International Journal of Research in Economics and Social Sciences(IJRESS)
Available online at:http://euroasiapub.org
Vol. 7 Issue 9, September- 2017, pp. 377~384
ISSN(o): 2249-7382 | Impact Factor: 6.939|

Analysis of Pricing Policies and Practices adopted by Handloom Units of District Panipat, Haryana

Akshta Dhingra, Research Scholar

Shri Venkateshwara University, Rajabpur, UP

Abstract

A price policy is a guideline set by the top management to bring about optimum product market integration. It is that sharp weapon by which the marketer can encourage or discourage competition, satisfy or dissatisfy the consumers, help or hinder the army of salesmen in effective selling. Price policies and strategies are of grassroot importance to all those who are in the rungs and ring of distribution namely, producer, middlemen and even the consumers. The product prices affect political and economic processes and hence politicians, economists and scholars who comment, and try to take action over prices. The role of price is pivotal in the four branches of economics namely, exchange, production, production, consumption and distribution. Pricing is the function of determining the product or service or idea value in monetary terms by the marketing manager before it is offered to the target consumers for sale. Pricing is the process of setting objectives, developing strategies, setting prices and engaging in implementation and control.

Pricing policies and practices: Price is one of the four major variables that the marketing manager controls. No marketing can take place in the absence of product pricing. Products may be matched with markets, but only when buyers and sellers agree on prices then transfer of ownership occurs. Price may be proposed either by a seller pr a buyer although it does not become operative until it is accepted by both the parties.

Pricing has been considered an essential element of marketing strategy. It is one of the most mystery laden variables encounters by marketing executive in decision making process. Prices also ensure survival of enterprise. It is rightly said that without price, there is no marketing.

Price is the single element of marketing mix which produces revenue; it plays a distinctive role in determining the marketing success of a firm, irrespective of whether it is large or small. Therefore product pricing has to be handled with utmost care.

In this chapter, we shall dwell upon some important aspects of pricing, such as pricing objectives, factors influencing price setting, single pricing, visa-vis multiple pricing, pricing in relation to competitor's prices, factors, leading to change in prices etc.

To bring with, two major aspects of pricing policy and methods of price determining need attention. The respondents were asked whether they follow single price policy or variable price policy. Single price policy means selling a product at fixed price to all buyers. Variable price policy, on the other hand means changing different prices from different buyers, thus leaving scope for bargaining.

Pricing Policy: It is essential to establish the pricing policies of the products or services manufactured by a firm. Without definite pricing policies, pricing decision is a time consuming process. A set of price policies and strategies will not only make price setting easier but also make possible as series of prices at various levels of distribution. Pricing policies are the guidelines providing a focus within which the company management administers the policies to match to the market needs.

Objectives of the Study:

- To determine the pricing policies and objectives of the selected handloom units.
- To study the price determination system of selected units.
- To know the pricing methods adopted by the selected units.
- To know the elements of promotion mix of selected units.
- To determine the sales promotion activities adopted by these selected units
- To probe the sole of advertising in these selected units.

Scope of the Study:

The present study is related with the 25 handloom units selected from district Panipat of Haryana state. These units comprises of sole proprietorship, partnership and co-operatives. In this study attempt is made to analyze the pricing methods and practices adopted by these selected units. Moreover an effort has been made to know the impact of sales promotion activities adopted by these units.

Table 1.1

Distribution of sample units according to the pricing policy

Pricing Policy	Type of Sample Units				Summary		
	Sole Proprietorship Units	Partnership Firms Units	Cooperative Units	Total	Avg.	S.D.	C.V.
Uniform Pricing Policy	-	5(33)	2(50)	7(28)	2.22	.44	19.53
Differentiating Pricing policy	6(100)	10(67)	2(50)	18(82)	1.78	.62	35.11
Total	6(100)	15(100)	4(100)	25(100)	1.92	.62	32.67

Source:FieldSurvey

χ_2 =3.5 (df:2)

Figures given in parentheses represent percentages

Table 1.1 indicates the behavior of respondents regarding the pricing policy adopted. It shows that as many as 72 percent of sample unit are using variable price policy. While the remaining 28 percent are sticking to the single price policy. Those following uniform price policy are 33 percent in case of partnership firms and 50 percent in case of cooperative. Differentiated pricing policy being in abundant use, it appears that there is a sufficient scope for bargaining in the export handloom sector.

The statistical result of χ_2 shows that pricing policies of the sample units are independent to the types of units.

Price Determination: After formulating the pricing objectives and deciding the pricing policy, the next step is to determine the price of the product. There is no specific procedure applicable to all firms for price determination. The companies resolve pricing issue by selecting a pricing method that incorporates cost, competition and demand factors. The choice of a particular method depends on the pricing needs and the decision input. The most important pricing methods are based on cost, competition and demand.

In price determination producers of handloom products consider various factors which effects the pricing of products. These factors are cost of production, product demand, competitors prices market conditions & consumer paying capacity etc. table 1.2 shows that cost of production is most important factor in price determination.

Table 1.2

Distribution of sample units according to the factors affecting the pricing decision

Factors affecting pricing decision	**Types of Sample Units**			
	Sole Proprietors Units	**Partnership Firms Units**	**Cooperative**	**Total**
Cost of Production	6(31.5)	10(31.25)	4(44.4)	20(33.3)
Product Demand	3(15.8)	5(15.62)	-	8(13.33)
Competitors Prices	2(10.6)	6(18.75)	2(22.2)	10(16.67)
Market Conditions	100(21.05)	5(15.62)	1(11)	10(16.67)
Total	15(31.26)	26(54.16)	7(14.58)	48(100)

Source: Field Survey

Figures given in parentheses represent percentages

Note: Total is more than 25 units as few units make more than one factor affecting the pricing decision

Second important factor which affects the pricing decision is consumer paying capacity with 20 percent competitor's price and market conditions are also considered with 16.67 percent in deciding the price. According to the table 3.22 product demand is the last important factor in case of price decision.

In order to know which factor the respondents considered important in deciding the price of their product, they were asked to tick only the one which they consider to be the most frequently used. The respondents were further asked in case if competitors prices, above competitors price or similar to competitors price. Majority of the respondents are of view the price similar to competitors is the best choice. There are some partnership firms and cooperative who viewed that they use above competitors prices as their products enjoy better position and goodwill.

Price Determination Methods: Regarding the price determination method the respondents were given three different choices and they were asked to tick only the one whcoh they considered to be the most frequently used method of price determination. Sample units has stated that there are more than one factors responsible for pricing.

Table 1.3

Distribution of Sample Units According to the Price Determination Methods

Price Determination Methods	Type of Sample Units				Summary		
	Sole Proprietors	Partnership Firms Units	Cooperative	Total	Avg.	S.D.	C.V.
Cost+Method	3 (50)	6(40)	3(75)	12(48)	2.0	0.72	35.35
Marginal Cost Method	3(50)	6(40)	1(25)	10(40)	1.8	0.6	33.33
Value added method	-	3(20)	-	3(12)	2.0	0	0
Total	6(24)	15(60)	4(16)	25(100)	1.92	0.63	32.67

Source : Field Survey χ^2 =3.19 (df:4)

Figures given in parentheses represent percentages

Table: 1.3 gives the position in respect of price determination policies used by various manufacturers. On the whole cost plus method is the most popular which is used by 48 percent of the sample respondents. It is followed by 40 percent of those who are making use of marginal cost method. The above position holds goods in all the handloom units irrespective of the type of ownership. Those using value added method are just 12 percent only. This method is used only by the partnership firm according to the table.

The statistical result of χ^2 shows that there is no relationship between the pricing methods and the types of units.

Objectives of Pricing: pricing objectives are derived from the objectives of the firm. They provide guidance to determining price policies, formulating pricing strategies and setting prices. Before setting the price of its products, a firm must be clear about the objective it intends to achieve. This is necessary because each possible price will have different implicates on profit, sales volumes, and market share.

The position of sample units belonging to various forms of ownership in terms of the average score obtained by different pricing objectives which they seek to achieve is as given in table 1.4. It shows that meeting out competition is the most important objective and increasing market share the least so at the overall level.

Target return on sales and maximization of profits are considered almost equally relevant with 2.1 and 1.9 scores respectively.

Table 1.4

Average score obtained by different pricing objectives

Pricing Objectives	**Type of Sample Units**			**Overall**	
	Sole Proprietors	**Partnership Firms Units**	**Cooperative**	**Score**	**Rank**
Target return on sales	2.1	1.8	3.4	2.1	IInd
Meeting competition	2.5	2.7	3.2	2.7	Ist
Increasing market share	1.2	1.5	-	1.2	IVth
Maximization of profits	1.9	1.9	2.4	1.9	IIIrd

Source: Field Survey

Note: here ranks have been determined on the basis of scores value. Scores have been obtained by assigning weights equal to 5,4,3,2, and 1 respectively.

Price chargedin Relation to Competitors Prices: Every firm adheres to some policy. Either explicitly or implicitly, regarding the prices of its products relative to those of competitors. The prices charged by the competitors serve as an important basis for fixation of the selling price of a product. No producer/manufacturer can afford to ignore the most competitive price prevailing in the market while deciding the selling price of his own product.

A firm may have the following three alternatives to chose from (1) to charge a price which is below the price charged by the major competitors (2) to charge a price equal to that of the major competitors.

Table 1.5

Distribution of Sample Units According to the price charged in relation to competitors price

Price charged	Type of Sample Units				Summary		
	Sole Proprietors	Partnership Firms Units	Cooperative	Total	Avg.	S.D.	C.V.
Below to competitors	3 (50)	6(40)	3(75)	12(48)	2.0	0.72	35.35
Above to competitors	3(50)	6(40)	1(25)	10(40)	1.8	0.6	33.33
Similar to competitors	-	3(20)	-	3(12)	2.0	0	0
Total	6(24)	15(60)	4(16)	25(100)	1.92	0.63	32.67

Source : Field Survey χ^2 =3.19 (df:4)

Figures given in parentheses represent percentages

Figures given in parentheses represent percentages

Table 1.5 shows the distribution of sample units of different organizations according to the price charged by them in relation to the competitor's price. The highest percentage of all the units is 48% which indicates that the units are charging less price as compare to their competitors. 40% of the units are charging above the competitors whereas few of the partnership firms are charging similar to the competitors.

The statistical result of χ^2 shows that there is no relationship between the price charged by the selected units and the competitor's price. It means price is independent as of competitors price.

Bibliography:

Kotler and Armstrong: "Advertising, Personal Selling and Sales Promotion"

Gerard, Telis J.: "Advertising and Sales Promotion, Strategy"

Philip Kotler: "Marketing Management"

Baker, M: "Marketing Management and Strategy"

Citation: Quelch, John A.: "International ***Marketing Management*** Course ***Bibliography"***

Bagozzi, Richard P: "***Marketing Management"***

*C.N.Sontaki: **"Marketing Management"***