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Marketing Strategy – components, effectiveness & importance of pricing – especially, in relation to emerging markets like India.

Uttam Rai, Rahul Gupta Choudhury,
Student, IFIM Business School)
Associate Professor – Marketing, IFIM Business School, # 8P & 9P,
KIADB Industrial Area, Electronics City 1st Phase, Bangalore – 560100, Karnataka, India.

Abstract: *Marketing-Mix, specifically the 4P's, has long been recognized as the most important marketing decision for a business organization. This study has the objective of investigating whether the price component of the 4P's is the most important strategic factor in determining the success or failure of firms in emerging markets like India. For this purpose, three major industries of automobiles, FMCG products, and consumer durables were considered. These industries are diametrically opposite to each other in nature and conduct, but are characterized by the presence of a combination of renowned multinational firms/brands as well as domestic firms/brands. Test of equality of means and regression analysis were conducted on percentage gain in value, volume and realization per unit for each firm and among the firms. It was concluded that price does play a dominant role in the performance of the firms in each industry, however diverse in nature and conduct they may be. Pricing decisions have an immediate effect on the performance and displays a high correlation with business and market performance.*

Keywords: *Marketing Strategy, Marketing-Mix, Pricing, Performance, Industry/Product/Brand.*

I. Introduction:

The success or failure of companies competing in a market is largely dependent on strategy they evolve and implement. The literature is full of references regarding comparisons between companies having strategy and winning and companies that do not have strategy and fail. One of the major reasons attributed to failure of companies is the absence of a well formulated strategy (B. Nwielaghi Michael, E. Ogwo; 2013), (WaelMohd, SubhiIdris, Raed A. Momani; 2013), (Sherine Farouk Abdel Al, John D. McLellan; 2013), (RapheephanPhong-inwong, PhaprukeUssahawanitchakit, Karun Pratoom; 2012), (Peter Gabrielsson, Mika Gabrielsson, TomiSeppälä; 2012). So, a strategy is an action which leads to the fulfillment of the company's short term as well as long term objectives. The overarching goal of organizations is to achieve superior performance compared to its competitors. Competitive advantage is achieved when the strategies adopted by the organization culminates in superior performance. So, the strategic management process in organizations has a very high impact on achievement of superior performance.

A very simplistic definition of marketing strategy has two main components (Smith, Brian; 2003)[1]: the target 'market' and the 'product' or the 'value proposition' aimed at that target. From extant literature we find that the key component of marketing strategy is the marketing mix, commonly defined by practitioners as well as academics as the Four P's – namely, price, product, place and promotion. The result or the outcome of the marketing strategy depends on the impact of the interaction of the four P's with the external environment. One of the earliest thinking on marketing strategy was that the fit between organizational culture and marketing strategy decisions determines the effectiveness of the strategy formulated.

This paper aims to discuss whether/if any one of the four components of marketing mix has greater impact on the formulation and implementation of marketing strategy. The belief is that proper formulation and implementation of strategy leads to superior performance in the marketplace. In this study, an attempt is being made to find out whether marketing mix components impact strategy, and thus influence performance. Very often, strategy formulation is a process which considers the marketing mix components and their interactions and their possible outcomes related to performance, before finalizing the strategic plan for the organization. It is pertinent to note that many academicians and practioners are of the opinion that price is one of the major factors influencing strategy and performance of organizations. In order to support our contention as well as findings, empirical analysis has been made on a number of industries in India.Findings show that price is indeed the major component of marketing mix which impacts marketing strategy.

II. Literature:

It has been observed in some earlier studies in developing countries like Nigeria (Okoroafo, Sam; Russow, Lloyd C; 1993)[2], that the prices of products were often set based on Government's edicts, and products were made and sold irrespective of mismatches with consumer needs. Even, promotion and market research was difficult as "all disclosure of information to the public was rigidly monitored". Currently, customer service and customer orientation has become critical component of marketing strategy as the world is moving or has already moved (depending on the country) from seller's market to buyer's market. Product and promotion strategy becomes important in this scenario. Product strategy consists of quality, new product development as well as product modifications. Promotional techniques take into account product offerings, consumer attitudes, distribution and prices.

Pricing strategies were used to improve performance. Performance objectives will determine whether a skimming strategy will be used, or a penetration strategy. MNC's normally use transfer pricing strategies in order to improve performance. This is normally achieved either through competitive pricing or reduced tax burdens. Kotler is of the opinion that to be competitive, firms should "pay greatest attention to their greatest cost" (Kotler, 1991, pg. 224). These may be achieved by reducing number of subsidiaries or/and number of employees.

A major factor which influences strategic decision making effectiveness is the decision processes employed to arrive at the decisions (Dean, James W; Sharfman, Mark P; 1996)[3].Managers who collected information and used analytical techniques made decisions that were more effective than those who did not. Environmental instability and quality of decision implementation play important roles in influencing decision effectiveness. There are three major dilemmas of strategic decision making: analysis versus judgment, truth versus influence, and uncertainty versus ambiguity (Wensley, Robin; 1979)[4]. The circumstances have changedfrom decision-making under uncertainty, where alternatives are given even if consequences are not, to decision making under ambiguity where almost nothing is given or easily determined. Allison (Allison, G. T., 1969)[5] categorized three alternative conceptual models for explanation and prediction in a policy context: rational policy model, organizational process model, and bureaucratic politics model.It has been established in a study of privately owned Egyptian manufacturing companies (Elbanna, Said; Child, John; 2007)[6], that rational and political processes play dominant role in strategic decision effectiveness. It was understood that the relationship between decision process and outcomes is not a simple one and that a major role is played by moderating variables in this relationship. There is a positive relationship between rationality and organizational outcomes, and a negative relationship between political behavior and organizational outcomes.

The theory that marketing mix strategy has significant impact on customer loyalty is supported by a study of customers in a retailing store in Taiwan (Yu-Jia Hu; 2009)[7]. The results of the study indicated that Price and Promotion are more sensitive to Customer Loyalty than the other factors of Marketing Mix Strategy. The results also indicated that there is no mediation effect of Service Quality between the perception of Satisfaction obtained from Marketing Mix Strategy and Customer Loyalty. Market Mix had the strongest effect on the dependent variable Customer Loyalty. Price/Promotion factors have greater impact on the behavior for Customer Loyalty than Service Quality.

One of the methods most used by firms for setting the level of the marketing budget is the one based on establishment of objectives and tasks (Bacali Laura; Bodea, Adriana Mirela; 2011)[8]. The authors, based on this study in Romania, also found that product quality is monitored by 96% of the investigated companies. It was also assessed by 86% of the companies that product quality has a very important contribution to the overall performance of marketing activities. Premium pricinghas been used by the most number of investigated firms (92%). Premium pricing has also been given the highest importance level to its contribution to the overall performance of marketing activities (46%).

Perceived Value Pricing is an important price setting procedure in strategic marketing (NagasimhaBalakrishnaKanagal)[9]. It indicates the importance of providing benefits and functionalities to consumers and the simultaneous need to price it effectively so that the firm can take appropriate value. This type of pricing is effective in case of premium and luxury goods, which has a considerable intangible component. According to the author, perceived value pricing is fast emerging as the third alternative to skimming and penetration pricing. In this method the consumer has to give money for the value he/she receives. No consumer would like to pay more than that. The author has named this maximum "money for value".The results of a study regarding price positioning strategy in oligopolistic downstream retail markets (Ellickson, Paul B.;Misra, Sanjog; and Nair, Harikesh S.; 2012)[10], imply that the cost and revenue effects of changing pricing formats are large and asymmetric. In particular, for the median store in their data, a change from EDLP to PROMO requires a fixed outlay of approximately $2.3 million borne over a four-year horizon. In contrast, a switch from PROMO to EDLP requires outlays approximately six times as large, providing a clear explanation for why EDLP was never uniformly adopted: It is simply too expensive to be viable in most markets. The authors also find evidence for significant heterogeneity in these costs across markets, holding out scope for geographic segmentation in a given chain's price positioning strategies. Consistent with existing research, the authors find overwhelming evidence that PROMO produces higher revenues. For the median store market, PROMO yields incremental revenue of approximately $6.2 million annually compared with EDLP.The authors also find that the entry of Wal-Mart has large and significant effects on the propensity to switch pricing formats. It also has a disproportionately asymmetric effect on supermarket revenues, with its entry hurting revenues of EDLP stores approximately twice as much as it does PROMO stores (reducing revenues by $1.47 million compared with $.69 million annually at the median).

It has been demonstrated, in a study of pricing in retail, that price comparisons may actually improve relative price beliefs about the non-comparatively priced brands within the same product category (Miniard, Paul W.; Mohammed, ShazadiVIustapha; Barone, Michael J.; &Cecilia, M.O.; 2013)[11]. This improvement is further attenuated as the number of price comparisons increase or when the price comparison is attached to a brand perceived as less typical of the product category. Anew way to approach pricing is suggested in an article in HBR (Gourville, John T, Bertini, Marco; 2012)[12]. They assert that companies have long used pricing to extract as much value as they can from transactions. This approach is destructive in two ways: It antagonizes customers, who are quick to punish companies they feel abuse them, and it fails to create new value that can benefit both the company and its customers. According to them, companies must take the lead in creating shared value with customers. Five pricing strategies that can help are: focus on relationships and not on transactions, be proactive, put a premium on flexibility, promote transparency, and manage the market's standards for fairness. Traditional pricing strategy is by definition antagonistic, but it needs to become a more socially conscious, collaborative exercise. Businesses should look beyond the dry mechanics of "running the numbers"—still relevant but no longer sufficient— and recognize that humanizing the way they generate revenue can open up opportunities to create additional value. That means viewing customers as partners in value creation—a collaboration that increases customers' engagement and taps their insights about the value they seek and how firms could deliver it. The result is a bigger pie, which benefits firms and customers alike. A glaring example of this is London Olympics, where ticket pricing ranged from 20 pounds to 2000 pounds. In order to ascertain the customer's interest in pricing, the authors looked at the reaction on Twitter to Apple's most recent iPad introduction. The number of tweets per minute during the public presentation on March 7, 2012, reveals which aspects of the new iPad created the most buzz. Activity was highest—at well over 10,000 tweets per minute— not when the product was unveiled or its technological features were described, but the moment its price ($499) was announced.

A very interesting study was done onsellers using PWYW (pay what you want), where it was assumed that they face the risk that consumers will exploit their control and pay nothing at all or a price below the seller's costs. In three field studies, however, it was found that prices paid are significantly greater than zero. Analyzingthe factors that influence prices paid showed that PWYW can even lead to an increase in seller revenues (Kim, Ju-Young ;Natter, Martin;Spann, Martin; 2009)[13]. It was observed that PWYW, which is classified as a participative pricing mechanism similar to auctions and NYOP, can realize price differentiation and generate additional sales and revenues as well as useful information for the adoption of marketing instruments. Buyer behavior and revenue effects of PWYW for different sellers were analyzed. The results of these experiments reveal that consumers do not behave as rationally as traditional economic theory suggests. The results also indicate that the final price paid depends on the buyer's internal reference price and the proportion of how much the buyer is willing to share of his or her (potential) deal profit with the seller. This proportion is mainly driven by the consumer's fairness, satisfaction, price consciousness, and income. Altruism and loyalty are also not negligible influences.

Results of yet another study (Blatter, David;Miiller, Klaus; 2011)[14], show that consumers are indifferent between partitioned pricing and all-inclusive pricing as long as they have no reference pricing strategy in mind. The results of this study also show a significantly higher purchase intention for price partitioning compared to all inclusive pricing in the reference price conditions. In another study of pricing strategies (Rohani, Amirreza;Nazari, Mohsen; 2012)[15], it was found that hotels come up with various discount strategies to attract consumers, especially during a recession, and that both hotels and consumers seem to favor dynamic pricing. The results of the study also suggested that high involvement consumers responded more positively to dynamic pricing than uniform pricing. Moreover, younger and female consumers are more likely to be involved in obtaining a discount, and high involvement consumers showed more positive feelings, and were more likely to tell others and make repeat purchases from a discount as compared to low involvement consumers. Among different pricing strategies, however, companies tend to favor dynamic pricing, and consumers seem to accept dynamic pricing. From a company's perspective, appropriately applied dynamic pricing will increase revenues and profits (Sahay, 2007). The success of dynamic pricing relies on the ability to segment consumers into different groups with different levels of willingness to pay (Dimicco, Maes and Greenwald, 2003).

Pricing in the industrial environment comprises both, a strategic and a tactical element (Garda, Robert A.; 1984)[16]. Strategic pricing is a major component of product/market strategy and should be managed in the light of all the other components - target share, product quality, service policy, and so on. The keys to developing a profitable pricing strategy are understanding real costs, knowing the relative value to the customer of the respective product/service packages offered by the company and its competitors, segmenting the market, foreseeing likely competitive reactions and matching the price strategy to the company's marketing objectives. Although an industrial company can often gain a competitive advantage or enhance its profits through strategic pricing, better tactical or day-to-day pricing decisions can often yield a bigger immediate profit boost.

The economic theory relating to business behavior which emphasizes pricing has been challenged in some papers (Udell, Jon G.; 1964)[17].It has been observed that product research and development, selected by almost 80% of the respondents, is most important in modern-day competitive strategy. Business management did not agree with the economic views of the importance of pricing: - one-half of the respondents did not select pricing as one of the five most important policy areas in their firm's marketing success. Ithas been seen in many instances that base sales are positively affected by advertising but negatively affected by discounting over the long run (Ataman, M. Berk; Van Heerde, Harald J.; Mela, Carl F.; 2010)[18]. Thus, discounting plays a largely tactical role by generating strong bumps in the short run, but it has adverse effects as a strategic long-term marketing instrument. Regular price elasticity is decreased by discounting and distribution, but they are increased by advertising and line length.

A method was proposed in a study (Iyengar, Raghuram; Jedidi, Kamel; Kohli, Rajeev; 2008)[19], which uses conjoint analyses, to assess the impact of Multipart pricing schemes on consumer choice and usage. An important aspect of this model is that it accounts for the two-way dependence between consumption and price. That is, it accounts for the notion that the price charged by the provider influences consumption, while the price a consumer pays depends on his or her usage level. They incorporate this simultaneity by proposing a model in which consumers allocate budgets while accounting for the structure of nonlinear pricing schemes. It was observed that there exists a surprisingly wide variety of pricing strategies among retailers, even among Internet sellers of undifferentiated homogeneous goods, such as books and music CDs (Kocas, Cenk; Bohlmann, Jonathan D.; May 2008)[20]. Several empirical findings of retail pricing strategy remain puzzling; for example, within the same market, some small retailers decide to discount deeply, whereas others forgo the price-sensitive switchers and price high. It has been demonstrated that a retailer's strategy to discount deeply or frequently is driven by the ratio of the size of switcher segments for which the retailer competes to its loyal segment size.

Procter & Gamble's (P&G's) value pricing strategy has been used as an opportunity to study consumer and competitor response to a major, sustained change in marketing-mix strategy (Ailawadi, Kusum L.; Lehmann, Donald R.; Neslin, Scott A.; January 2001)[21]. For the average brand, it was found that deals and coupons increase market penetration and surprisingly have little impact on customer retention as measured by share-of-category requirements and category usage. For the average brand, advertising works primarily by increasing penetration, but its effect is weaker than that of promotion. Competitor response is related to how strongly the competitor's market share is affected by the change in marketing mix and the competitor's own response and to structural factors such as market share position and multimarket contact. The net impact of these consumer and competitor responses is a decrease in market share for the company that institutes sustained decreases in promotion coupled with increases in advertising. Even after accounting for market share response elasticities and structural factors, there are still firm-specific effects in competitor reactions. Competitors do not react the same way on all marketing instruments. In this case, competitors tended to decrease advertising and coupons but used deals to gain market share even when they were benefiting from P&G's policy change.

Even in case customer service, the customers clearly placed a lot of emphasis on fair and competitive pricing (Sterling, Jay U.; Lambert, Douglas M.; 1986)[22].The intermediaries' response is a reflection of consumer expectations which clearly puts pricing decisions on the top priority of strategic decisions. It has been observed in a study regarding advertising effectiveness and entertainment marketing (Luan, Y. Jackie; Sudhir, K.; June 2010)[23], that advertising is more effective when consumer WOM is strong and favorable. Also, retailers engage in a combination of loss leadership and profit maximization strategies when setting prices.

It is a fact that some firms succeed in their attempts to achieve business goals in emerging economies, whereas others fail. To understand the reasons for this phenomenon, a qualitative study (Kumar, V.; Sharma, Amalesh; Shah, Riddhi; and Rajan, Bharath; 2013)[24] was conducted, where 42 managers of multinational companies from the United States, Canada, Europe, Asia, and Australia were interviewed. They observed that consumers in emerging markets are known to be price-sensitive (Sinha 2005). Price indirectly influences customer loyalty through its positive relationship with product quality (Devaraj, Matta, and Conlon 2001). The choice of pricing strategy—market-skimming pricing or market penetration pricing—will depend on the business objective and the country/market environment. The authors believe that market-penetration pricing strategy will work well in emerging economies that have experienced rapid changes in the marketplace and where a significant population belongs to the middle-income class (for example: Dell, P&G's Tide etc.). The emerging economies are typically characterized by larger markets, intense competition, and burgeoning middle-income segments. Market-penetration pricing strategy is best suited for this kind of circumstance.

III. Empirical Evidence:

In order to investigate the importance of pricing among components of marketing-mix in marketing strategy formulation and implementation in India, a wide spread of companies in a variety of industries were considered. The objective was to ascertain the existence of a relationship between sales (volume as well as value) and sales realization per unit, which is considered a proxy for price. The year-on-year growth figures were calculated for all three dimensions, and for all companies considered. The objective also was to find out the relative movement of volume (and value) with prices, in the industry. For example, it is entirely possible that the market leader cuts down the prices of its products and gains tremendously in volume/value, at the expense of its competitors who are unable to respond to this kind of price challenges. Sometimes, a price cut could have been implemented across the board by almost companies in the industry with the result that the entire industry grows at a faster pace. It is our considered assumption that many products have tremendous pent-up demand in India and hence proper judicious pricing, which will enable a large portion of the population to become consumers, goes a long way in expanding the overall market for the product. In other words, the belief is that there is place for everybody in this kind of market. The companies can tap this latent demand through proper marketing strategy, which, in this circumstances mean correct products with appropriate targeted and segmented pricing (if necessary, adoption of penetration pricing).

The following industries were considered as representative of the entire range of products and consumers in India: automobiles (cars), refrigerators, home appliances, toilet soaps, hair oil, household and personal products, and cosmetics & toiletries. Approximately fifty companies were considered and data on the three parameters were collated for the last decade. For most companies, data was collated for the 1990's as well. Growth percentages were calculated for each of the three parameters. Within companies, regression was performed on all three parameters, as well as their percentage growth figures. For example, for Hindustan Unilever, regression was run between percentage growth in sales volume and percentage growth in sales realization per unit. Similar regression was performed between all the relevant parameters, and for all companies. In order to check for significance of difference in means between each component of two different companies, independent sample t-test was performed. This was done across industries and for all companies. Some results, which are representative of the outcomes of the overall data analysis is being discussed in the following paragraphs.

In the last two decades, the automobile (car) market in India has boomed beyond anybody's expectations. Competition was expected to be on brand, quality and variety of the product range. Contrary to expectations, price remained the decisive factor for consumers. The market leader, Maruti Suzuki, maintained its leadership through low priced models which fitted the budget of Indian consumers. It trebled its sales volume from approximately four lakh vehicles to twelve lakhs in twelve years. In this time period, sales realization per unit increased by only seventy-five percent. Maruti's closest rival, Hyundai Motor India Ltd, alsotrebled its unit volumes – but sales realization per unit virtually remained constant, with an increase of only eleven percent. The figures for Honda are very similar. Ford has grown from a mere fifteen thousand to well over one lakh ten thousand, but sales realization per unit has actually decreased.General Motors sales volume has trebled, but sales realization per unit has actually decreased by a whopping forty percent.Toyota has almost quadrupledits sales value in the same period, without compromising on realization. Volkswagen concentrated on the premium segment initially. Soon it refocused on the middle segment with a drastic cut of almost eighty percent in sales realization per unit. It was rewarded in the market with an astonishing growth in numbers (from 524 in 2008 to 53,535 in 2011).

From Table 1A, 1B, and 1C we find that in the tests for equality of means in % gain in value, volume and sales realization, no significant difference was found when growth rates were compared. The three tables show the results of comparison between Fiat and other automobile companies. Table 1C clearly enumerates that there is no difference in % gain in realization between Fiat and all other automobile companies. However, in value and volume terms (as depicted in Table 1A and 1B), Fiat has a difference with domestic companies like Hindustan Motors and Maruti – while, there is no statistically significant difference between Fiat and other foreign automobile companies. The statistical tests were carried out for all the relevant automobile companies in India. One clear outcome of this analysis is that firms which have adopted penetration, or at least, competitive pricing has been able to garner maximum part of the growth in the automobile sector in India, in recent years. This strategy has worked well more because of the fact that the premium segment is still only a miniscule portion of the entire automobile market.

As is seen from the regression analysis output of automobile firms in Table 2, the correlation between growth rates (volume/value with per unit sales realization) was found to be strong and significant. The exceptions are primarily firms which had a course correction in terms of introduction of smaller size models at moderate or economy prices. Firms like General Motors or Ford initially introduced products which were in the upper segment of the automobile market (in comparison to the product line available in the automobile market in India). They soon realized that this category of products has a tremendous potential, but the growth is going to be primarily in the economy segment of the product. Course correction was done and volumes skyrocketed – however, realization per unit came down dramatically. This is not to suggest that all firms follow cost-leadership strategy. Rather differentiation remains an important objective, with perhaps application of sharper segmentation. The composition and behavior of this market somehow points to the exercise of combination of all three generic strategies postulated by Porter. Among the marketing mix decisions (primarily the 4P's), price forms the most important factor influencing the business as well as marketing performance of automobile firms in India.

The scenario in the consumer products industry, whether durables or non-durables, is not very different.In the more saturated market (at least in urban areas) of toilet soaps, the competitive game has played out differently. Prices have not increased much over a period of time. In a similar manner, volumes have also grown in a steady and slow pace. To illustrate the point, the results of statistical data analysis for market leaders HLL and Nirma are being considered (Table 3). For HLL, the R Square for sales volume and sales realization per unit is 0.420 (sig = .012); R Square for % growth in volumes and % growth in sales realization per unit for HLL is 0.009 (sig = .754). The results for correlation and significance with the other components yield almost the same results. It may be recalled here that for car manufacturers also, the results were very similar. In case of Nirma, R Square between absolute sales quantity and % growth in sales realization per unit is 0.445 (sig = .003); while R Square between the absolute values of sales quantity and sales realization per unit is 0.006 (sig = .759). In the test of difference of means for these two companies, sales quantities are significantly different. The mean for HLL is 368471.71 with a standard deviation of 30845.707. The corresponding figures for Nirma are 75073.44 and 25862.796 (sig = .000). In terms of % growth in volumes, HLL has a mean of 3.09653 with a standard deviation of 8.0257554. Corresponding figures for Nirma are 6.094519 and 19.1057018 (sig = .601). The results for other parameters are very similar. However, there is no significant difference between them, even on absolute figures of sales realization per unit. The mean and standard deviation for HLL are 53282.14 and 11907.084 respectively. For Nirma, the figures are 46599.00 and 13780.035 respectively (sig = .160). The results are not significantly different when other major players in the industry are considered. P&G, which is a relatively new entrant in the industry, has quadrupled its sales turnover in seven years. Simultaneously, it has almost doubled its sales realization per unit in the same time period. The point to note here is that P&G has been able to increase its unit volume sales by onlyabout forty-six percent in these seven years. So, focusing on price increases has a detrimental effect on sales volume, which is an important factor that undermines competitive advantage in terms of market share and distribution strength.

In this industry, the well-entrenched and established players have been able to grow through a strategy of combined effect of a slow increase in prices coupled with a moderate increase in sales volume. The resultant effect, however, is a substantial increase in sales value. For example, Colgate-Palmolivehas increased its prices by only thirty-five percent in a fifteen years span – from 1995 to 2010. In the corresponding period, volumes have only doubled, while sales value has almost quadrupled. Godrej consumer products have increased sales value by almost five times, from 2002 to 2013, while it could increase prices by only fifty-five percent. In the time period 1999 to 2012, Reckitt & Benckiser has increased its sales volume of household products by more than five times, and its sales value by over six times. In this same time period sales realization per unit has gone up by only eighteen percent. This point to the fact that prices are extremely important in determining sales, and that consumers in India are more focused on value-for-money products. This contention is corroborated by the fact that we observe from year wise data of individual companies that sales volume immediately comes down whenever there has been a substantial price increase. For example, in case of HUL, it is observed that in the time period 1997-98, sales volume declined from 3,87,000 to 3,81,000 MT on an increase in price realization per unit from 50620 to 52605. The same phenomenon was repeated in the time period 2002-03, when sales volume declined from 3,80,000 to 3,71,000 MT on a price increase from 59,000 to 63,000 per MT.

The two industries considered so far – automobiles and FMCG – are diametrically opposite in nature and conduct. However, price sensitivity remains the common thread by which they operate in the Indian market. It may therefore be concluded that irrespective of the position of the spectrum the product is positioned in the Indian market, pricing decision plays the major role in deciding the success or the failure of the product/brand.

In the household appliances and refrigerator market as well, a very similar trend is noticed. There are many major players in this industry, some operating for a long time, while some others are comparatively new. Irrespective of the number of years of operation in the country, there is no significant difference in sales realization per unit among the manufacturers/brands. The only exception is IFB, which chose to operate at the premium segment of the market. As a result, IFB has, by far, the lowest sales volume in the industry among major players. While sales realization per unit for most major players are in the range of rupees nine to ten thousand, IFB's corresponding amount is rupees nineteen thousand. Whirlpool has increased sales quantity by five times, sales value by nine times, and sales realization per unit by only 73% in the time period from 1992 to 2011. Videocon, which operates at the other end of the spectrum in terms of price and quality, has not had a significant increase in their prices from 1995 to 2011. Godrej & Boyce, in line with their business model, has increased prices by only around thirty percent –from 2004 till date. However, sales quantity has almost doubled in the same time period. The comparative new comers to the arena, the Korea based LG and Samsung, has displayed remarkable acumen in formulating and implementing marketing strategy. Both these companies have caught up with Whirlpool, by providing good quality at reasonable prices (perception of the consumer). These two companies have been able to keep their prices within the reach of the mass segment, simultaneously offering premium products for consumers willing to pay more. The sales realization per unit for refrigerators for both these companies has been under rupees ten thousand – which is at par if not less than their nearest competitors. Also, they have been able to garner the market share left vacant by Electrolux-Kelvinator, whose business model, especially for pricing, was quite similar. In terms of regression as depicted in Table 4, the correlation of growth figures within companies was found to be statistically significant only among a couple of domestic companies. However, their overall volumes are not significant in comparison to the total market.The R-square values for all firms were found to be quite high, signifying a strong correlation between price and volume/value. It was also found that individualfirms had a drop in sales whenever they have attempted steep increase in price of their products. So, the results display the same outcomes as have been noticed in the previously discussed industries.

IV. Conclusion:

The study started off with the premise that price is one of the major factors influencing strategy and performance of organizations. Literature survey was carried out to ascertain whether previous studies in different markets had arrived at similar conclusions. Further empirical research, mostly among Indian companies, were conducted with the help of past data. The results of statistical analysis from the collated data supported the premise that price is one the most important factors in the marketing – mix of companies which impacts marketing strategy and hence, performance in the market place. All companies, almost without exception, display high sensitivity towards pricing their products. The contention is not that the other factors, like promotion and product, are not important. However, in a monopolistic competitive arena like India, prices has an overriding importance in the marketing-mix of companies, and hence has maximum impact on marketing strategy of firms, irrespective of the industry.

It was noticed that in most industries, differentiation on the basis of product or marketing communication is becoming extremely difficult. So, most firms, in consonance with Porter's generic strategies, have focus cost leadership as their primary strategy. This marketing strategy helps them to survive and grow in India, even if it does not translate into market leadership.

Scope of future research:

Further research may be done on the same lines, but including companies in industries not considered in this study. The best way to validate findings of this study is to interview the responsible managers of these firms. Study may be conducted among decision makers of these firms to corroborate our findings with practioners. The premise is that marketing practioners place most importance to pricing and may thus prove its primacy among other marketing-mix variables, in the process of formulation and implementation of marketing strategy.

	T-test	Sig. (2-tailed)
Fiat and Ford	1.860	.100
Fiat and General motor	1.340	.273
Fiat and Hindustan	3.782	.004
Fiat and Honda	2.491	.042
Fiat and Hyundai	2.144	.085
Fiat and Mahindra	1.228	.287
Fiat and Maruti	4.020	.001
Fiat and Volkswagan	-1.054	.369

Table 1A: Test of Equality of Means for % **Value** Gain

Table 1B: Test of Equality of Means for % **Volume** Gain

Fiat and Ford	2.276	.052
Fiat and General motor	1.537	.222
Fiat and Hindustan	3.456	.006
Fiat and Honda	2.541	.039
Fiat and Hyundai	2.703	.030
Fiat and Mahindra	.845	.446
Fiat and Maruti	3.981	.002
Fiat and Toyota	2.358	.056
Fiat and Volkswagan	-.291	.790

Table 1C: Test of Equality of Means for % **REALISATION** Gain

Fiat and Ford	.989	.351
Fiat and General motor	2.198	.115
Fiat and Hindustan	.153	.882
Fiat and Honda	1.585	.164
Fiat and Hyundai	1.904	.115
Fiat and Mahindra	-.862	.437
Fiat and Maruti	1.050	.313
Fiat and Volkswagan	1.912	.152

Table 2: Regression Analysis for Automobiles

NAME	VALUE vs REALISATION			VOLUME vs REALISATION		
	Sig. value	R-square	Durbin-Watson	Sig. value	R-square	Durbin-Watson
FIAT INDIA AUTOMOBILE	.054	.993	2.871	.072	.987	2.871
FORD INDIA	.612	.039	.78	.802	.01	.761
GENERAL MOTORS INDIA LTD	.859	.009	2.87	.667	.051	2.862
HINDUSTAN MOTORS	.041	.386	1.214	.554	.04	1.50
HONDA SIEL CARS INDIA	.02	.624	1.434	.005	.756	1.531
HYUNDAI MOTOR INDIA	.005	.751	.700	.088	.409	.942
MAHINDRA REVA ELECTRIC	.146	.559	3.07	.050	.772	3.045
MARUTI SUZUKI INDIA	.000	.767	1.059	.000	.904	1.314
VOLKSWAGEN GROUP SALES INDIA	.014	.972	1.96	.044	.914	1.905

Table 3: REGRESSION ANALYSIS FOR FMCG PRODUCTS

NAME	VALUE vs REALISATION			VOLUME vs REALISATION		
	Sig. value	R-square	Durbin-Watson	Sig. value	R-square	Durbin-Watson
HLL	.008	.683	1.978	.000	.613	2.17
RB	.017	.388	.561	.012	.424	.551
COLGATE	.007	.378	.557	.000	.753	1.729
JOYOTHY	.000	.814	.892	.000	.605	.620
GODREJ	.036	.370	.729	.000	.953	.673
MARICO HAIR	.007	.354	.355	.001	.460	.377

Table 4: Regression Analysis of Consumer Durables

NAME	VALUE vs REALISATION			VOLUME vs REALISATION		
	Sig. value	R-square	Durbin Watson	Sig. value	R-square	Durbin Wats

						on
LG ELECTRONICS REFRIGERATOR	.412	.346	1.381	.476	.275	1.387
SAMSUNG REFRIGERATOR	.076	.586	2.007	.116	.501	1.957
VIDECON E/E GOODS	.516	.025	.756	.071	.179	.585
IFB HOME APPLIANCES	.005	.692	.575	.007	.664	.511
G2B HOME APPLIANCES	.000	.846	.388	.000	.947	.428
WHIRLPOOL REFRIGRATOR	.594	.014	.253	.000	.760	.644
KELVINATOR REFRIGERATOR	.109	.288	.738	.269	.150	1.078

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