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THE TECHNOLOGY OF CARRYING OUT REGIONAL PRICE FORMATION POLICIES OF INDUSTRIAL PRODUCTS

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Захарченко В.І., Топалова І.А. Технологія проведення регіональної політики ціноутворення промислової продукції.

Запропоновано аналіз практичного досвіду конкретного українського машинобудівного підприємства по формуванню регіональної політики ціноутворення, обґрунтовано елементи механізму проведення такої політики. Розглянуто тестування як спосіб покращення цінової політики та економії коштів, а також причини, через які тестування не так широко використовується українськими підприємствами. Авторами наданий перелік необхідної інформації для формування ціни на продукцію, а також визначено процес планування регіональної (міжнародної) діяльності підприємства. Це дасть можливість проводити передпланові дослідження як можливостей самого підприємства, так і того ринку, на який воно виходить.

Ключові слова: політика, ціноутворення, тест, інформація, підприємство, продукція

Захарченко В.И., Топалова И.А. Технология проведения региональной политики ценообразования промышленной продукции.

Предложен анализ практического опыта конкретного украинского машиностроительного предприятия по формированию региональной политики ценообразования, обосновано элементы механизма проведения такой политики. Рассмотрено тестирование как способ улучшения ценовой политики и экономии средств, а также причины, по которым тестирование не так широко используется украинскими предприятиями. Авторами предоставлен перечень необходимой информации для формирования цены на продукцию, а также определены процесс планирования региональной (международной) деятельности предприятия. Это даст возможность проводить передплановые исследования как возможностей самого предприятия, так и того рынка, на который оно выходит.

Ключевые слова: политика, ценообразование, тест, информация, предприятие, продукция

Zakharchenko V.I., Topalova I.A. The technology of carrying out regional price formation policies of industrial products.

There was offered the analysis of practical experience of specific machine building Ukrainian enterprise for formation of regional policy pricing mechanism, the elements of introducing this policy were proved to be true. Consider testing as a way to improve pricing and cost savings and the reasons why the test is not widely used by Ukrainian enterprises. The authors have provided a list of the information required for the formation of prices for the products, as well as defined the process of regional planning (international) enterprise. This will give the opportunity to conduct preplan studies as the capabilities of the enterprise and of the market to which it goes.

Keywords: politics, pricing, test info, enterprise, products

In practice, most companies operating in a market economy, for testing new solutions in commercial activities of used testing methods. The test is an analysis of changes in consumer reactions when changing one or more marketing elements. Many companies use sophisticated testing methods, for example, new products are usually initially tested within the enterprise, and then – with the involvement of key buyers or groups of consumers. Similarly with advertising. Professionals conduct serious research to determine the most effective method of advertising to create the reputation of the goods by attracting the most profitable advertising agencies. Distribution channels are also subject to constant testing and monitoring. There is a constant process of selection and recruitment of new dealers, and firms selling often re-organized on a territorial principle and other considerations to increase productivity of sales.

In this aspect price formation interest is the experience of the famous Odessa enterprises – PJSC "Odesa plant of regional drilling machines" in the field of creation own Russian representative offices [4, 6].

The aim of the article is to substantiate the elements of the process technologization of the regional price formation policy of industrial enterprises.

Analysis of recent researches and publications

In the process of developing this research material the author analyzes works of the following pricing experts: Elypovoyi V. та Makhovykovoyi H. [1], Kukhar B. [7], Lukina V. [8], Mazur O. [9], Pinchenko V. [10] and other. According to the author, in these works, lighting is insufficient practical aspects of regional price formation.

Unsolved aspects of the problem

Despite the increased attention of scientists to questions of formation regional price formation policies the issues concerning the elements of the mechanism this policy and testing as a way to improve pricing policy and save money, which is used by Ukrainian enterprises remains unresolved.

The main part

Price is an element of commercial activity, which were not enough used as test tools for verification and control of profitability. Managers avoid of the holistic use this tool. It is good to understand the benefits of testing prices, specialists must first understand the barriers to its use in more complex forms. There are several barriers to testing [8]:

1. The existence of natural inertia and constant prices. Printing and publication of price-lists, training of sales personnel or agents for the sale price tests all it is connected with the upheavals and changes. In business there is a powerful inertia, which forces you to leave everything as it is. The potential benefit when testing new prices comes from the feedback between sellers, dealers, buyers, which manifests itself immediately and almost always produce helpful results. The atmosphere of the price of the test facilitates the creation of new proposals. Such tests are useful because they have received information about the market, buyers, that is suitable for the market.

2. "Testing the price will give to competitors our plans". One of the reasons why businesses are ready to test new products and agent networks in some

regions is that they know that they have a certain time advantage over the competitors who may follow their example. The competitor will be forced to spend time and money on the production of such goods or the network, but copy the price, it can instantly. This argument is very relative. It is indeed true that competitors will have little time to simulate or to adjust the value, but it needs to incur costs that adversely affect competitors. Testing and profitable pricing strategy of one company may be too expensive for competitors to accordingly react to it. As an experienced enterprise before you install a solid price is testing them, they risk only the largest part of their market and their income, in order to identify new opportunities.

3. Testing the prices associated with some legal "traps". In the USA the two most frequently mentioned requirements which have the status of law is "Sherman Act" which prohibits monopolization by establishing monopoly prices, and "Robinson-Patman Act" which prohibits illegal price discrimination [1].

In Ukraine these requirements are provided by the Antimonopoly legislation. However, no law prevents the establishment of different prices, though on this occasion there is often a contrary view. In fact, price discrimination is common phenomenon. Identical products that have different brand name, sold at different prices. This is a common phenomenon for such goods as food and clothing. The prices of tickets and housing in resort areas vary depending on time of day and day of the week.

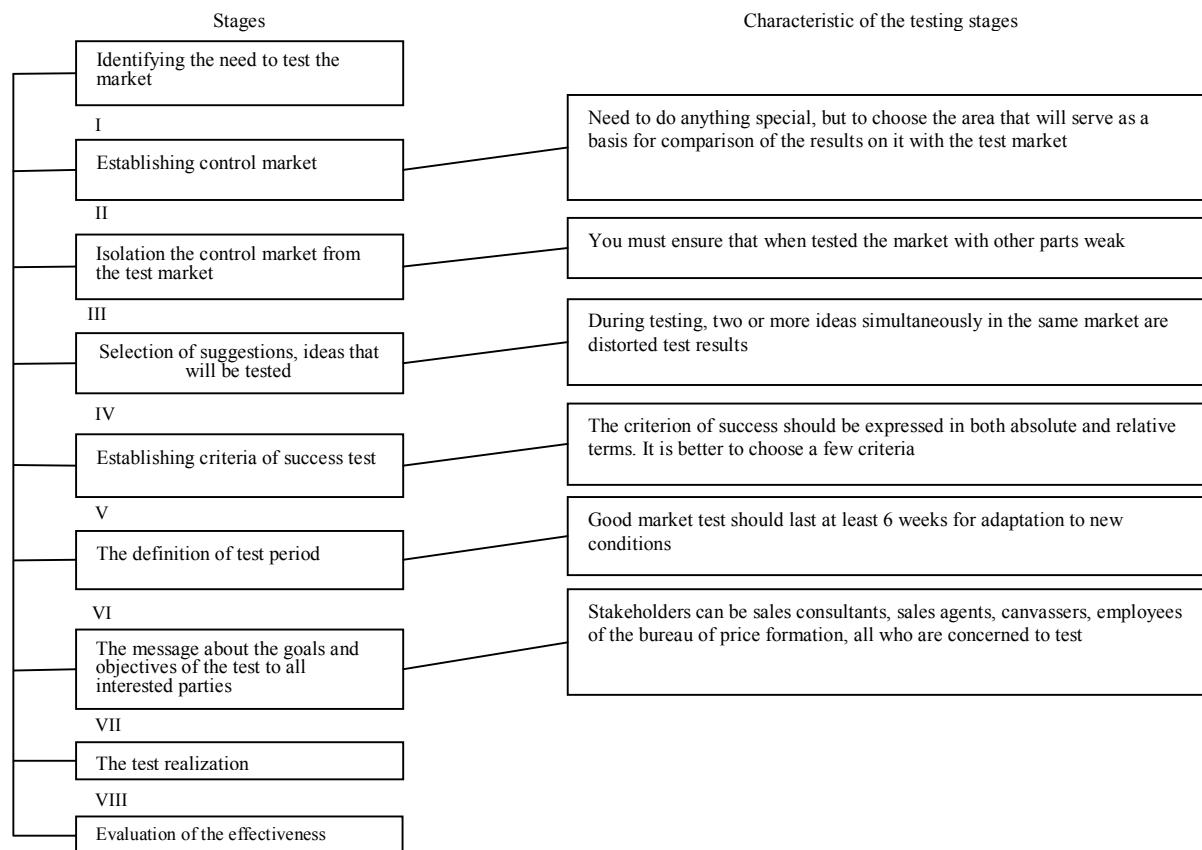


Fig.1. Technology testing prices

Source: Own elaboration

As a basis for any test can serve instructions, shown in figure 1, which show how to properly conduct a price test.

It should be added that almost any element relating to prices shall be subjected to test to identify its optimum value. Such elements can be:

1) form of payment (payment by installments, discounts for immediate payment, as well as other forms of payment as leasing, leasing with option to purchase and sale);

2) price reduction upon presentation of a special coupon. It applies only to those who make the effort to seek out special coupons that are sent out by the company;

3) volume discounts are an important element for testing. Rarely happens when the sales discounts on the number of successfully implemented without testing. Testing will help to determine the amount of discounts depending on the number of sold products

in order to ensure a break-even activity of the enterprise;

4) selling together basic and auxiliary products. The main advantage of sales the main and auxiliary products in the "bundle" at a special price is that this combination is usually more profitable for the company and at the same time cheaper for the buyer;

5) different absolute price levels. The real benefit of testing higher or lower prices is to determine the degree of sensitivity of the market to their level, to identify the existence of particular sectors of the market and identify price thresholds – opoints the possibility of a substantial sales growth.

Good information is needed for decision making at prices no less than for decision-making on other issues. Only by having full information, head of commercial activities will be able to work out several possible options in the field of prices in order to choose the best one.

Table 1. List of necessary information for the formation of prices for products

Types of information	Sources
I. Information about the market in general: – which segments of the market in which goods are sold? – who are the main buyers? – what is the volume of the market? – what are the sales prospects? – how do you cooperate with each other separate market segments?	1. Statistical reports on the income of the population 2. Statistical reports on the age structure of the population 3. Information related to industry, infrastructure of the region 4. Statistical Yearbook
II. Information about competition in the market: – which competing products are sold? – what are the requirements of buyers? – what are the opportunities for price changes? – does the change market share of individual products? – what is the market share of competitors? – what is the financial position of competitors?	5. Advertising in regional Newspapers and magazines 6. Price lists of industry 7. Yearbook "Goods and services" 8. The survey results of employees of traders and dealers 9. Yearbook "Wholesaler" 10. Magazine-almanac "Golden pages"
III. Information about prices: – what are the prices of your competitors? – is there a product that occupies a leading position on price? – what is the ratio between price and sales? – what are the characteristics of the market in terms of prices and their structure?	11. Price list for directories 12. Advertising of services provided by other firms.
IV. Information about government policy: – what impact do government policies affect the market? – what effect government policy has on individual firms? – which firms are the main suppliers of government organizations?	13. Antitrust law 14. The resolution of the state authorities and the government regarding the state policy in the sphere of prices and price formation 15. "Publishing House Bashkortostan" 16. "Economics and life"
V. Information about production and costs: – what are the production volumes and inventory levels currently? – what costs meet these production levels and inventory? – what costs are relevant to decision-making on questions of the prices?	17. Card inventory accounting 18. Monthly reports to the PEO, as well as reports of production Department for special requests
VI. Information on revenue from sales of goods and profit: – what is the ratio between revenues, profit and costs and its impact on other products? – the influence of production volume on sales and profit? – what is the impact on sales revenues and profits have expenses to stimulate sales? – what is the firm share of profit in the unit price, if it's different from the same buyer from competing firms?	19. Structure of spending on measures to promote sales? 20. Data from the quarterly financial reports and other accounting documents

Source: compiled by the author according to the materials [9, 10]

There is a big difference between data and information. Decisions can be taken based on the information, not on data. Data are the raw material from which consists information by analyzing. Without such an analysis will take place just a collection of facts and figures, which are in no way direct the head when making decisions. You must be sure that the collected data can be a potential source of information, and that the value derived from them will exceed the cost of collecting this data. When making decisions regarding rates, the company must decide in which fields and to resolve any questions necessary to collect the information. Then, you should determine what the company needs for each issue (table 1).

The most important areas of information collection are: the market of goods that are sold, the industry in which the company operates, competing industries and government activities. Among the most

important issues for which information is needed include: competition, production and cost, the ratio between the revenue from sale of goods and profit, the government's policy. Table 1 shows a list of the information that is needed for decisions on prices. Management should consider obtaining this information. Some sources of information are listed in table 1 together with their list. But it is impossible to obtain all the information in full. For this you can apply to special enterprises the subject of activity of which is market research.

An important aspect in view of the practical experience, is a refinement of the parametric series of products, which the company can offer its customers (table 2).

Based on these and other data [5] the company determines the price of their products, based on specific conditions of each regional market (table 3).

Table 2. Parametric series of regional drilling machines, manufactured by PJSC "Odessa factory of radial drilling machines"

Period	Maximum drilling diameter in steel 45, mm (main technical characteristics)						
	10	12	16	32	50	80	100
Until 1992	Was not made				2M55	2M57	2M58
After 1992	2110	OBH-12	OBH-16, OBH-16.32	2A532, 2A532-1, 2A532.132	2A544, 2A544-1, 2A544Φ1, OC-3990, OC-2892, OC-9002	2A576, 2A576Φ1, OC-2600	2A587, 2A587-1, 2A587Φ1

Source: compiled by the author according to the materials [5]

Table 3. Calculation of regional prices of machine mod. 2A544 for the russian representative office of PJSC "OFRDM"

№	Position	One machine russian consumer orders and receives independently of the manufacturer	Party machines (carload rate) to russian mission	
			1 machine	8 machines
1.	machine mod. 2A544	9500	76000	9500
2.	Table box	600	4800	600
3.	The railway tariff in Ukraine	320	320	40
4.	The railway tariff in Russia	2400	2400	300
5.	Temporary storage	160	160	20
6.	Customs documents	80	80	10
7.	Loading and unloading works	160	160	20
8.	The expenses of the russian mission	-	4000	500
9.	Summary	13220	87920	10990

Source: compiled by the author according to the materials [4]

At the same time (in this case, PJSC "OFRDM"), the company offers a range of additional services: signature service for the supplied equipment, warranty repair, supply of spare parts, getting rid of consumers from solving transport and customs issues. Analysis of table 3 shows that as a result of his creation of the

Ural representation [5, 6] PJSC "OFRDM" provides its Russian consumer savings on the price of \$ 2230. This is a substantial savings.

The important point, what are these practical steps, there is a pre-planned study of their actions by the enterprise (Fig. 2).

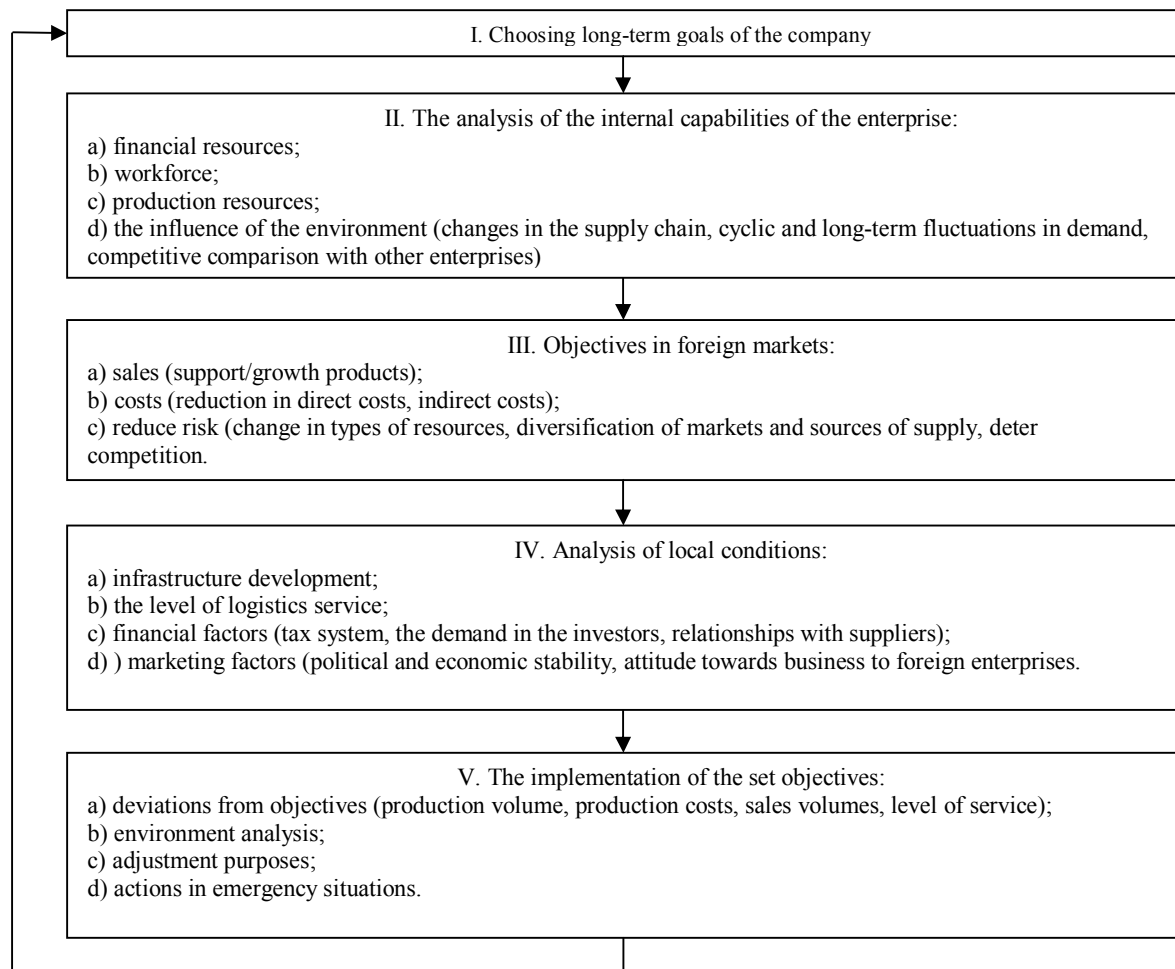


Fig. 2. The planning process regional (international) activities of the enterprise

Source: *Own elaboration*

Conclusions

In the process of technologization of its regional price policy, an enterprise is required to do testing (the study of additional opportunities) of its commercial activities. The specialists - higher or its

consultants are required to conduct pre-planned research as the capabilities of the enterprise and the market to which it goes. Today at the forefront of information provision, primarily, of the price formation process.

Abstract

A specific analysis of the practical experience of Ukrainian machine and building enterprise to form a regional pricing policy, reasonable elements of the mechanism of such a policy. Despite the attention of scientists to the formation of regional pricing policy issues justify the elements of the mechanism of such a policy, as well as testing as a way to improve the pricing and cost savings, which is used by Ukrainian enterprises remains unresolved.

In this aspect of pricing interest is the experience of the famous Odessa enterprise - JSC "Odessa plant of regionally drilling machines" - in the creation of their Russian offices. The authors highlight the obstacles for the testing technology. Provide a list of the characteristics of these barriers and give entrepreneurs a good understanding of the benefits of price testing. This means that the authors of the testing process is considered as a way to improve the pricing and cost savings, as well as the reasons for which testing is not as widely used by Ukrainian enterprises.

The article indicates what kind of information may be of interest to entrepreneurs in order to create a complete picture of market conditions. The authors have provided a list of the information required for the formation of prices for the products, as well as defined the process of regional planning (international) enterprise. This will give the opportunity to conduct preplan studies as the capabilities of the enterprise and of the market in which it is obtained.

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