

A Review of Research on Pricing Strategies and Pricing Factors of Enterprise Products

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Abstract: As one of the core strategies of enterprise marketing activities, product pricing has an important impact on the market share, profit level and brand image of enterprise products. There are many factors that enterprises consider in product pricing, such as cost, customer demand, brand awareness, market penetration, market trend, market development prospects, market competition environment, policy and other factors, which are important factors affecting enterprise product pricing. This paper firstly introduces the importance of product pricing in marketing strategy, combined with the nature of domestic and foreign enterprise products, and then summarizes the pricing strategy, pricing method and applicable conditions of enterprise products, and analyzes the pricing factors and influencing mechanism of enterprise products. Then, it summarizes the product cost, product types, customer demand, price elasticity, consumer behavior, sales channels, etc. Finally, it summarizes the shortcomings of existing literature research.

Keywords: Marketing, product pricing, pricing strategy, pricing methodology, pricing factors.

1. Introduction

Enterprises attach great importance to product pricing when formulating marketing strategies, especially in the process of launching new products, how to improve the market position, stability and market share of products through sales channels (such as product promotion methods, sales models, sales strategies), and formulate reasonable pricing strategies is a key step for enterprises to protect their basic economic interests. A successful pricing target includes not only the company beating its competitors by actively participating in the market competition, but also the company's market planning and profit expectation for the product. Only by setting a good product price can enterprises better adapt to the development of market competition and attract more customers to buy their products.

2. The Importance of Product Pricing in Marketing Campaigns

Regarding the importance of product pricing in marketing activities, different experts and scholars have different views. Chen Si-ming insist that the price fluctuation of the product market would affect the final pricing of the enterprise, and even affect the long-term survival and development of the enterprise. Only by reasonable pricing could enterprises gain a long-term foothold in the market competition and attract more customers. He also pointed out that whether the product pricing is reasonable is not only related to whether a company can beat its competitors in the competitive environment, but also related to the company's development strategy Sun pointed out that retailers are maximizing profits by increasing their promotional efforts through low prices in their marketing activities to expand direct sales channels (Sun Lijun, 2022). If enterprises set its prices too high, many potential customers will be lost, which in turn lead to a decrease in market share. And if companies lower their prices too low, they may lose the opportunity to make a profit. It is only when a company develops a proper pricing strategy that

the customer base and increased market share can be massively established. With the increase of market share, it will also establish a higher brand awareness for the company, making the company more competitive in future sales.

3. Types and Methods of Enterprise Product Pricing Strategy

As one of the core strategies of most enterprises, most scholars have studied the pricing strategy from different market environments such as the price demand elasticity of products, consumer preferences, sales channels and sales models, and pointed out that the pricing strategy of products changes with the changes in the market environment, and there is no optimal pricing strategy. Dong Hai-xia discussed the types, advantages and disadvantages of pricing strategies and applicable conditions, and pointed out that the skimming pricing strategy is suitable for those enterprises that pursue short-term high profits and a short payback period, the penetration pricing strategy is suitable for enterprises that increase the market share of products in a low-price way, and the satisfaction strategy is a pricing strategy that is acceptable to both consumers and buyers in between. From the analysis of the advantages and disadvantages of these three strategies, it is concluded that no matter which pricing strategy an enterprise chooses, it must be formulated according to the specific situation of the enterprise Qin Xiao-han and Ren Shujie believe that although skimming pricing can shorten the payback period and reduce the risk of enterprises, this strategy does not last long, and once a new competitor enters the market, product sales will drop significantly. Conversely, companies that adopt penetration pricing strategies can maintain a high market share despite their longer payback periods. According to Lai, satisfaction pricing is a compromise between high and low prices. Before testing new products, enterprises need to understand the market conditions, competitive environment and market prices of products to make reasonable pricing. For example, for enterprises that constantly update smart phones and electronic

products, their product pricing strategies are not static. In the initial stage of new product sales, enterprises may develop high-price strategies to obtain large profits, but as this strategy is replaced by new substitutable or cost-effective products, the market share of enterprises will inevitably decrease and they may re-price. Especially in recent years, the low-price penetration strategy of Xiaomi mobile phone enterprise has broken the high-price policy of other well-known brands, and most domestic mobile phone enterprises have begun to adopt the low-price strategy, which has a great impact on other high-end brands. With the gradual upgrading of smart phones, enterprises have shifted their strategic focus to product pricing. Generally, the skimming pricing strategy is suitable for new products or products with low actual demand price elasticity and high popularity, and enterprises can meet the psychological needs of consumers by developing high price strategies. As for penetration pricing strategy, Yauman believes that such pricing is suitable for products with low market position or high consumption. On the other hand, due to the deviation of consumers' sensitivity to market price, the low-price strategy can effectively arouse consumers' desire for product purchase. If the consumer is too sensitive to certain prices to set a higher price, in an environment that is not suitable for the application of penetration strategy, the company will use a moderate pricing strategy to produce relatively better results. Zhang Yueli and Shi Tianlin analyzed that because enterprises should take into account many environmental factors when pricing products, such as production capacity, production cost, product technical barriers and market share, differentiated pricing may occur. For new products with high production capacity and cost requirements, in the initial stage of entering the market, the production capacity will be insufficient due to the imperfect capital, relevant technology and personnel conditions. In such a case, the enterprise can't go through the adoption of low-cost strategy to promote the demand of the product, if the demand for the ascension, there will be a part of consumers will be lost because of the product does not meet their needs for the purchasing power of the product. On the contrary, under the condition of poor enterprise productivity, the enterprise applies the strategy of high price to limit the continuous growth of demand, so as to balance supply and demand. Ma Li and Fu Tongqing divided the role played by enterprises in the process of product price setting, the size and status of enterprises' production scale and the difference of products into two categories: one is the price taker and the other is the price maker. It is also pointed out that whether it is a price-accepting enterprise or a price-setting enterprise, the length of decision-making time will affect the quality of product pricing. Based on the research on the pricing strategy of the automobile industry, Dun Huan pointed out that: in the context of the current intelligent technology is so developed, how to implement an effective pricing strategy to improve market share under the current situation has become a new breakthrough point for the automobile industry. He also pointed out that the pricing process determines whether the product pricing is reasonable, and before the new product is put into the market, the enterprise needs to formulate a pricing goal, and then adopt a reasonable pricing strategy and method combined with other comprehensive factors. As for the research on the pricing of agricultural products, Luo Guochun classified them from three dimensions: consumer willingness, transaction cost, and government guidance. Liu Rui et al., in their research on the factors affecting the pricing of

agricultural products and their coping strategies, pointed out that whether the pricing is reasonable directly affects the production volume, producers' profit and loss and consumers' final purchasing behavior. Meanwhile, combined with the development trend of agricultural products, the working mechanism of each factor was analyzed from product, market, enterprise, currency, policy and other factors (Liu Rui et al., 2022). In the context of obvious differences in product quality, Ma Dongsheng et al. studied the impact of pricing strategies based on enterprise behavior on the profits of enterprises selling products of different quality. The research shows that BBP (product pricing based on enterprise behavior) strategy can reduce the profits of enterprises with high-quality products, but can help enterprises selling low-quality products increase their profits under certain conditions. When the conversion efficiency of customers is moderate, BBP will intensify the competitiveness of product prices, resulting in lower profits for both parties (Ma Dongsheng et al., 2020). Tian Lin and Xu Yifang studied and analyzed BBP and summarized the similarities and differences between BBP and other dynamic pricing strategies (Tian Lin and Xu Yifang, 2015). Villas-Boas, Fudenberg et al. found that BBP could easily intensify market price competition and reduce the profits of both competing firms. (Villas-Boas J M, 2004). Li KJ believes that retail enterprises and upstream manufacturing enterprises may jointly use BBP to squeeze consumer surplus to increase short-term profits, which may reduce customer loyalty (Li KJ, 2018). In order to avoid such situations, Jing et al. proposed a better sales strategy, that is, different competitive enterprises sell products with differentiated quality, thereby weakening the impact of price competition. (Jing B, 2017). Some scholars give different views on the discussion of product pricing strategy and method. Yi Shiting and Chen Shaogang studied enterprise groups' implementation of uniform and differential pricing methods for intermediate products and concluded that the expected profit obtained by implementing differential pricing was higher than that obtained by implementing uniform pricing (Yi Shiting and Chen Shaogang, 2022). Mu Yinping et al. also pointed out the necessity and importance of the research on strategic transfer pricing. In the process of studying transfer pricing, economic theory and realistic environment should be combined. (Mu Yinping et al., 2004). Hu Rongyao et al. studied the transfer pricing of intermediate products in the Starkberg competitive environment and found that the use of differential pricing by enterprise groups to set transfer prices would result in monopoly of one side of the final product (Hu Rongyao et al., 2008). Based on his research on the transfer pricing of intermediate products in the final product market environment of the competition between the two countries, Wang Jing concluded that even if the change of the relationship between tax rates and import tariffs will cause the change of internal transfer prices, the differential pricing adopted by enterprise groups is always better than the unified pricing under any conditions (Wang Jing, 2014). Based on information asymmetry, Mu Yinping et al raised relevant questions about the research on transfer pricing decision-making of oligarchs with external markets for intermediate products, arguing that differential pricing is not always the optimal strategy for product pricing (Mu Yinping et al., 2008). Leng et al studied the transfer pricing decision-making problem of multiple downstream sectors in an enterprise group, and calculated the transfer price based on Shapley value by establishing a transfer pricing model, so as

to select the optimal pricing strategy (Leng et al., 2012). Wang Man analyzed the methods, advantages and disadvantages and influencing factors of each pricing decision based on cost, competition and customer orientation, and believed that cost was the decisive factor of pricing. This pricing factor is relatively simple and easy to implement, and can reflect the requirements of enterprises to cover costs and obtain investment returns. He also listed specific pricing methods from the perspectives of cost, competition and customers for the development trend of domestic and foreign markets. As for the research on product pricing strategies, Kuang Jianling believes that enterprises usually adopt four strategies: high price, middle price, moderate price and low price in the whole marketing activities, affected by market environment, customers, price elasticity and other factors. Wang Zhaoyan and Feng Junwen adopted grey correlation analysis method to select and investigate the significant influencing factors of domestic automobile product pricing, built an automobile product pricing model based on multi-factor grey model, proposed the automobile product pricing method and steps, and found a suitable and feasible model and pricing strategy for the domestic automobile market (Wang Zhaoyan and Feng Junwen, 2018). Using the consumer utility function with network externality, Zhang Jiantong and Shao Zupei analyzed the pricing strategy of the enterprise's overall profit maximization in two different sales stages and concluded: Since the influence of consumers is different, and if this difference is beneficial to retailers, enterprises should adopt incremental dynamic pricing strategies (Zhang Jiantong and Shao Zupei, 2022). Guan Zhenzhong et al. combined the relationship between consumer patience and enterprise cost reduction, introduced the price difference compensation mechanism based on dynamic pricing, and further discussed the advantages and disadvantages of the two pricing strategies. The research results show that compared with dynamic pricing strategy, price difference compensation strategy can effectively alleviate the "smart" behavior of consumers, and thus bring higher profits to enterprises. When patience is high and cost reduction is low, dynamic pricing strategies are beneficial for consumers and society as a whole (Guan Zhenzhong, 2023). Aiming at the sales dilemma caused by consumers' online to offline purchase conversion behavior, Li Hao and Xiao Qing built a two-cycle two-retailer price matching game model based on the dynamic pricing model, discussed the simplified operation method of the model, analyzed the effectiveness of the price matching strategy and the optimal product pricing strategy, and obtained the following conclusions through the model operation: The difference between the number of consumers and the perception of online and offline products is an important factor affecting pricing, which has a great impact on the expected revenue of the two retailers. Retailers can adjust product prices through price matching strategies to induce consumers to have different switching purchase behaviors, thus achieving expected returns (Li Hao and Xiao Qing, 2023). In the study of analyzing the influence of heterogeneous strategic consumers on product pricing strategies, Liu Xinmin et al. used the utility function of strategic consumers to determine the purchase interval of the product, constructed a multi-stage dynamic game model and a yield function to determine the evolution path of the equilibrium pricing of the monopoly manufacturer under the two replacement methods. Through simulation, the influence of strategic consumer waiting cost coefficient and discount price of old products on

key sales time and profit of monopoly manufacturers is discussed. Through analysis, it is concluded that: Symbiotic replacement strategy and single-product replacement strategy each have their advantages and disadvantages. Symbiotic replacement strategy can increase market share, while single-product replacement strategy has more advantages in profit and can achieve higher returns. As symbiotic replacement strategy intensifies competition among products, the equilibrium price of new products is lower than that of single-product replacement strategy. (Liu Xinmin et al., 2022).

4. Product Pricing Factors

At present, enterprise product pricing is affected by many complex factors such as economy, law, customers, competitors and enterprise cost management status. Enterprise managers should have enough understanding of different cost concepts, characteristics and different pricing strategies of products when making pricing. One-sided adoption of a certain pricing strategy may bring inestimable consequences to enterprises (Kuang Jianling, 2020). In the process of marketing activities, enterprises must consider various factors such as strategic objectives, costs, market conditions, consumer psychology and behavior, price elasticity of various related products, market competition factors and so on. Only by fully considering the key factors of product pricing, enterprises can obtain more profits. Liu Rui et al believe that there are many factors affecting the pricing of agricultural products, including six aspects: product, market, enterprise, policy, currency and international factors. From the perspective of the composition of the cost of agricultural products, Liang Mingxin and Lu Junwei believe that the cost is the minimum that affects the price of agricultural products. When pricing products, enterprises should consider both cost compensation and consumers' ability to accept prices (Xing Kongwen, 2019). As for the impact of product supply and demand on product pricing, Lv Jie et al believe that with the increase of China's population year by year, the shortage of land resource elements, and the increasing demand for food resources in industry, food supply is facing great challenges. Therefore, these external factors should be fully taken into account when pricing agricultural products (Lu Jie et al., 2019). From the perspective of the market, the market demand plays a critical role in the pricing of high-end and high-quality products, and the demand is affected by the price of products, the income of consumers, and the price changes of substitutes or complements, which are manifested in the price elasticity, income elasticity and cross-price elasticity. From the perspective of enterprises, the factors that affect the pricing of enterprises include: pricing objectives, capital turnover and corporate image. Based on the theory of marketing and the law of the market, Xue Yunjian concluded that the pricing target will change under the influence of the market environment and the competitive environment. Combined with the current domestic market background and the pricing mechanism of enterprises, the pricing goals are divided into survival goals, market share and profit maximization goals, and competition defense goals. When studying the influence of capital turnover on enterprise economic efficiency, Yang Jianbo pointed out that capital turnover is an objective factor affecting pricing, which plays an irreplaceable role in maintaining normal business activities of enterprises. Although the high-price strategy can make the enterprise obtain a large amount of profit in a short time, it will slow down the speed of capital turnover, and the low-

price strategy will lose part of the profit, but it can speed up the capital turnover. Regarding the influence of corporate image on product pricing, Meng Ying analyzed that for enterprises that pay attention to their own development concept and brand image building, their product pricing requirements are higher, for some public welfare related product enterprises, their pricing is lower, and for large enterprises that pursue high-quality brands, their product prices are relatively higher than those of general enterprises. Based on the influence of currency on pricing, Xiang Yulin pointed out that commodity prices are affected by currency circulation and circulation speed. When the money supply increases, prices will rise, and enterprises will raise product prices in order to make normal profits. According to Hu Weitong, when making product pricing, enterprises should not only consider market demand factors, but also consider other factors, such as consumer income, consumption structure, changes in the price of substitutes and other factors on market demand (Hu Weitong, 2019). As for the research on the impact of market competition on the pricing of agricultural products, Li Jing combined with the current domestic market structure and operation mechanism and pointed out that at present, most agricultural products in China are monopolistic competition, because competitors in the same industry can adjust their prices so that they can occupy a favorable position in the market. The price elasticity of agricultural products will be directly affected by the number and intensity of competitors (Li Jing, 2019). Moreover, with the gradual opening of foreign trade, the quantity and price of agricultural imports and exports will continue to be restricted by international competition, and enterprises and governments need to timely and accurately adjust price policies according to the actual situation to ensure the stable trend of domestic agricultural prices. Based on the perspective of product technology innovation, Huang Liqing and Zhang Gongliang built a three-stage product optimal pricing and upgrading decision model for duopoly manufacturers, and combined utility function and game analysis method to expand from the homogeneous product market to the heterogeneous product market. Through simulation technology, they concluded that the level of product technology innovation and consumers' perception of innovation are important factors in the optimal product pricing and upgrading strategy. At the same time, it is also concluded that in the homogeneous product market, the greater the potential market demand, the higher the initial price of the product (Huang Liqing and Zhang Gongliang, 2021). Based on the concept of users' demand for comprehensive energy service products, Zhang Yingzi et al. analyzed users' product demand intervals and built a quantitative model of users' demand behavior, and proposed a basic pricing model of comprehensive energy service products that considered users' choice demand behavior, that is, satisfying users' behavioral choice preferences while allowing service providers to obtain the maximum expected net income. The product competition risk index of service providers is constructed, and the basic pricing strategy is revised and optimized with the minimum risk as the pricing objective (Zhang Yingzi et al., 2021). Based on the product pricing and ordering strategies of strategic consumer behavior and retailers' overconfidence, Xia Liangjie et al. introduced returns and rapid response into retailers' two-stage sales problem, and studied the pricing strategies and ordering decisions under four situations: whether retailers are

overconfident and whether returns are allowed. At the same time, they also analyzed the impact of return policy and overconfidence on the optimal decision and profit of retailers and the interaction between the two, and concluded through the model: Regardless of whether returns are allowed or not, the influence of retailers' overconfidence level on their pricing and ordering decisions is related to the average market demand, but overconfidence does not necessarily reduce retailers' profits. Compared with the case where returns are not allowed, the retail price is higher and the order quantity is lower. No matter whether retailers are overconfident or not, allowing returns can improve retailers' profits only when the return rate of consumers meets certain conditions (Xia Liangjie et al., 2024).

5. The Deficiency and Improvement of Existing Literature Research

This paper reviews the product pricing strategy and influencing factors from the enterprise nature, strategic objectives, marketing mode, product type, consumer type and behavior, and combines with relevant literature research to summarize the importance, pricing strategy, method and important factors of product pricing in the process of formulating sales strategy of enterprises. Based on the above research, this paper has the following shortcomings: firstly, the research ideas of existing literature are too narrow and lack of innovation; secondly, there are few studies on the specific methods and applications of product pricing; in the last, the research scope of factors considered in product pricing is relatively limited, such as consumer preferences, network externalities and other factors are less studied. In view of the above shortcomings, this paper believes that product pricing can be discussed in combination with the current development model and market background of enterprises. Secondly, pricing factors can be analyzed in combination with different sales models and marketing strategies of retail enterprises and manufacturing enterprises.

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