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Comparative Analysis of Pricing Decisions made by Listed Companies Representing Different Industry Sectors: Evidence from Sri Lanka

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ABSTRACT

Pricing a product is one of the most important aspects of the decision-making process of a business. This study explores pricing methods applied and, specific surroundings and influences/ bases that individual companies exercise in making certain pricing decisions. Applying the Mixed Method Research approach, data were collected mainly through in-depth interviews and discussions further to a face-to-face questionnaire survey made with senior management/ finance executives of companies. Facilitating with SPSS software quantitative data were analyzed using frequency tables and Fisher's exact test, and thematic analysis and content analysis were applied for qualitative data. Findings depict different settings that individual companies are in operation thereby providing specific bases for their pricing decisions. Thus, considerable variations appear among individual companies/sectors in making pricing decisions that are determined by different features specific to the business and sometimes to the sector i.e. plantation sector. Through such pricing decisions, companies decisively expect to maximize profit and also a concern for maximizing sales and increasing market share. This study concludes that it is more sensible to take pricing decisions by analyzing specific structures of the products, markets and of the business/ sector; such as types/ status of products and level of diversification, nature of markets served and competitive position, nature of target customers/ buyers, explicit settings i.e. plantation sector and specific agreements made with buyers or any associated parties i.e. subsidiaries and Head office. These findings provide insights to businesses operating in diverse surroundings, in evaluating alternative pricing strategies and in making pricing decisions towards achieving their objectives and hence the survival of the business.

Keywords: *Industry sectors, listed companies, pricing decisions, pricing methods, specific surroundings*

1. Introduction

Pricing a product is one of the most important aspects of the decision-making process of a business that influence broadly the business success and its survival. Organizations that sell products or services are highly customized or differentiated from each other by specific features. In any circumstance, pricing decisions are initially influenced by the cost of the product, but ultimately by various factors depending on distinguishing structures internal and external to the business. Developing an effective pricing strategy today is becoming a difficult task for industries. Firms' failure to understand the implications of their pricing decisions often leads to missed opportunities and eventually lowers profits (Lancioni, 2005a). However, empirical research is very limited in this area. Thus, this research mainly focuses on exploring pricing methods applied, and specific settings and influences/ bases that individual companies and industry sectors exercise in making certain pricing decisions in the Sri Lankan context.

2. Literature Review

Price setting and implementation are multidimensional processes affecting customers, products, cost recovery efforts, product margins, customer retention, market share, and domestic and international sales (Lancioni, 2005a). A short-term perspective of pricing only results in lower sales volumes, lost customers, lower market share, and decreased profit, but once a plan is initiated, long term benefits will be substantial (Lancioni, 2005b). Shankar & Bolton (2004) investigating the determinants of retailers' pricing decisions found that competitor factors explain the most variance in retailer pricing strategy. Li & Graves (2012) examining how companies should price products during an inter-generational transition, ascertained the key dynamics affecting the optimal prices as product substitution, external competition, scarcity, and inventory. Liozu & Hinterhuber (2012) found that firms using value-based pricing support their product-pricing decisions via formal market research, scientific pricing methods, and expert recommendations, while those using other orientations (cost or competition) rely on experience, prior knowledge, gut-feeling' and sensitivity.

Referring pricing methods applied by companies relating to South African companies, Waweru, Hoque, & Uliana (2005) found that the most common pricing method used is the cost-plus method (53.2%) while target pricing ranked the lowest (10.6%). Waweru, Kamasara, & Anyangu (2003) also reported similar findings that 49% of the responding Kenyan companies used the cost-plus method. Consistent with these findings, Drury (2000) reported that 60% of the companies surveyed in the UK used cost-plus pricing while 15% used marginal cost pricing.

Hinterhuber (2008), however, based on published research between 1983-2006, illustrated different ranking on the adoption of alternative pricing methods in practice: competition-based pricing–44%, cost-based pricing- 37% and customer value-based pricing 17% and others – 3%. Hinterhuber (2008) further stated that pricing strategies vary extensively across industries, countries and customers, however, researchers generally agreed to categorise pricing strategies into above three groups. In contrast, Ingenbleek, Debruyne, Frambach, & Verhallen (2003) stated that customer value-based pricing is increasingly recognised in the literature as superior to all other pricing strategies. Hong, Wang, & Yu, (2018) investigated a green-product pricing problem considering consumers' environmental awareness (CEA) and non-green (regular) product reference. The findings emphasized that differential pricing strategies should be adopted for consumers facing differential purchase behaviours (i.e., differential levels of CEA and reference recognition).

Waweru, et al. (2005) further examined the extent to which responding companies compare their production costs with the market-determined selling prices for major products, and found that eighteen respondents (48.1%) practiced it, however, only three respondents (1.6%) never done such a comparison. They advocated that South African companies were in great aspiration of maintaining competitiveness. Considering depreciation in product costing and pricing, Waweru, et al. (2005) emphasized that the majority (72%) used depreciation which was computed on an historic cost basis in calculating product pricing. These practices may lead to the under-pricing of the products of the responding firms. This may eventually lead to South African products becoming unsustainable. In this respect, Drury, Bround, Osbourne, &Tayles (1993) reported similar findings that 90% of the UK based responding firms used historical cost bases for depreciation calculations.

Waweru, et al. (2005) exploring the application of target costing, revealed that out of the 47 respondents, only three (6.4%) reported that target costing was always used while 17 (36%) reported that target costing was never used, thus, and determined that target costing is not a common practice amongst South African firms. They concluded that such a low application of target costing in developing countries is consistent with their high environmental uncertainty, thereby providing unreliable predictions as market conditions continue to change rapidly. This situation differentiates sharply from that of developed countries. For example, in Japan, Sakurai (1989) and Larino (1995) reported that 79% of the companies surveyed practiced target costing. In the UK, Drury et al. (1993) reported that 26% of the companies' surveyed always/often used target costing and in Australia, Chenhall and Smith (1998) found that 38% of the responding companies had adopted target costing (Cited by Waweru, et al., 2005).

Concerning pricing policy objectives, Waweru, et al. (2005) indicated that the most important objective was maximization of profits rating 94% of respondents, as extremely important/above average importance while maximization of sales and increase of market share were ranked second and third respectively. Only 24% rated market penetration as extremely important/above average importance whilst 34% of respondents rated market penetration as an irrelevant pricing objective. The authors suggested that South African firms use their pricing policies to increase market share thereby maximizing their sales and eventually increasing profits. The findings are consistent with the theory of a firm: profit maximization is still considered the main goal of a business firm.

Jiang, & Yang (2019) focused on the fact that the organization's quality decisions and its cost efficiency are not directly observed by the consumer. Because the early consumers can make a rational inference from the firm's price about its cost and quality, considering the firm's profit incentive from the later informed consumers. However, the authors depicted remarkably the opposite views that if a firm's high efficiency is publicly known, the firm may reduce its product quality rather than increase it. Also consumers' knowledge about the firm's cost efficiency can reduce the consumer surplus and an improvement in the average cost efficiency in the market can lower the consumer surplus (Jiang & Yang, 2019).

The above investigations denote that even though the authors explored the application of pricing methods and associated pricing objectives, no one paid attention to explore the sources or influences for choosing certain pricing methods, and to analyze specific surroundings that individual companies experience in consideration of pricing strategies and taking decisions. Moreover, the empirical research undertaken even in the application of pricing methods and related decisions is rare particularly in developing countries like Sri Lanka. This study is an attempt to fill this research gap.

3. Research Objectives and Methodology

3.1 Research Objectives

The main objectives of this study is to analyze comparatively the pricing methods applied by listed companies signifying five industry sectors in Sri Lanka and, to explore specific surroundings and influences/ bases that individual companies exercise in making certain pricing decisions. In this view, first, it examines the extent to which sampled companies apply selected pricing methods, and then it analyzes patterns of applying those pricing methods by different industry sectors. Also, it elaborates on the importance of pricing policy objectives the sampled companies have taken on, in their pricing decisions. Lastly, it analyses more descriptively how and why do they make certain pricing decisions, inspirations and bases for companies, and specific surroundings that individual companies exercise and take into account in making certain pricing decisions.

3.2 Research Methodology

3.2.1 Research Approach

This study was based on the Mixed Method Research (MMR) designs made by Morse (2010) which is capable of obtaining a rich dataset needed for competently addressing the research question/s. It is evidenced that there are certain strengths and weaknesses in both quantitative and qualitative research methods, and MMR approach is considered the most conceivable reaction to this: capitalizing strengths and eliminating weaknesses associated with each method (Bryman & Bell, 2007). The authors further depict that combined research is popular particularly in business and management research and the number of combined research has been increasing since the 1980s. The MMR are associated with both quantitative and qualitative data collection, data analysis, and the mixing of both these approaches in a single study, with data integrated at a certain stage (Creswell & Plano Clark, 2007).

Applying the MMR approach, this study focuses on one of its eight paradigms in respect of methods and strategies applied, indicated as 'QUAL + *quan'* (Morse, 2010, p. 341). Here*,* the theoretical drive designated with 'uppercase' is qualitative (indicated as QUAL) which is also identified as the core component and as the complete method that best answers most of the research question of this study. Then, the part of the question that cannot be answered by the selected qualitative method can be addressed by either a qualitative or quantitative strategy, known as a supplemental strategy (component) with 'lowercase', conducted at the same time (called simultaneous, shown with a + sign) or else immediately following the core component (called sequential, indicated with an arrow→) (Morse, 2010). Accordingly, this study identifies 'QUAL' as the core component, *'quan'* as the supplemental strategy and thus the research approach as 'QUAL + *quan'*. The researcher was motivated to use the MMR approach as it facilitates the researcher to gather all required qualitative and quantitative data completely, and to analyze them comprehensively towards obtaining meaningful findings and interpretations on the phenomena under investigation.

3.2.2 Sample and Population

A sample of 42 companies was selected from 109 companies (population) representing five industry sectors out of twenty sectors listed in Colombo Stock Exchange: food beverage and tobacco - F&B (08/22) chemicals and pharmaceuticals- CHEM (03/12), diversified holdings – DVS (05/16), Manufacturing– MNF (18/39), and plantation – PLT (08/20). In this respect, multi-stage purposeful sampling method was applied. Thus the researcher first purposefully selected five industry sectors from 20, all representing manufacturing and manufacturing-related industries as they are more relevant for this study than service-related industries. Then individual companies were selected from these five sectors by applying non-random sampling techniques, such as snowball sampling, convenience sampling, and purposeful sampling.

With snowball sampling which is a form of a convenience sample, the researcher makes initial contact with a small group of respondents pertinent to the research topic and then uses these links to make further contacts with others (Bryman & Bell, 2007). Convenience sampling illustrates selecting individuals who are conveniently available and willing to participate in the survey (Onwuegbuzie & Collins, 2007). In this sampling process, it considered factors such as approachability to companies, the applicability of businesses to the research area, and types of data and information required. Consequently, utilising these sampling methods, the researcher was able to select the most suitable manageable sample for the study.

3.2.3 Data Collection methods

Data were collected mainly through in-depth interviews, discussions and a face-to-face questionnaire survey conducted simultaneously with finance executives (i.e. finance manager, finance controller, finance director, deputy general manager (DGM) finance) of sampled companies. In this respect, the researcher could contact senior Management as maximum as possible, (approximately 80%), and the rest signify the middle level i.e. Management

Accountants and/or Financial accountants. Because senior management is typically competent to provide more descriptive-analytical answers to questions with their vast knowledge and experience. Through a questionnaire survey, it gathered data on the application of different pricing methods and the importance of pricing policy objectives in making pricing decisions, apart from background information of companies.

The researcher conducted lengthy discussions and interviews with respondents regarding pricing strategies/ policies followed, and how and why do they make certain pricing decisions. In this concern, the researcher decisively explored inspirations/ bases for companies, and specific surroundings that individual companies exercise and take into account in making certain pricing decisions. It further accessed company policy documents, annual reports, and sources to backgrounds of sampled companies. The study applied a 'personal visit approach' to each company to collect data, securing a 100% response rate and quality of data. In the data collection process, the researcher used a voice recorder with the permission of respondents. It facilitates the researcher in obtaining particularly the qualitative data and information with examples and further clarifications/ details competently with minimum effort and time. It also assists the researcher to make subsequent inquiries on the same for the completeness of the data and information.

3.2.4 Data Analysis methods

Using SPSS software, survey data was tabulated through a coding system to identify companies industry-wise while protecting their anonymity. For qualitative data and information, recordings were played back company-wise to transcribe descriptions, specific circumstances, and further clarifications about phenomena under investigation. To ensure a meaningful complete analysis and interpretations, MMR design provides two '*points of interface'* for integrating core and supplemental components: '*analytical point of interface'* that transforming *qual* data into numerical form; and *'results point of interface'* that adding *qual* data to QUAN results (Morse, 2010).

Given that, the researcher identified '*results point of interface'* as the suitable position for integrating core component 'QUAL' and supplemental component '*quan*'. Because the qualitative data and information could not be transformed into numerical form, but they are appropriate for adding to QUAN results to obtain meaningful complete analysis and interpretations for the study. Quantitative data were analyzed using SPSS software mainly through frequency tables and Chi-square with cross-tabulation (Fisher's exact test), and thematic analysis and content analysis were used for qualitative data. It generalizes, to some extent, the qualitative and quantitative findings to the population identified.

4. Data analysis and Findings

This section delineates via four main sub-sections as illustrated below.

4.1 Pricing methods applied by sampled companies

The respondents were asked to

depict the most widely used pricing method in pricing their products. Accordingly, as depicted in Table 1, the findings evidence that the most common method is the price determined based on market prices of competitors (23.8%) and marginally low applications appear for methods 'total unit cost plus % mark-up' which is considered both manufacturing and non- manufacturing cost (21.4%) and 'direct cost plus a mark-up' (19%). The least application indicates for target pricing (4.8%) that the value target customers are willing to pay, whilst the method 'total manufacturing cost plus mark-up' becomes the second lowest (12.0%).

Table 1. Application of pricing methods by sampled companies

Pricing Methods	No. of Companies	Percentage (%)
Market prices of competitors	10	23.8
Total unit cost plus % mark-up	9	21.4
Direct cost plus a mark-up	8	19.0
Total Manufacturing cost plus mark-up	5	12.0
Target pricing	2	4.8
Other method	8	19.0
Total	**42**	**100.0**

Supporting the above findings, Hinterhuber (2008) ranked the competition-based pricing (44%) first and cost-based pricing (37%) second, and customer value-based pricing 17% third. Further, our findings are to some extent consistent with previous findings that designated cost-plus method as the most commonly used method (Waweru et al., 2005; Waweru et al., 2003; Drury, 2000). Also, as depicted by Waweru et al. (2005), in this respect such a low application of target costing in Sri Lanka (as a developing country) is probably due to their high environmental uncertainty, thereby likely to provide unreliable predictions as market conditions continue to change rapidly. But, the application of target costing in Sri Lankan companies is different from those of developed countries: For example, in Japan, Sakurai (1989) and Larino (1995) reported greatly higher usage (79%) of the companies surveyed.

A specific situation seems for other method (19%) which was applied only by the PLT sector: adopting prices for products from auctions determined by demand and supply, and product quality. The whole PLT sector relies on prices determined at respective auctions i.e. tea auction, rubber auction taken place weekly/fortnightly. Unlike other sectors, thus, the PLT sector acts as price takers, not as price makers.

4.2 Patters of applying different pricing methods by different industry sectors

In the survey, respondents were also asked to depict all pricing methods they apply for their products. It reveals that except PLT sector, companies tend to apply more than one method considering their requirements and specific situations they are dealing predominantly with diverse products and markets. As shown in Table 2, the MNF sector mostly applies direct cost plus a mark-up (33.3%) and the price based on market price (33.3%). Remaining 33.3% equally uses the other two costs plus methods. F & B sector applies all methods considered except for other method while CHEM sector uses only total unit costs plus (66.6%) and the market price (33.3%). DVS sector uses all methods except for direct cost-plus and other method (40% - market price and 20% each for the other three methods used).

Table 2 Relationship between pricing methods adopted and industry sectors

Pricing methods	Industry Sectors				
	F & B	CHEM	DVS	MNF	PLT
Market prices of competitors	✓	✓	✓	✓	
Total unit cost plus % mark-up	✓		✓	✓	
Direct cost plus a mark-up	✓			✓	
Total Manufacturing cost plus mark-up	✓	✓	✓	✓	
Target pricing	✓		✓		
Other method					✓

However, substantial disparities appear between industry sectors. Because unlike others, the whole PLT sector has to apply 'other method' which the prices are determined at respective auctions based on 'demand and supply' for and quality of the products. The PLT sector applies such different methods than other sectors in their production and sales functions requiring to that particular sector. As a result, an individual company has no power to determine prices for their products, instead, they have to adopt prices determined frequently (weekly/ fortnightly) at the respective auctions irrespective of their product costs. In this sense, companies in the PLT sector undeniably act as price takers, not as price makers. Table 2 further shows the relationship between adopting pricing methods and industry sectors. Fisher's exact test provides further evidence that there is a significant relationship between respondents who apply pricing methods and their industry sector, showing a 100% confidence level ($P = 0.00$).

4.3 Pricing policy objectives, allied influences and differences between sectors

The pricing policy objectives of responding companies with respect to six objectives are indicated in Table 3.

Table 3 Pricing policy objectives of listed companies in Sri Lanka

Objectives	Score				Rank
	High	Moderate	Low	Unimportant	
Maximize sales	23	11	-	8	2
Maximize profits	26	8	-	8	1
Increase market share	20	11	3	8	3
Offer lowest market price	2	12	10	18	6
Serve a given market segment	8	11	11	12	5
Market penetration	6	15	7	14	4

Notes: Ranking was based on values obtained by (high*3) + (moderate*2) + (low*1)

The findings show that, irrespective of the industry sector, for all companies (except for the PLT sector) the most important objective is maximizing profits, whereas maximizing sales, and increase the market share place the second and third in the rank respectively. Waweru et al. (2005) disclosed in fact a similar rank with respect to these three objectives based on South African study. Thus, the findings suggest that the companies in Sri Lankan context normally set their pricing policies in a way to maximize profit through maximizing sales and hence increase the market share that is vital in surviving in the market while creating a competitive advantage. In consisting of the views of Waweru et al. (2005), these findings confirm the theory that profit maximization is still considered as the main goal of a business firm.

The extraordinary finding seems in relation to the PLT sector that all companies (100%) in the sector considered all the above objectives as unimportant with respect to pricing policies. The reason is they no need to concern about any pricing policies as pricing decisions are taken beyond the control of the individual company. In considering market penetration, findings evidence that besides the PLT sector, another six companies (2- DVS and 4 - MNF sector) indicate it as unimportant and seven companies (5- MNF, 1-F & B and 1-CHEM) as low. The main reasons would be those companies have already become the market leaders and/ or they are dealing with only the export markets.

However, 6 companies (2- F & B and 4 - MNF) consider market penetration as high while 15 companies as moderately important probably due to their high competitiveness and/ or low market position. That means there are several other companies in the market ensuring high positions than those companies. Moreover, except for the PLT sector, 10 companies consider 'offer the lowest market price' as unimportant and another 10 companies as low. The influencing factors behind such low/ no attention on the objective would be, as listed companies, their strength and high intention to compete in the market with competitive prices with high-quality products.

Considering the objective 'serve a given market segment', 87.5% of the F & B sector (7 out of 8 companies) indicate as high/ moderate important probably because of the nature of products. For example, relating to a large scale leading company in the F & B sector that produces certain popular brands with beverages in the Sri Lankan market, it seems several product categories with distinguished price differences focusing on a specific group of customers. The Finance executive of the company stated that they always highly consider this objective in pricing decisions as they can identify a specific group of customers with different sensitivity and different income levels. However, the respective positions relating to other sectors seem at low than F &B sector: CHEM-67%, MNF- 44% and DVS -40% who rate this objective as high/ moderate important.

4.4 Comparative analysis of pricing strategies, and specific surroundings and influences/ bases that individual companies exercise in making pricing decisions

The findings evidence that the matter on which pricing method/s to be applied and their appropriateness in view of company objectives normally depend on specific surroundings and influences/bases that individual companies exercise in their business processes particularly in dealing with production and sales functions. The findings convince the importance of considering market price particularly in situations where pricing methods other than market price are applied by companies. Thus this section first describes this matter.

4.4.1 Importance of the market price for pricing decisions

The findings stress the necessity of considering market prices excessively by companies, irrespective of the methods they applied for product pricing, as it seems to be of utmost importance for them in competing in the markets. Thus, of the companies who indicate a pricing method exclusive of 'the method based on market prices' (10 companies) and 'the method based on demand and supply' (8 PLT companies as they are not relevant for such market prices); 58.3% (14 out of 24 companies) stated that even though they normally apply methods such as direct cost plus, total manufacturing cost plus, total unit cost plus mark-up as outlined in Table 1 above, at a glance, they essentially consider market prices too. Accordingly, they make adjustments, where necessary, to predetermined prices making them possible to compete in the market. Also, it is revealed that multi-national companies who sell their products in international markets are essentially touched in export market prices even though they use cost-plus methods in pricing products.

Another large scale diversified company manufacturing and selling of consumer products i.e. baby items, soaps, with a good reputation and becoming the market leader for some products stated that they usually look at profit margin relating to each product, but at the same time consider customers' point of view too. Thus, most of the time particularly when they are not the market leader, they consider competitive prices and then profit margin, because they are in the opinion that they want to delve into customers' point of view: if the prices look like more expensive compared to competitors, customers will not buy those products.

The importance of observing market prices further evidences with pricing decisions made by a mother company for products purchasing from its subsidiary company for sale. Here, the subsidiary company that manufactures durable products stated that they normally sell their products to Head Office–HO (Mother Company) who imports and sells the same products with certain models, some time on duty-free. Considering these imported market prices, the subsidiary company put relatively low prices for their brands and sells them to HO making available to get advantages of these low prices to HO.

In this setting, HO does not care about the cost of production of purchasing companies in pricing products from a subsidiary; instead, they always try to better match with imported prices. However, normally it affects government decisions on tax and also changes in exchange rates for such imported products. HO thus, compels the supplying companies to sell their products to HO at a low price than imported prices but with good quality. However, both parties can't stop this practice, as they have made a MoU between HO and subsidiaries for buying and selling such products.

Supporting to this view, Waweru et al. (2005) disclosed that 48.1% of respondents used to compare product costs with the market-determined selling prices for major products to ensure the ability to compete in the market, and suggested that there was a great need amongst South African companies to maintain competitiveness.

4.4.2 Specific surroundings and influences/ bases that individual companies exercise in pricing decisions

This section evaluates opinions/ statements of finance executives of companies given in relation to their pricing strategies and decisions taken considering different surroundings and influences/ bases.

One leading company in F & B sector, which mostly use direct cost plus mark-up method, expressed their views on product pricing:

> We Manufacture and sell food products in a highly competitive market and determine the prices considering the material costs of products. We do not consider overhead costs; only consider whether we can cover the main material costs of products with relative competitive prices that prevailed in the market. If so add a % mark-up to material costs in fixing prices, by comparing market prices. However, if we do not cover fixed costs with these prices, it implies that we have faced a problem with our production scale so that need to take action to avoid them.

The Finance executive of the company, further, justified the soundness of not considering overhead in pricing decisions as:

> If we opened a new factory with which high overhead at the initial stage and low volume of products, so it is very difficult to cover total overhead incurred with the selling price that we can put with competitive prices. But, in any way, we can't put a price to cover overheads as a Food Manufacturing Company.

A Finance executive of garment industry expressed their experience as:

> For a company with garments or unique products, we can put a price to cover overheads. The only thing we can do is make changes to the competitive prices slightly considering the quality of products. For example, we can compete in the market putting a slightly high price for a reputed brand with good quality as we realized that the price differences would not be a matter for customers when comparing it against the high quality of the product.

A leading company in the F & B sector who manufactures consumer product (salt) expressed their practices as:

> Even though we use market prices in pricing our products, we normally apply two methods for the same product that is used for different purposes by different groups: market price for the products used by consumers (*consumer salt*); and 'total manufacturing cost plus mark-up' method for the same product but with slightly different quality (*industrial salt*) which is supplied in bulk (e.g. 50 Kg.) directly to other industries i.e. hotels and other industries who use this product as a material in their processes. As we have regular buyers for these industrial products, we may not face competition in selling those products at a price 'total manufacturing cost plus a mark-up.

F & B Company who produces beverages stated that

> We use target price so that sometimes it may contain higher margin and other times lower margin, however, we do not keep any product without a margin.

Another F & B company with food products who indicates total unit costs plus mark–up as the pricing method, expressed that

> We apply the cost-plus method for brands with market leaders and thus, add a mark-up to determine the sales price. However, for other brands that are not the market leader, we first consider market prices and secondly look at our own profit margin as we have to compete with competitors, otherwise, if we consider only the profit margin, sometime, we may face with trouble in the market as there are other brands with market leaders.

One company in CHEM sector, who applies total unit cost plus mark-up, expressed their experience as:

> The method we normally adopt is '*back word mark-up based on market price'*. As a subsidiary of a group of company we manufacture products and sell them to a distributing company in the group keeping a margin and then distributing company sell those products keeping a margin for them. Accordingly, considering market prices, first, we determine a % of mark-up kept by distributing company and next we decide % mark-up that can be kept by the manufacturing company according to the cost structure available.

A company in DVS sector who manufactures unique products 'garments' stated as:

> Using total unit cost (full cost) plus mark-up method we quote prices for the customers and with negotiating prices sell products to buyers. We allocate labor and overheads based on cost per minute rate as we consider only material costs as direct costs.

Another large scale diversified company manufacturing and selling of consumer products with a good reputation and becoming the market leader for some products, stated as:

We concentrate on both profit margin and customers' point of view in pricing decisions. When we are not the market leader, most of the time, we concentrate on competitive prices, but for the products with the market leader, we do not much bother with competitors' prices.

The Company further stated that:

> Nevertheless, we do pricing based on 'total manufacturing cost plus mark-up' method mainly for existing products because we already know that those products are profitable products so that we can earn profit covering all costs (manufacturing and non- manufacturing) which we take into account for pricing of new products. Accordingly, if these new products are not profitable, then, we have no point to consider them for production.

Moreover, they make price changes (increases) concentrating on how much they can earn from those products at the end and also whether they can meet expected profit. Otherwise, they do not consider price changes for such products.

A Finance executive of a large scale company in the MNF sector expressed as:

> As a company with durable products i.e. sewing machine, refrigerators, furniture, water pumps, and sometimes competing with imported brands, we usually determine prices based on market prices, however, we can't say exactly that this method is relevant and that one is not relevant. The selection of pricing methods depends mostly on the competitive position of each product in the respective markets. For example, we are the market leader for a certain brand acquiring 85% of the market so that we can apply the cost plus mark-up method for this product ignoring competitors' prices in the market. Relating to some other durable products, we have to consider the amount that the target customers are willing to pay for them because imported products are also in the market possibly with different features and quality.

Another company in the MNF sector who produce durable products stated that:

> We normally apply total manufacturing costs plus mark-up, but consider other methods also based on the nature and level of production: Direct costs plus for special orders, total manufacturing costs plus mark-up for high volume products, total unit costs plus for competitive products and target price some time consider case by case.

A company in the MNF sector who engages in producing unique products to the export market and becoming one of South Asia's most reputed brands stated that:

> We normally use direct costs plus mark-up for pricing our products, but for newly designed products consider the amount of money that the target customers are willing to pay for.

By reviewing the above expressions of responding companies, it suggests that selecting a pricing method/s is a decisive task for any company as it is mostly subject to specific situations that individual companies deal with within their business processes, for example, the PLT sector.

5. Discussions and interpretations

By reviewing the above responses, opinions and expressions made by sampled companies, following discussions and interpretations were made with regard to pricing decisions and their appropriateness for specific situations that individual companies deal with within their businesses.

Considering alternative pricing methods, the most common method is the price determined based on market prices of competitors and marginally low applications appear for 'total unit cost plus % mark-up' and 'direct cost plus a mark-up'. Hinterhuber (2008) also denoted the similar findings. *With regards to patters of applying different pricing methods,* except the PLT sector, companies tend to apply more than one method considering their requirements and specific situations they are dealing predominantly with diverse products and markets. Unlike others, the whole PLT sector has to apply 'other method' which the prices are determined at respective auctions based on 'demand and supply' for and quality of the products so that an individual company has no ability to make pricing decisions, instead, they have to adopt prices determined frequently (weekly/ fortnightly) at the respective auctions irrespective of their product costs. In this sense, companies in the PLT sector undeniably act as price takers, not as price makers.

It advocates that if a company deals with consumer products in highly competitive markets, direct costs plus mark-up is preferable for keeping in line with relative market prices. Because it is not worthwhile to take much effort to allocate OHs to such consumer products that denote a large amount of sales in units with relatively lesser price and thus, better not to consider OHs in pricing decisions. And for unique products (garments, furniture), mostly full cost plus mark-up is used, with low attention to the market where there are no similar products with the same quality.

Moreover, if a company deals with regular buyers for certain products, such as industrial products, it might be more likely to select full cost plus methods, because it has built links with buyers and hence less market competition. However, if it provides the same product to the market with competitive brands, it must concern itself with market prices and then adopt a suitable cost-plus method compatible with those prices.

If a company is the market leader for certain products, either consumer products or durable products, they can select cost plus methods (direct cost plus or full costs plus) as they wish. In turn, if they are not the market leader for such products, then it would better to select a pricing method (may be direct cost plus or full costs plus) compatible with relative market prices and keep a margin accordingly.

If a company considers its existing products, it is enough to take into account only the manufacturing costs, as they already know that they are profitable products. However, it is essential for new products to consider both manufacturing and non-manufacturing costs in order to determine whether they are profitable or not. In this respect, some of financial executives are in the different arguments that ' it is unfair to consider OHs of new products for pricing decisions as it contains high OHs against the low sales volume at the initial stage and thus with OHs it is very difficult to compete in the market at this stage'. Accordingly, it realizes that both views are substantial, and thus suggests taking pricing decisions considering influences and specific circumstances that individual companies exercise in their production and sales functions.

In view of the nature of products, this suggests that direct cost plus is more suitable for consumer products and full costs plus is preferable for durable products. For diversified companies operating with a number of different brands and product lines, it is rather difficult to operate with a single pricing method; instead, different pricing methods may be more appropriate to apply, focusing on specific circumstances.

In special situations where buying and selling take place between two parties i.e. subsidiary and HO with a certain agreement, then selection of pricing methods should be in accordance with that particular requirements and situations. It may be full costs plus or market-based price or imported market-based price or any specific price agreed by both parties.

Moreover, of five sectors, the PLT sector superficially revealed specific circumstances in this investigation acting as a price taker whilst all others as price setters. It convinces that pricing decisions are beyond the control of individual companies in the PLT sector. Therefore, it has no point to discuss pricing methods in any way relating to the sector. But, in normal situations illustrated in relation to the other sectors considered, a company can select the most appropriate pricing method/s considering specific circumstances, influences and sources that affect such pricing decisions.

Hong, Wang, & Yu, (2018) also presented supportive views in this concern emphasizing that differential pricing strategies should be adopted for consumers facing differential purchase behaviours. Furthermore, this study emphasizes, with the above analysis and discussions, the necessity and importance of making methodical analysis of market prices by companies, even if they apply whatever method/s for product pricing, because it is most important for them in competing in the market. These findings are useful to businesses in evaluating alternative pricing strategies and taking pricing decisions in view of their own situations and influences/ sources specific to them, so that maximizing firms' objectives whilst ensuring the survival of the business.

6. Conclusions and Recommendations

This study concludes that pricing decisions are typically subject to specific surroundings that individual companies dealt with within their business processes, for example, the PLT sector. Thus, selecting or recommending the most appropriate pricing method/s for a company is a decisive task in any circumstance. As most of companies function with diverse products and markets, it suggests *applying different pricing methods suitably,* considering requirements and specific situations that individual companies deal with in operations. In the sense, in determining pricing methods, it is more important and apposite to consider specific surroundings and influences/ bases that individual companies or industry sectors exercise and deal with, rather than an unconditional comparison of different pricing methods in view of their merits and demerits. Such specific surroundings and influences/ bases may derive most importantly through types/ status of products and level of diversification, nature of markets served and competitive position, nature of target customers/ buyers, explicit settings/ agreements made with buyers or any associated parties i.e. subsidiaries and Head office and other extraordinary circumstances prevailed relating to certain industry sectors i.e. PLT sector; some of which may be beyond the control of individual companies or sector, but affect considerably their pricing decisions.

Of five sectors, the PLT sector surprisingly exposed strange circumstances in this investigation. Thus, it concludes that in such strange circumstances prevailed in a particular industry sector in which anyone in the sector has no ability to take pricing decisions and thus, undeniably acts as price takers; it has no point to discuss pricing methods in any way. But, in other situations which require taking pricing decisions, a company can select most appropriate pricing method/methods in keeping with their specific surroundings, influences/ bases that individual companies exercise in their businesses. Supporting these findings, Hinterhuber (2008) stated that pricing strategies vary extensively across industries, countries and customers.

The following recommendations can be made based on the above findings, discussions and interpretations as depicted in Table 4.

Table 4. Specific surroundings faced by companies/sectors and preferred pricing methods/ decisions

	Specific surroundings faced by companies/ sectors	**Preferred pricing methods/ decisions**
1.	If a company deals with consumer products in highly competitive markets	Direct costs plus mark-up keeping touch in relative market prices
2.	If a company deals with durable products	Full costs plus is preferable
3.	If a company deals with unique products i.e. garments, furniture,	Full cost plus mark-up with low attention to the market where there are no similar products with the same quality
4.	If a company deals with regular buyers for certain products i.e. industrial salt	Full cost plus methods as they have built certain links and thus, with less market competition
5.	If a company produces the same product to the market with competitive brands	Adopt a suitable cost plus method compatible with market prices.
6.	If a company is the market leader for certain products either consumer	Cost plus (direct cost plus or full costs plus)

	products or durable products	methods are preferable
7.	If a company is not the market leader for certain products	Better to select a pricing method concentrating on relative market prices and keeping a margin accordingly
8.	If a company considers its existing products	Enough to consider only the manufacturing costs, as they already know that they are profitable products
9.	If a company considers new products	Consider manufacturing and non-manufacturing costs in order to determine whether it is profitable or not, but the pricing decisions are required to make based on sales volume, specific situations and objectives of companies.
10.	In special situations where buying and selling take place between two parties i.e. subsidiary and HO with certain agreement	The selection of pricing methods should be in accordance with that particular requirements and situations. (i.e. any specific price agreed by both parties).
11.	In specific circumstances prevailed with respect to a particular industry sector, (i.e. PLT sector), in which pricing decisions are beyond the control of individual companies	No point to discuss about pricing methods in any way.
12.	Diversified companies operating with a number of different brands and product lines	Different pricing methods are preferable focusing on specific circumstances and influences/ sources.

Considering pricing policy objectives, the findings show that maximizing profits, maximizing sales, and increasing market share are more important than other objectives, for all companies irrespective of their industry sector, except for the PLT sector. Consistent with the views of Waweru et al. (2005), these findings confirm the theory that profit maximization is still considered the main goal of a business firm. Furthermore, the findings stress the necessity and importance of carefully considering market prices by companies, even in situations where whatever methods they apply for product pricing as it is most important for them in competing in the market.

These findings are useful to businesses in evaluating alternative pricing strategies and taking the most appropriate pricing decisions in accordance with their own situations and influences/ bases specific to them, so that maximizing firms' objectives whilst ensuring the survival of the business.

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