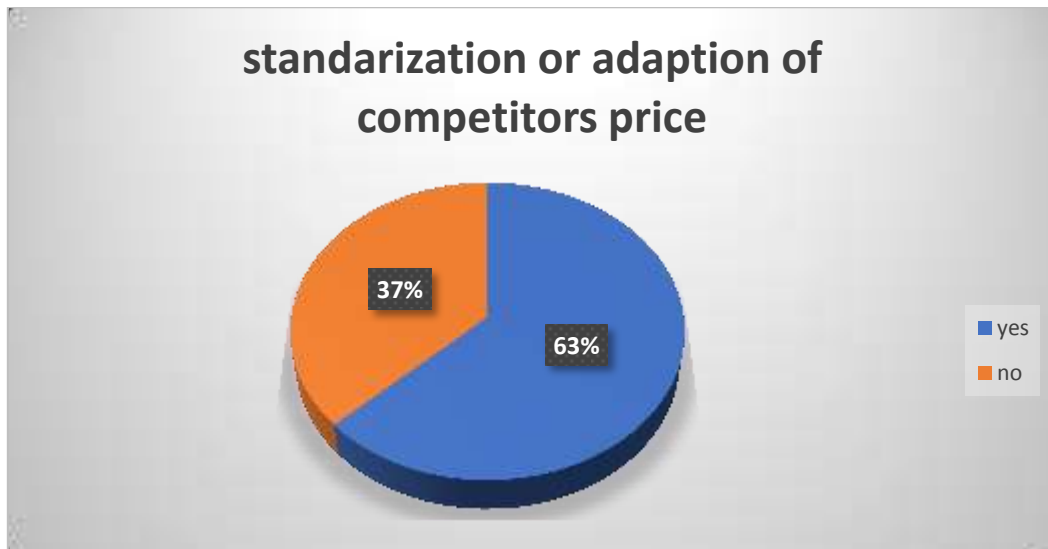


INTERPRETATION

Most of the respondents nodded in agreement which is reflected by 27% respondents who strongly agreed, 36% agreed to this view. On the other hand, 29% people are neutral; Further, only 8% respondents are disagreed with the statement.

5. Standardization or adaption of competitors’ price

	Standardization or adaptation of competitors’ price
YES	63
NO	37



INTERPRETATION

It is found from the responses of the employees that 63% employees are agreed for the standardization or adaptation of the competitors’ price whereas only 37% are not agreed to this approach. So the organization can adopt this pricing strategy to earn their competitiveness.



5. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

1. It is understood that selection of pricing strategy entails that 83% respondents opt for monopoly pricing strategy, only 3% choose oligopoly and 14% go for monopolistic pricing strategy. After observing the organization's internal environment and product line, selection of monopoly market reduces the scope of new entrants as well its sustenance.
2. 52% respondents are strongly agreed to this concept and 30% respondents also choose this. 14% respondents are neutral, however only 2% respondents are not agreed or disagreed as well as strongly disagreed. So most of the respondents believe that stable pricing framework is able to bring prospective customers for the good image of the organization.
3. Adoption of penetration pricing policy expresses that only 35% respondents are agrees to this approach, while 28% have opinions of 'strongly agree'. In this regard, 28% employees are given their responses neutrally, 6% are disagreed to this concept and 3% are strongly disagreed.
4. Most of the respondents nodded in agreement which is reflected by 27% respondents who strongly agreed, 36% agreed to this view. On the other hand, 29% people are neutral; Further, only 8% respondents are disagreed with the statement.
5. It is found from the responses of the employees that 63% employees are agreed for the standardization or adaptation of the competitors' price whereas only 37% are not agreed to this approach. So the organization can adopt this pricing strategy to earn their competitiveness

SUGGESTIONS

- The price offered for ULTRATECH is needed to be monitored due to the challengers arises and several consumers tend to find that has best price for value for them. So it is needed to do benchmarking on challengers' pricing strategy.
- Even though the consumers tend to find the biggest volume possible, it is needed to consider the diminishing marginal utility which will lead to lower consumer satisfaction if the portion given too much.
- For further research, the scope of research may expand bigger into the whole company target market, with more sample size so that it may cover up to one country preferences.
- Further research may come with the additional method or using another analysis technique, using mixed method for deeper problem analysis which will getting fit and lead to very reliable information that can be implemented for company

CONCLUSION

FINALLY, we conclude that of pricing strategies, setting the price for the company's products and services are a vital roles and important parts for our business success, through the understanding the distinct between cost and price which company charge the appropriate and best price which means customer is willing to pay a price to your products then can maximize sales volume and profit margin. Additionally, different pricing strategies can be used at different times to fit with changes in marketing strategies, market conditions, and product life cycles.

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