The law of increasing of the final price and the law of management of the final price in the practice in the today economic crisis

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Abstracts: The two described economic laws which are developed by the author before 10 years are very important for the marketing process in the economic crisis nowadays. Different methods and procedures developed by the author on the ground of his observations of many years on the market and formed respectively in theory and laws and practices to be applied in the contemporary life of every company acting on the market in the today economic worldwide crisis have been presented.

Key words: economic law; management; economic crisis

In current economic crisis, there are many possibilities for each company to protect its reached market share. The current economic crisis is purposeful plan of people that made superfluous profit in the trading operation around the world with oil, weapons and invested in the real estates. The purpose of these people is to take the profit money from the rest of the people from the middle and small business.

Below describes two economic laws and their practices developed by the author, which are useful for each company from big to small business.

1. A law of management of the final price and its application in the practice (Dobrev, 2001)

   In the economic practice, many countries have appeared recently on the packing of some products the terms like “advisable price”. This notion does not impose itself accidentally by the producers. Every such step has its economic explanation. In the process of birth of the market economics and in its following stages, a great changeability of the realization channel could be observed, to which the goods and the products were sold and distributed. This big variety has composed also a special control. This was imposed by the fact that the same product sold on different places, on different markets, in different shops by different dealers—both retail dealers and merchants at different prices. To the final, customer is offered the same product at different price. And this different price depends only on the wish and aspiration of the retail dealer about how much surplus charge to put on and how much to earn. This unscrupulous pricing put a series of problems not at anybody but at the producers. They were faced with the dilemma—how much to produce, how much of their products to distribute in definite region and at what price. Bulgarian customer has not yet learned to look for and to find the most acceptable for price, especially when we speak about the same product, with the same quality, packing, weight, etc. More often he will be led by purchase from the nearest shop.

   Different prices some retail dealers still sell create an internal competition and a lot of conflicts in
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Distributing the products of a company. The higher end price leads for its part to smaller turnovers, to bigger profit for the retail dealers, but also to decrease the confidence of the end customer to the respective product.

The problem arising for the producer affect also the market share, the intentions for investments and enlargement of the production, the strivings to increase market share, to bigger success in the fight with the competition both on price and product level.

Many financial means are thrown for advertisement, in promotions with the purpose for increase of the market share of the respective company. With this law, the feedback from every advertisement really gives a concrete answer of the size of market share increase. Thus, the sale management and the influence of the other elements of the company’s communication policy is controlled.

The realization channels for various goods are different.

Let’s take instance for the realization channels for food-stuffs, and more concrete for mayonnaise. The distribution of the good mayonnaise begins from the produce and passes thought different stages between reaching the end customer. The concrete realization channels are as follows:

(1) Merchant—retail dealer;
(2) Distribution for a definite region-merchant-retail dealers;
(3) Distribution for a definite town-merchants-retail dealers;
(4) Distributor—a chain of supermarkets, cash and carry chains of shops.

When a producer holds a definite sphere of sales of definite goods, he is interested to guarantee the sales of his production and step-by-step to increase his market share. The production scale is associated with the relation of the producer and with all kinds of dealers with the purchase of definite minimum quantities of the good produced. At this realization channels thus listed however the law of management of the final price states:

By means of exact concretizing of the final recommended price of a product over its packing the control and the management on the whole chain from the production up to the sale of the product to the end customer are realized.

Consequences of the law of management of the final price (Dobrev, 2001):

(1) Over the sales, control and management;
(2) Direct influence on the vital cycle of the product.

The distribution process of the product may be directly managed depending on the vital cycle.

Different systems of promotions and stimulation of the sales may be included, for a better management of this process, for a better control. Availabilities are already to most adequate results, depending on the influence of the market for the concrete product.

On the realization channels and their self-organization selection. They are optimized independently. An internal mechanism of self-organization of the realization channels is available here. The unnecessary one is thrown away of the chain. This which loads the price and slows down the process of sales, putting a higher price is simply pushed out of the realization channels, or it is forced to confirm with the concrete facts and to consider the “recommended price”.

On the sales management. The management of the sales becomes more real, more transparent, and more visible. From here follow concrete measures, connected with increase of the sales, increase of the market share of the respective product.

On the physical distribution of the goods. The physical distribution is optimized. The expenditures drop away and the expenses in the physical distribution are managed better.
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For the planning of the sales of the trade company. The sales are managed and plant thus better. The feed back gives more exact and concrete information and they are planned better in every following step at the planning of the sales. A better causal and consequences connection and causal relation by plan aims, and realized sales is received. The correspondence in the management has a higher value. The risk is reduced.

For the production planning. There received better results for planning of the production. The feed back of quantity made production and sold production to the end consumer is more exact and more concrete. The production process itself may be managed better in this way, and the process to storage the goods, the process for connection of the products produced with the durability of a product, the warehouse would be availability both in the company and at the distribution. In this way, a clear picture about season goods, priority of product consumption and then better management of these sales would be received.

For the market share. In the long run, more exact and concrete data about the concrete market share of the company is received at very time of the year. Then, the more concrete results and measures are also to be taken to increase the market share. Simply every concrete measure to raise the respective market share shall have a concrete result and effect and this effect may be managed, controlled and concrete results, parameters, percents of increase of the market share may be reached. The stability of this process is raised, and the respective error at the whole process is diminished.

For the competition. Managing better to sales and the production process, controlling better the whole process, receiving more exact result, this gives respectively and leads to better management decisions in the fight with the competition to be reached.

On the expenditures for advertisement. More exactly are controlled the expenditures for advertisement. They receive a more concrete expression in an increased or decreased market share. Feed back by the control of the whole process gives a much bigger accuracy than the effect and result from a given advertisement activity.

Manifestations of the law of the management of the final prices:
(1) Text—advisable price;
(2) Text—special price;
(3) Label with the price. The label is usual with a color being in contrast with the packing of the good.

The effect of this law is on the end buyers, on the degree of confidence of the customers, on the development of the economics, on the better control and management of the market share of the respective company, on the more favorable and higher risk development of the respective company to a long period of time.

2. Law of increasing of the final price and its application in the practice

The rise in the price of a product on the contemporary stage of development of market economics is always connected with some ebb and loss of definite percent of market share of the last reached one by to company. The rise in price of a given product is always connected with some ebb of the purchasing power, with an ebb of customers, loss of market share and market position reached.

However, there is a method according to which a rise of the price of a product is possible and this is not connected with some ebb and loss of customers, and respectively with loss of definite market share. The product as realization represents the materialization of the idea in a concrete subject or to become embodies in concrete activity.

Let’s examine initially what characterizes a product. The product is characterized with the following basic
parameters: qualitative characteristics, qualitative characteristics, weight, and net, gross etc., functions, design, style, product or trade-mark, packing, advertisement, label.

Characteristics of the product are as follows: size, weight, firm, color, consistence, taste, age, quality, exclusiveness, taste, age, durability, actuality, versatility.

Every product possesses also has the following characteristics:

Use of the product and usage of the product, and respectively connected with this field of use, place of use, time of use, durability of use. For every product exists also the respective consumer.

3. Law of rise of the price states

We may rise the price of the product without losing any respective percent of the market share and respective percent of the constant clientele of the respective product only if we change every of the indices of the product and mainly the weight and/or the packing, but without price-reduction of the product.

Proceeding from the qualities of the product, it is based on the fact which parameters may be changes aiming the rise of the price. Thence, there received also the respective product variants and product elimination. In this way a development of the product is reached. This includes both the technical development of the product and the development of the network of shops. We may change the presentation of the product. This happens with the change of the name and trade-mark or the packing. Typical for this law is its application mainly in economics being in recessions and whose gross product diminishes with years.

An example for the application of this law could be seen in Republic of Bulgaria.

Examples on which concrete purposes and strivings in following of this law available are Danone Company, Products of Nestle, Waffle of Craft Jackobs, Nestle, Coca Cola and Croissants.

Typical for these products is a constant reduction of the weight of the product offered, accompanied by a new packing of product trade-mark, aiming not to be noted by the customer, or not to be paid any attention by him. However, with the weight reduction of the product its price is not lowered. There remains simply the old price, no matter that for example the weight of the product is reduced almost by 10%. This is rise of the price of the product is reached.

As a comparison, we shall give the example with the croissants in 1993-1994, when their weight was 90-100 gr. At the present, 2003 the weight of a croissant is between 65-75 gr. The price however in absolute expression has remained the same. In comparison however with 1993-1994 the competition of the row materials is larger and respectively the prices of the row materials are lower. Thus is rise of the price the end product reached.

Another example is the MORENI, which are with much smaller weight. Company DANONE applies very well this law, introducing initially one product on the market with a weight of 250 gr., it changes only the packing and respectively the weight to 185 gr. During this time, the price of the product remains the same, as well as the quality characteristics of the product.

Law of rise in price is connected with a dynamic replacement of a product by another product.

Including the technical stimulating the sales with the development of the product, imposition of price through the methods of sale stimulation, keeping prices up, striving to maximal profits are the methods to keep up the respective market share.

The application of this law should be connected also with the following additional activities, before replacing one product by another one, or before going to application of this law, namely:

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Dynamic consequence of the development of the concrete product.
Dynamic including of the techniques to stimulate the sales in management of the vital cycle of the product and aiming maximal rise of the profit looked for.
On the other hand, following the statistical data about the motion of the concrete product, its demand and market saturation, the residual values of the production demanded, depending on the vital cycle of the product.
The effect of the application of this law for every company both trade or production one leads to larger gains for the company, and then to larger possibilities for attack to increase the market share of the company, the offer of new products, overtaking the competition in another ones.

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(Edited by Ruby and Chris)