

Effect of Price on Sales Volume

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Abstract: *Marketing mix refers to the set of actions or tactics that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix of Price, Product, Promotion and Place. Out of all the elements, we can obviously tell that the most important thing is of course, the price. Price refers to the value that is put for a product. It depends on costs of production, segment targeted, abilities of the market to pay plus a host of other direct and indirect factors. There can be several types of pricing strategies, each tangled in with an overall business plan. Pricing can also be used to differentiate and enhance the image of a product. However, all the elements of the marketing mix influence each other. Marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.*

Keywords: *Price, Sales Volume, Marketing Mix*

1.0 Introduction

Marketing mix is referring to four important elements which are product, price, place and promotion. Marketing mix is required in order to get an effective marketing. Pricing is one of the most important thing as it is the only element which generates a turnover for the organization (Amirul, Islaini, & Nayan, 2020). Pricing also has an important role as a competitive weapon (Afif, Razak, & Nayan, 2020) to help a business exploit market opportunities (Yussoff & Nayan, 2020). It has to be consistent with the other elements, since price contributes to the perception of a product or service by customers (Rosli & Nayan, 2020). Price is definitely the first factor influencing customer buying behavior. Most of the time, customers put importance on the price rather than on its value (Ruzanna, Baharin, & Nayan, 2020), at the time of purchase. In short, customers often believe that high priced products are of high value and benefit than low priced product (Zarifah, Azahari, & Nayan, 2020). Thus, a change in price influences the demand, sales volume and market share (Izarul, Syed, & Nayan, 2020). Hence, the price often builds an image of the product.

2.0 Roles and Factors of Pricing

Furthermore, there are some roles and factors of this element which includes the right level of pricing. The wrong price decision can bring about the downfall of a company. It is extremely significant to fix prices at the right level after sufficient market research and evaluation like competitors' strategies, market conditions and cost of production. Low prices may attract customers in the initial stages but it would be very hard for the company to raise prices on a future date. Similarly, a very high price will ensure more profit margins but lesser sales. So, in order to maintain balance between profitability and volume of sales, it is important to fix the right price. Next, the price creates first impression. While the customer may base their final buying decision on the overall benefits offered by the product, they are likely to compare the price with the

perceived value of the product to evaluate it. After learning about the price, the customers try to learn more about the product qualities. If a product is priced too high, the customer may lose interest in knowing more but if he thinks that a product is affordable, then he would try to get more information about it. Therefore, price is a critical factor that influences a buyer's decision. Thirdly, the vital price of sales promotion. In order to encourage more sales, the marketing manager may reduce the price. In case of goods whose demand is price sensitive, even a small reduction in price will lead to higher sales volume. However, prices should not be fluctuated too frequently to stimulate sales.

3.0 Importance of Pricing

Besides that, one of the importance of pricing is inflation in the economy. It lowers the purchasing power of the customer and hence a search for low priced substitutes. It increases a firm's cost because of the inputs costing more, thus forcing the price of the product upwards. Other than that is the customer's value perception. To a customer, price always represents the product's value (Hamzah, A. A., Shamsudin, 2020). Many time, the customer's perception of the product value may not necessarily be in line with its price. There are instances in which the product is overpriced when its value perception is lower than the price tag on it, and vice-versa (Aminuddin, Don, & Shamsudin, 2020). For a marketer, it is important that products are priced at the right level. Last but not least, the product differentiation is getting blunted. The differentiation among firms on the basis of the product is going to get blunted when technologies get standardized (Ilyas & Nayan, 2020). More products and brands will transcend to a commodity situation. This is an unhealthy sign as commodities are always subject to price fluctuations and price wars. Obviously, at this stage, the only way to differentiate between brands is the price (Nur, Wan, Tajuddin, & Nayan, 2020).

4.0 Conclusion

In a nutshell, price that a business imposed for its product or service is one of the most important business decisions in management (Amirul et al., 2020). For example, unlike the other elements of the marketing mix which are product, place and promotion, pricing decisions affect revenues rather than costs (Izarul et al., 2020). The bad news for entrepreneurs is that pricing is a really tough to get right. There are so many factors to consider and much uncertainty about whether a price change will have the desired effect. The law of demand states that for nearly all products, the higher the price, the lower the demand (Zamry & Nayan, 2020). In other words, sales will fall if prices are put up. However, higher prices can also mean higher profits. For this reason, it is very clear that the roles of price in the marketing mix (Zarifah et al., 2020) is really important to each and every one of us.

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