

ЗНАЧУЩІСТЬ І ДИВЕРСИФІКАЦІЯ РІШЕНЬ ЦІНОУТВОРЕННЯ ФІРМ, ЩО ПРАЦЮЮТЬ НА ПОЛЬСЬКОМУ РИНКУ (РЕЗУЛЬТАТИ ДОСЛІДЖЕННЯ)

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Мета цієї статті – представити результати досліджень з двох питань, пов’язаних з ціновою політикою, що провадять компанії, які працюють на польському ринку: 1) важливість ціни як фактора успіху компанії та елементного складу маркетингу; 2) диверсифікація рішень щодо прийняття базової ціни, використання диференціацій базової ціни і впровадження цінової політики. Аналіз оснований на результатах опитування репрезентативної вибірки компаній, що працюють на польському ринку (масштабується відповідно до їхнього розміру), проведеного кафедрою маркетингу в Економічному університеті в Кракові.

Ключові слова: ціна, управління ціною, диверсифікація цін, цінова політика.

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THE SIGNIFICANCE AND DIVERSIFICATION OF PRICING DECISIONS OF COMPANIES OPERATING ON THE POLISH MARKET (RESULTS OF RESEARCH)

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This article verifies validity of the theorem described beforehand on the marketing significance of a price and the decisions it involves by doing research on how strongly marketing concepts have been rooted in, and the conduct of companies within the confines of market economy in Poland. This paper is poised to present the results of research done to analyze two issues related to the pricing policy of companies operating on the Polish market. The first issue concerns the significance of a price as a factor deciding about the success of an enterprise and a component of the marketing mix. The second issue is related to the diversification of decisions on the accepted basis for setting prices, the applied basis for price diversification and the implemented pricing strategy. The obtained results allow verifying seven research hypotheses. The conducted research and the results thereof allow to ascertain that the price – the decisions, strategies, instruments that go with it have become an important market factor for all companies, and the perceived differences in the opinion of companies (across all their sizes) are less significant than it might be expected.

Key words: price, price management, price diversification, pricing policy.

Statement of the problem. Following an analysis of the marketing activity of companies, it may be inferred that even though new solutions have been incorporated therein and new elements added to extend the composition of the marketing mix, the application of pricing instruments to influence the market still

remains a crucial issue that vastly decides about the success on the market. It may be assumed that it is the resultant of a few factors: common application of a price as a prerequisite for every transaction on the market, considering a price a characteristic factor informing a consumer about the value of a product, elasticity of its application or, finally, its direct revenue generating character. The posed theorem does not boil down to the question how the price is applied as a market instrument, but also includes the ways of its application in changing conditions of operation of Polish companies. Hence, the focus is on the following issues:

- The importance of a price as a factor contributing to the success of a company;
- The significance of pricing instruments within the composition of the marketing mix;
- The diversification of decisions on the accepted basis for price setting, the applied basis for price diversification and the direction of the implemented pricing strategy;
- Prerequisites for the taken pricing decisions.

In-depth theoretical considerations on the subject of the analyzed decisions within the broadly understood context of price management as an instrument making an impact on the market can be found, among others, in the publications by Hanna, Dodge [4], Karasiewicz [6, 8], Lambin [9], Rogoda [14], Simon [15] or Waniowski [16].

Analysis of recent research and publications. The research on price management in companies operating on the Polish market has been done earlier, albeit in most cases it focused on entities operating within certain lines of business and serving certain markets subjectively, objectively or spatially. Theoretical considerations and the results of the research done by various academic centers were presented in the publications, to name a few, by Bórawski [1], Górska-Warsewicz [2], Karasiewicz [7], Pindakiewicz [13] and Waniowski [16]. Current research was instigated by the research conducted fifteen years ago by the Institute of Marketing at the Academy of Economics in Kraków (currently the Cracow University of Economics), headed by professor Jerzy Altkorn. That research provided substantial material which allowed tracing the changes taking place within various areas of marketing management in companies operating on the Polish market, including the changes within pricing strategy [3].

Goals of the article. It was decided to verify validity of the theorem described beforehand on the marketing significance of a price and the decisions it involves by doing research on how strongly marketing concepts have been rooted in, and the conduct of companies within the confines of market economy in Poland [10, 11]. This paper is intended to present to a wide audience the results of a part of research focused on the process and decisions related to pricing strategy observed by companies operating on the Polish market. The results embrace: 1) the significance of a price as a success factor for a company and the instrument complementing the marketing mix, and 2) the diversification of decisions on the adopted basis for price setting, the employed basis for price diversification and the implemented directions for pricing policy. The obtained results allow verifying the following research hypotheses:

H1. A price is still perceived as a key success factor by the companies operating on the Polish market (irrespective of their size);

H2. A price plays a crucial role in the marketing mix, yet it is more important for small companies;

H3. Prices quoted by the competition are the most common point of reference for setting prices by large companies;

H4. In small companies, their expenditures are the most common basis for setting prices;

H5. Irrespective of their size, companies most commonly differentiate price in line with the volume of purchases and the relations with the buyers;

H6. Large companies implement mostly pricing strategies known as skimming and high price strategy;

H7. Small companies decide mostly on infiltration strategy and low price strategy.

The main material of research. The research was divided into two stages: within the first stage, information was collected among 422 “large” companies hiring more than 50 staff (pursuant to the generally accepted classification of medium and large companies). In the second stage, 418 “small” companies hiring fewer than 50 staff were surveyed (in line with the micro- and small company classification). To run random matching of entities to the sample, a hybrid method of respondent selection was applied (companies and their representatives). Primary data were collected by the distributed questionnaires, with the application of an on-line questionnaire format. The basic provisions and the method of research were presented in [5, pp. 21–28].

The issues related to the marketing price instruments that were investigated in the research, focused primarily on the methods for price management under the current conditions of corporate economic activity on the Polish market. At the outset, it was decided to define the attractiveness of that instrument as a success factor for economic entities. Most of them – irrespective of their size – considered price attractiveness and the resultant strategic decisions a crucial factor determining the prospects for success on the market (tab. 1).

Table 1

**The significance of a price as a success factor for large and small companies
(scaled in %)**

Levels of price significance as a success factor	Size of a company		
	All (n = 757)	Small (n = 376)	Large (n = 381)
Crucial	30.2	29.3	31.2
Very important	30.8	31.6	29.9
Significant	30.2	31.4	29.1
Marginal	6.4	5.8	6.8
Insignificant	1.3	0.8	1.9
Not applicable	1.1	1.1	1.1

Source: Author’s own on the basis of the conducted research.

Among the 16 factors employed in the research which described various orientations of company market activity, price unanimously ranked fourth “crucial” success factor across all companies. Large companies put price in the third position (following end consumer satisfaction and good relationships with the clients and partners on the market, and the small companies put it in the fourth position (preceded by high quality of products) [12, pp. 23–31].

The analysis of the successive categories shows some disparity. Small companies mostly considered price “very important” placing it in the eighth position, whilst large companies pushed it down to the twelfth place. Hence, within the general classification of success factors (the number of crucial, very important and significant indications) price would be considered to take the fifth position amongst all companies and small enterprises, whilst it is put in the eighth place by large companies.

The assessment of the price importance for all companies at “crucial” and “very important” position shows some differences in comparison to 1998 both in terms of the position (currently sixth, then third) as well as the preceding factors; current care for customer satisfaction, good relations with the clients, product quality, positive image of a company and its products, and earlier quality of products and expenditures.

The argument supporting high significance of a price for companies is the way it is perceived against the four P’s of the marketing mix (tab. 2). Within each category of companies, price takes equivalent position with a product, decisively outrunning (particularly within “crucial” indication) distribution and promotion.

Table 2

The importance of the marketing mix elements for various companies (scaled in %)

The importance of the marketing mix composition				
Grupa instrumentów	All companies			
	Crucial	Significant	Insignificant	Hard to say
Product instruments (N=796)	41.8	43.5	7.4	7.3
Price instruments (N=812)	37.3	49.3	7.1	6.3
Distribution instruments (N=783)	13.2	43.9	29.9	13.0
Promotion instruments (N=784)	13.4	42.5	32.5	11.6
	Large companies			
	Crucial	Significant	Insignificant	Hard to say
Product instruments (N=411)	45.7	41.6	6.8	5.9
Price instruments (N=409)	36.9	49.4	8.3	5.4
Distribution instruments (N=401)	15.2	46.2	27.9	10.7
Promotion instruments (N=404)	15.1	46.3	29.7	8.9
	Small companies			
	Crucial	Significant	Insignificant	Hard to say
Product instruments (N=385)	37.7	45.5	8.0	8.8
Price instruments (N=403)	37.7	49.1	6.0	7.2
Distribution instruments (N=382)	11.0	41.7	31.9	15.4
Promotion instruments (N=380)	11.6	38.4	35.5	14.5

Source: Author's own on the basis of the conducted research.

Costs and negotiating skills and expenditures were most commonly indicated the basis for price setting were (tab. 3). Indications of the prices quoted by the competitors could be observed among almost one fifth of the surveyed companies. The largest disparity in the basis of price calculation is apparent in view of the anticipated changes in demand (5.6 p.p. difference between the indications of large versus small companies).

Table 3

The basis for price setting in companies (scaled in %)

The basis for setting a price	Type of company		
	All (N=836)	Small (N=417)	Large (N=419)
Costs + negotiating skills	31.5	30.9	32.0
Expenditure	30.9	31.4	30.3
Prices quoted by competition	19.0	17.5	20.5
Predicted changes in demand	12.1	14.9	9.3
Others	6.6	5.3	7.9

Source: Author's own on the basis of the conducted research.

The perceivable differences in percentage points amongst the successive basis for price diversification do not distort the common hierarchy and a very similar scale of employment of various reasons for price diversification, both amongst all the surveyed companies as well as within small or large business entities (tab. 4). The scale of purchases proved to be the most common reason for price diversification by companies (10 p.p. more for large companies) and relationships with the customers (here one may mention the relations particularly encouraging the customers to make a purchase and maintain further contact with a company, customer loyalty rewarded with attractive prices or reciprocity on B2B market). Large companies highlight the third basis for price diversification, i.e. terms of payment (large companies show 6.8 p.p. more than small companies).

Table 4

The basis for price diversification in companies (scaled in %, multiple choice)

The basis for price diversification	Type of company		
	All (N=837)	Small (N=418)	Large (N=419)
Volume of purchases	56.2	51.2	61.2
Relationships with a customer	43.7	45.0	42.4
Terms of payment	23.3	19.9	26.7
Others	22.0	19.9	24.0
Time of purchase	19.6	18.7	20.5
Place of purchase	9.5	8.6	10.5
Keeping uniform prices	12.3	12.5	12.1

Source: Author's own on the basis of the conducted research.

Every fifth small company, and almost every fourth large company diversified their prices due to other reasons (not clearly indicated in the survey). Similarly, about a fifth of large companies as well as small ones diversified prices due to the time of purchase (important for the buyer, convenient for the seller), and only every tenth/eleventh company diversified their prices due to the place of purchase. It seems that the latter factor may be the determinant for pricing decisions mostly for intermediaries, hence it was not strongly indicated in the survey that comprised entities in various lines of business. About every eighth company (both large and small) declared keeping uniform prices, hence declining to apply price diversification on the market.

The differences in percentage points noted mainly among the implemented directions of pricing strategy (tab. 5) demonstrate the advantage of high price strategy maintained by large companies (almost 7 p.p. over the infiltration and low price strategy). Merely a fifth of large companies employed skimming strategy. In case of small companies, the results of indications of three most common strategies were quite similar (deviation within 3.5 p.p.); it is worth noting that low price strategy proved least popular.

Table 5

The main directions for price strategies implemented by companies (scaled in %)

Direction of price strategy	Type of company		
	All (N=786)	Small (n = 395)	Large (n = 391)
High price strategy	30.4	28.3	32.5
Infiltration strategy	26.1	26.6	25.6
Skimming strategy	22.6	24.8	20.5
Low price strategy	20.9	20.2	21.5

Source: Author's own on the basis of the conducted research.

Conclusions and recommendations for further research. Majority of companies (irrespective of their size) consider price attractiveness and the relevant strategic decisions a crucial factor deciding about the success on the market. According to the indications of all companies, among 16 available factors, price ranked fourth within “crucial” success factors (it scored third in the previous survey). Such result allows positive verification of the first hypothesis (H1), even though it is worth noting that joint analysis of “crucial” and “very important” indications demonstrates a drop in the status of a price (a drop from third to the sixth position).

The indications showing the importance of a price within the marketing mix among any size of a company (all, large, small) put it next to a product, way ahead of distribution and promotion. Deviations in the results (shown by the percentage points) within large and small companies allow to ascertain that price instruments score slightly higher among the group of small companies. Such results allow a fully positive verification of the second hypothesis (H2).

The indications of price setting calculation practiced by the companies showed a common hierarchy of its importance. There was a noticeable difference in the degree of application between large and small companies. Regrettably, the result shows that the most typical of marketing price setting basis, i.e. the predicted changes in demand, has been used by a marginal number of market entities. By the same token, the obtained result necessitates a negative verification of the third hypothesis (H3). This proves large companies are more concerned about costs plus negotiating skills or expenditure than the prices quoted by their competitors. The fourth hypothesis (H4) was verified positively and it indicates predominance of costs along negotiating skills as price setting basis by small companies.

The obtained results fully prove the fifth hypothesis (H5). The dominance of the volume of purchases and relationships with the clients is apparent in any group of companies.

The survey allowed partially positive verification of the remaining hypothesis (H6 and H7). Almost a third of companies confirmed high price strategy to be the main instrument, a fourth chose price infiltration, and a mere fourth skimming strategy. In case of small companies, infiltration strategy proved quite common (almost a fourth of entities). It was surprising to note that even a bigger group of such entities chose mainly high price strategy.

The conducted research and the results thereof allow to ascertain that the price – the decisions, strategies, instruments that go with it have become an important market factor for all companies, and the perceived differences in the opinion of companies (across all their sizes) are less significant than it might be expected.

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