Price Relationship with the Other Component of the Marketing Mix in Service Sector

by

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Abstract. In the current period the role of services in modern economies have begun to play an important role, which is why in the literature were treated increasingly often. The economic component "price" or "tariff" is an essential and decisive factor for any organization considering that in terms of price, establishing its size, companies gain or not profit. Implement a strategy of price more or less optimal will affect the entire activity of the company producing or providing in our case.

Key words: Services, price, tariff, marketing.
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1 Introduction

Expression of the need to satisfy social needs, along with traditional branches of the economy, the service sector has an impact on other departments on how to exploit human, natural, material, having a major contribution to economic and social progress. Increasing the share of services and practical importance in the last decades have led intensification of theoretical concerns in this area, many traditional approaches specific industrial age no longer suitable for the present period of services.

2 Definition, importance and characteristics of services

In our country, the service sector appears in the statistics as "developing" not only compared to developed countries, with stable market economy, but also to neighboring countries, former socialist, imposing reconsidering the role of the services sector in economic development strategy. Long time the importance of service activities was not recognized, they are neglected by economists and framed the nonproductive area. This mood has changed profoundly in the last 2-3 decades on certain issues: services can only create jobs in sufficient numbers to solve the unemployment problem or limit; the tertiary sector is not "restricted" than the regulations that are discussed in a process of liberalization of international trade; offer differentiated services and adapted on demand is an essential element of the competitiveness of enterprises whatever their field.

We consider two definitions as representative. "The service effectiveness is obtained by carrying out activities under inter-human (Olteanu, 2003)." One of the most comprehensive definitions of Philip Kotler is for that "service is any activity or benefit that one part can offer to another, which is generally intangible and whose result does not imply ownership of a material good (Kotler, 1983). " We mention that due to continuous process development services, for developing new types, service sector expands its size continuous, is enriched with new features. Immaterial aspect of the service makes it difficult and often subjective assessment. Unlike product that exists by itself, the service generally is impalpable, intangible, cannot be seen, tried, tasted, etc. (for this reason, services are called "invisible" and trade in services "invisible trade").

Intangible nature of services and has significant consequences on international trade "invisible" in that services cannot be "surprised" at border crossings and therefore can bypass "barriers" traditional customs.

As a summary, we can say that the main features of the service are: "intangibility, inseparability, variability, perishability" (Olteanu and Cetina, 1994). Impossibility ownership or lack of ownership. To simplify understanding propose the following scheme:
2 Role and definition of price

In a general sense, the price is value in monetary expression of a product or service, an important indicator for clients, but also the equivalent of what a buyer can be obtained by substitution of other goods or services. If we analyze the ratio of currency - price it is revealed that the two are in an inverse ratio and inter-reciprocal, meaning that depreciation or devaluation of the national currency will lead to higher prices as a whole and vice versa. Treating conversely we can say that price changes affect the purchasing power of currency and money nationwide. The second relationship, namely the connection between price and value generally develop in the same direction, with a proportionate relationship between the two components. In terms of this relationship in economic theory there are two main orientations, namely: theory objective and theory subjective of value. Objective theory of prices is then based on value-work and was developed by W. Petty, A Smith, D. Ricardo, Marx and others. According to this theory appears in the concepts formulated by Adam Smith in "The Wealth of Nations" that: "At all times and in all places is expensive what you get with weight or cost a lot of work to get what you get and cheaper easy or very little work (Babaita and Duta, 1995)". It highlights here very clear that the basis of any good accomplishment is very much toil and effort, work actually being exact cost of production. The objective theory, the price is the monetary expression of the value of goods and price formation is the result of four general factors: the value of the goods, the purchasing power of currency (value for money), supply-demand ratio and economic policy. “As the monetary expression of value, price is directly proportional to the size value (Babaita and Duta, 1995)”. “K. Marx said that, in terms of quality, the value of goods are nothing but abstract human labor, homogeneous, undifferentiated, recognized as socially useful work that nothing but contains no value, and in quantitative terms the size of value is determined by the socially necessary labor time creating those assets (Beju, 2000)”. Conversely subjective theory believes that the basis of value, of price is not working, but the utility assets, considering it important human needs, and that production should be subordinate to them. Under this theory, the price is the marginal utility of the product actually translated into monetary units. Here the focus is on increasing rarity of goods that are available. Forerunners of this theory were Condillac and Turgot, adding further their and others like L. Walras, Jevons S. The comparison between the two theories place his supporters on the opposite side, the theory of bidders and targets supporting position including recovery costs generated by the production process, the other category, coming closer to the subjective theory of consumer interests, their needs, the price is a rarity indicator of products. Another way of defining the price was monetary or non-monetary her expression it can be expressed. Defining price in terms of monetary expression was more prominent representatives including: C. Gide, JS Mill, D. Ricardo, etc., they mainly supporting the idea that money would measure the amount of currency value. Milton Friedman consider price as an element of the product which is easily discernible by the consumer and does not, in many cases, problems of interception. It is both an economic indicator and a psychological one (indicating the value it will provide product consumption), and in some cases an indicator of quality. Generally in a market economy prices are freely as a result of economic activities, the ways in which they try
and fail to know better the market, customer needs, to adapt their work to these requirements. One of the primary issues that a trader must go through in order to start a business, in addition to aspects of its main object of activity of company, resources and training opportunities for initial working capital, the market is pricing products or services. Any transaction involving price can be considered in three distinct ways: the buyer, the seller, industry or the economy as a whole. More precisely three points of view on a transaction aimed at consumer reaction to price, price determination by the company and the role of price in the industry or the economy as a whole. The pricing is a phenomenon very important and complex to an organization that must ensure compliance with customer mentality felt and on the side opposite, by determining the ideal set a price in terms of achieving the objectives of the organization and provision of those services. At the organizational level, price component plays an important role in terms of its strategic aspect and not just operational, it is actually the only element of the marketing mix components that add value to the entrepreneur. From the economic point of view the price is usually regarded as the amount of money you have to sacrifice to get something we want. Thus, "consider price as the ratio of the amounts of money (or goods and services) needed to achieve a given amount of goods and services (Monroe, 2003)".

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\text{Price} = \frac{\text{The amount of money or goods and services received by sellers}}{\text{The amount of goods and services received by the buyer}}
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2.1 Price in marketing perspective

"From the marketing perspective, the price should be defined as a permanent value that consumers associate the product, depending on their expectations about it. Consumer expectations depend on: the perception of a price "fair", prices paid in the past, price competition and quality perception. In defining price it seeks permanent contact with the product, without which the price would only be a variable abstract, pointless. Thus, product tenderer must be regarded as a set of utilities objective or perceptual, which may be provided to the consumer, the price being the expression of satisfaction resulting from the consumption / use it (Vranceanu, 2006)". The marketing department is usually the centerpiece in terms customary in pricing decisions. The speed at which the price may change in response to competitive pressure is very high. As a result we can say that marketing has the widest perspective on the price because consider both parts, internal issues of cost and external pressures as a result of market demand event. For most of the consumers, the price of a product or service is the most important of which is interested in being a quality indicator and a barrier to purchase that product or service. All entrepreneurs must learn to adapt to the price sensitivity of consumers. Overall a real strategy of price must combine the action of two factors; on the one hand the feedback received from consumers through various marketing research carried out on the market in several stages and the opposite part constituent elements of price, costs and other expenses, maybe even intuition and experience of the managers involved. Relations with other components of the mix, place the item price or fixed in position or in the factor. The price level, which will depend the adherence to market of products or services, their accessibility to the consumer, can be considered the dominant criterion of pricing, which has led some experts to consider price as a one-dimensional variable. Part of the marketing mix - price - can be regarded as one of the most important. For the entrepreneur price is only part of the mix that brings income, benefits organization assuring market success among the other competitors. At the opposite in terms of the consumer price is regarded as a financial sacrifice made for the purchase of a product or service. Due to its important role you have in selling products, in a choice of different messages between the organization and its public, in how to handle and manage the activities of the organization, the price is considered as a dynamic component that also takes into account other aspects of the relationship between supply and demand, making it possible to sell a product at different prices depending on the place, time, circumstances of sale.
2.2 Price relationship with other components of the marketing mix

Compared with the other components of the mix, price is a rather special case in that it is not an endogenous variable, internal, but also takes into account many external stimuli (demand, competition, etc.). To see where this component among other components of the marketing mix propose the following scheme 2. As shown in the diagram above price is in close touch with each component of the mix, so must each relationship in part underscored: the relationship price–product, service, price relationship – distribution, relationship price – promotional. This relationship is the most important practical because the marketing sense disembodied price is a component of the product, which means that without the latter, price is unfounded, does not object. The timing of a product on the market, its price is a good tool that value. If we are dealing with a high price, meaning on the product is that it has a high quality, aimed at a segment of consumers for whom quality comes first, or very important.

![Diagram of Price relationship with other components of the marketing mix](image)

*Figure 2. Price relationship with other components of the marketing mix*

In contrast a low price or average shows an average quality level of those products that address broader consumer segments. In general terms we can say that the price of a good or service reflects a certain image, gives us a hint about its quality. For a better breakdown of the relationship between price and product take into consideration a product life cycle in figure 3. In the first phase of product development, the company focuses on the conception of the product, from its design. At this stage are not generated income, only expenses. Follow a test market product, a test of acceptability to be passed on to actual production or not. The price of that product takes more cost elements accumulated in the pre-sale period. When marketing a product, market share is minimal and the acceptability is very low. The organization may be in a situation of monopoly or the competition is very low. Efforts should be made to stimulate primary demand, the price intervening here as a measure of product quality. It is the most important step on the success or failure of the product on the market. In the growth stage, product revenue begins to increasingly larger and grow market share enterprise. Competition will focus on stimulating the demand side by similar products and services. It is when the organization begins to recover their investment, lowering unit costs amid increased sales, prices can be kept low enough so the odds. In the third stage company revenues and profits are maximized. The aim is mainly a loyalty for that product to prolong as much this stage of large collections of money. The last stage is the decline when consumers begin to turn to other new or improved products. Sales are crashing, organization can intervene by lowering the price to mitigate the decline curve.

![Product Life Cycle graph](image)

*Figure 3. Product Life Cycle*
The relationship price – distribution
In its construction price must consider the main issues related to the type of distribution channel, size, or intensity with which it is conducted. Regarding the type of distribution channel chosen price tends to increase as the channel is longer, with more intermediaries and vice versa in the case of direct channels or short. For services, the channel used is directly given their characteristics. Distribution channels require multiple transactions and thus multiple decisions of pricing, as the product through the way from producer to last user. Whenever a product is marketed intermediate level, pricing problems somewhat unrelated to the amount of the final consumer, but equally important in terms of profitability. To understand how pricing in the distribution channel, linked to strategic and tactical objectives of the organization must understand who creates value and for whom. As for pricing for final consumers, at a distributor price manufacturer, provider may be asserted to generate an additional profit can be determined by differentiating the value of its bid by that intermediary market.

The relationship price – promotion
If broken promotion component by parts is very easy to understand the major role of the price of each. On the sales promotion techniques operate more like: price crossed, immediate cuts, further reductions, bonuses, gifts, rebates, etc. among which the main variable is exactly the price. The relationship between price and advertising is very important because the latter can influence the reaction of buyers at different price differences. Advertising can differentiate similar products in the minds of consumers, reducing their sensitivity to price and creating a higher value effect. On the other hand it is also possible to increase the sensitivity of consumers to advertising the price when it is directed only to him. High price of a product can be a sign of its high quality, while a low price can greatly increase the demand for that product or service. "Advertising sales volume increase associated with lower prices. In other words advertising increases price elasticity depending on the demand for a product (Nagle and Holden, 2002)". We can say that promoting influences prices through different effects on its sensitivity. Promotion can bring to the attention of potential consumers and effective, information to make that price is not the most important factor in the acquisition process. It is possible that through various promotional methods buyers to consider more alternatives and to encourage them to focus on price as an important factor of choice.

3 Conclusions
The article put theoretical basis for more fundamental, essential of the proposed research topic in individual research plan. Services in general and customized on each category have a number of features to be highlighted and developed to understand a strategy further that can target any component of the marketing mix. Substantiation of a price strategy corresponding to each category of service require continued and sustained efforts to build on a well planned conceptual delimitations. This paper uses secondary research which consisted of conceptual documentation activities on several levels that have been developed in the previous pages.

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