Editorial

Greetings!

Pricing is the process of determining what a company will receive in exchange for its products. Pricing factors are manufacturing cost, market place, competition, market condition, and quality of product. Pricing is a fundamental aspect of financial modeling and is one of the four Ps of the marketing mix. The other three aspects are product, promotion, and place. Price is the only revenue generating element amongst the four Ps, the rest being cost centers. Pricing is the automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others.

Pricing objectives or goals give direction to the whole pricing process. When deciding on pricing objectives, one must consider: (a) the overall financial, marketing, and strategic objectives of the company; (b) the objectives of the product or brand; (c) consumer price elasticity and price points; and (d) the available resources.

There are two basic pricing options prevail in the market. The first option is List Pricing, which is used predominantly for price structures and contracts which are fixed. The second option is Formula Based Pricing, which is used when sales pricing is determined by calculations e.g. cost and mark-up, or foreign purchase price/current exchange rate. Price codes are used to determine price structures. Product price groups are used to group similar products for pricing purposes, while Customer price groups are used to group similar customers for pricing purposes.

The most profitable pricing policy is complete price discrimination, where each unit is priced at the benefit that the unit provides to its buyer. To implement this policy, the seller must know each potential buyer's individual demand curve and be able to set different prices for every unit of the product. The next most profitable pricing policy is direct segment discrimination. For implementing this policy, the seller must be able to directly identify the various segments. The third most profitable policy is indirect segment discrimination. This involves structuring a set of choices around some variables to which the various segments are differentially sensitive. Uniform pricing is the least profitable way to set a price.

After independence, India's initial price policy could be characterized as serving the interests of the consumers, particularly where food grains were concerned. Indian vendors offer a wide range of pricing models, such as pay per unit, fixed rate, variable rate, cost plus profit, profit and risk, performance based and bundling. While some pricing models are best suited for maintenance work or product support, there are other payment structures that are beneficial for long term projects or changing business objectives.

In a developing economy a certain rise in prices is inevitable for at least three major reasons. First, the programmes of economic development generate larger employment and money incomes and this increases the demand for basic consumer goods and services. The new incomes are not proportionately reflected in savings because a majority of the beneficiaries have to spend most of the additional money they get on satisfying unfulfilled needs. Secondly, the same programmes of economic development as they generate the new money incomes push-up the demand for certain goods wanted by the consumer, such as agricultural products, fuel, housing materials and the like. The third reason, of which the first two may be looked upon as special cases, is the large increase in currency in emulation and the operation of the law of supply and demand. Unless the production of basic consumer goods keeps pace with the increase in currency, prices are bound to rise even of the production of consumer goods is maintained at the old level.

We hope the papers selected will be a source of useful results of Pricing Models and provide a direction for future thoughts in this area. We are grateful to all the contributors of this issue for their valued work. Hope the articles of this issue will enrich you to a great extent.

Happy reading!