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Tatyana Netseva-Porcheva[1]
Vasil Bozev[2]

RESEARCH ON THE RELATION BETWEEN COMPANY PRICING OBJECTIVES AND PRICING STRATEGIES

The aim of this study is to find out which are the pricing strategies used by the companies operating in Bulgaria in terms of their pricing objectives. In this regard, the study provides a literature review of the theoretical developments and empirical research on company objectives and pricing strategies as well as an empirical survey. Based on the survey data, two groups of pricing objectives were distinguished: of universal and of specific nature. It was found out that universal nature is more typical of quantitative objectives, whereas specific nature is more typical of qualitative objectives. In terms of specific objectives, it was shown which pricing strategies are used for their achievement.
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Introduction

Pricing objectives are of paramount importance for every company for they are the first step in the pricing process. Correctly defined objectives are a prerequisite for making effective pricing decisions related to price positioning, choice of pricing strategy, choice of pricing method, price changes over time, etc.

Pricing objectives reveal what a company aims at through the prices of its products. A pricing strategy characterises the way in which, according to management logic and understanding, price is used as a marketing tool to achieve the goals that were set (Micheva, 1993; Klasova, 2001, etc.). Since companies set different pricing objectives and use differently price as a marketing tool, different pricing strategies have been developed in pricing theory and practice.

The object of the research in this study is the pricing objectives and pricing strategies of the companies operating in Bulgaria and its subject is their relationship.

[1] *Tatyana Netseva-Porcheva, Assoc. Prof., PhD, UNWE, Department of Marketing and Strategic Planning, email address: t_netzeva@unwe.bg.*
[2] *Vasil Bozev, Chief Assist. Prof., PhD, UNWE, Department of Statistics and Econometrics, email address: v_bozev@unwe.bg.*

This study aims to find out which pricing strategies are used by companies in order to achieve particular pricing objectives.

To achieve this aim, the following research issues will be considered: (1) defining pricing objectives that can be achieved by implementing various pricing strategies and (2) identifying groups of pricing objectives that can be achieved by implementing a particular pricing strategy.

The survey includes companies from different industries of the economy: textile, food industry, mechanical engineering, chemical industry, wood processing, construction, agriculture, hotel and restaurant industry, financial and insurance services, consulting services, education, health care and pharmacy, information technologies, telecommunications and other.

There are two main limitations in the survey research: (1) the object of the survey are only companies operating in the country – Bulgarian and foreign one and (2) the respondents are only CEOs/marketing directors/managers – the people who are in charge of prices and pricing in a particular company.

The study presents the results from project № R&D ScR-16/2017 of UNWE focused on the development and implementation of pricing strategies by the companies operating in Bulgaria have been used.

1. Literature review

In this part of the study, a literature review of the theoretical developments and empirical research on company pricing objectives and pricing strategies has been done.

1.1. Theoretical literature review

The purpose of this section is to sum up the authors' viewpoints on the use of the concepts of pricing objectives and pricing strategies. This needs to be done in order to clarify the concept of pricing objectives and the concept of pricing strategies used in this study as well as to enumerate the kinds of pricing objectives and of pricing strategies that are the object of research in it.

Pricing objectives

The development of a pricing strategy involves setting clear and specific pricing objectives (Galabova, 1996). Pricing objectives indicate the direction of pricing activities (Oxenfeldt, 1983). They help understand what a company expects to achieve through prices as well as to measure the degree of effectiveness of the activities performed (Tzokas et al., 2000). When setting pricing objectives, the following should be taken into account: price objectives must be subordinated to marketing objectives, which are subordinated to company objectives; companies can have more than one pricing objective over a particular

period (Shipley, 1981; Diamantopoulos, 1991); pricing objectives can be changed due to changes in the environment (Tzokas et al., 2000); some price objectives have a unidirectional action and can be combined but others cannot be used in combination (Jobber and Hooley, 1987); the achievement of each pricing objective happens at different times and at different prices; pricing objectives must be measurable, otherwise, it is difficult to say if they have been achieved and if the company pricing strategy has been successful (Netseva-Porcheva, 2010).

The variety of pricing objectives involves their classification according to various criteria. According to Shipley (1981), Diamantopoulos (1991), Avlonitis and Indounas (2005a) price objectives should be considered in terms of three characteristics: according to their nature (quantitative and qualitative), according to their time reference (short-term and long-term) and according to the desired result (profit/sales maximisation or profit/sales satisfaction). Quantitative objectives are these objectives that can be measured easily and are related to profits, sales, market share and investment. Qualitative objectives are the objectives with a focus on the relations with consumers, competitors, distributors, survival and achievement of social goals (Avlonitis and Indounas, 2005a).

The literature review allows to identify some problem areas in defining pricing objectives. First, in a lot of studies, the time period for the achievement of an objective is not specified (Lanzillotti, 1958; Jobber and Hooley, 1987; Tzokas, 2000; Rao and Kartono, 2009, etc.) or is specified as either short-term or long-term (Oxenfeldt, 1973; Shipley, 1981, etc.). Second, defining price objectives related to maximisation has been criticised by a number of scientists as being unrealistic to achieve (Avlonitis and Indounas, 2005b).

Pricing strategies

Pricing theory and practice offer a number of pricing strategies that we can provisionally group based on different criteria. From a marketing point of view, the most popular pricing strategy is the following one: depending on the key pricing determinant (basic pricing strategies), related to competition, related to product features, for price adjustments (Netseva-Porcheva, Bozev, 2019).

Over the last years, the basic pricing strategies – cost-based pricing, competition-based pricing and value-based pricing are the three pricing strategies that have been the object of comparative analysis by scientists (Tarasevich, 2010; Schindler, 2012; Gladkih, 2013; Lipsits, 2014; Hinterhuber, 2008, Nagle, Hogan and Zale, 2014; Simon, 2015; Kostova-Pickett, 2017; Kienzler, Kowalkowski, 2017; Kotler, Armstrong, 2018, etc.).

- Cost-based pricing is a pricing strategy in which prices are determined by production and marketing costs to which is added a profit element based on the efforts made and the risk taken. First, 'good' products are designed and developed. Then, the costs for their production and sale are determined. To them is added the desired profit volume and, thus, the 'right' price is set. Finally, consumers are convinced in the value of the company product (Nagle, Hogan, Zale, 2014). The companies that have adopted cost-based pricing aim to cover their production and product marketing costs and to achieve a satisfactory level of profit. Since costs determine the lower price limit (Monroe,

2003), the levels of the prices of company products, set by these companies, are usually lower. That is why in most cases, the market share of these companies based on sales volume is bigger than that of the other market players (Netseva-Porcheva, Bozev, 2019). Low prices of company products discourage new rivals from entering the market as well.

- Competition-based pricing is a pricing strategy in which the prices of company products are determined based on competitors' prices and pricing strategies. Consumers assess product value based on competitors' prices for similar products. When assessing a competitor's pricing strategy, a company has to answer a few questions: how is the company market offering perceived compared to similar competitors' ones in terms of value, how strong are the current company competitors and what are their pricing strategies now (Kotler, Armstrong, 2018)? According to Tanushev (2012), product price is one of the criteria used for company profiling in terms of company competence and of determining company competitive advantage and position. The management of the companies adopted competition-based pricing is not willing to take risks. What is typical of such companies is that, in most cases, instead of competing directly with their main rivals in terms of price, they follow their pricing behaviour.

- Value-based pricing is a pricing strategy in which the price is determined based on consumers' perceptions of the product value. First, consumer needs and perceptions are considered in terms of value. A target price corresponding to these perceptions is set. Then, production and marketing costs are taken into consideration. Finally, a product that offers the desired customer value is designed and offered at the fixed target price (Nagle, Hogan and Zale, 2014). The management of the companies that have adopted value-based pricing is proactive, willing to take risks and applies more-innovative strategies (Netseva-Porcheva and Bozev, 2019). In most cases, value-based pricing leads to higher price levels and a more positive impact on company profitability compared to cost-based and competition-based pricing (Hogan, 2010; Liozu and Hinterhuber, 2013; Toni, Milan, Saciloto and Larentis, 2017; Stiving, 2018, etc.). Value-based pricing focuses on delivering benefits to all partners: customers, distributors, the company itself (Macdivitt and Wilkinson, 2012). According to Stiving (2018), value-based pricing builds consumer loyalty if the product is worth its high price and balances the interests of both the company and the customers since, this way, it can create an opportunity for customer capital accumulation and lead to increased company value in the future.

1.2. Empirical literature review

What groups the studies mentioned below is the subject of research which is company pricing objectives and strategies.

Pricing objectives

Shipley (1981) did research based on the data collected from 728 sales and marketing directors in order to find out what are the pricing objectives of British manufacturing firms and tried to establish in particular (1) those which significantly influence their company's pricing decisions, and (2) one which is usually regarded within the organisation as being the most important. The analysis of the survey data was refracted through the prism of key pricing issues such as: multiplicity of pricing objectives; flexibility in pricing objectives; choosing between short-term or long-term profits, choosing between profit maximisation or satisficing. It was found out that the most common pricing objectives British manufacturing firms set are profit target or return on capital employed, followed by setting prices which are fair to customers, achievement of price similarity with competitors, target volume of sales revenue, stable volume of sales, and market share based on sales. The least cited one is the achievement of stable prices. Long-term profit is considered more important than short-term profit.

Another survey done by Samiee (1987) set out to establish the role of pricing in the marketing plans of local and foreign companies operating on the American market as well as to find out how pricing decisions are made and what pricing objectives are set. The survey was carried out by mail with the executives of 104 American and 88 foreign companies and 12 in-depth interviews were conducted. The findings indicate that pricing plays a relatively less important role in the marketing strategies of foreign-based firms in the United States. Another major finding of this study indicates some differences between the U.S. and foreign-based companies' marketing objectives. Specified sales objective, profit maximisation, satisfactory ROI, and market-skimming objectives appear to be more important for foreign companies, whereas increasing or maintaining market share, competitive pricing, and meeting profit goals are more important for the U.S. group.

Diamantopoulos and Mathews (1994) investigate a large manufacturing company producing a wide range of repeat-purchase products (over 900 in all) organised into 21 products groups. The study is aimed at clarifying: (1) the relative popularity of maximisation versus satisficing formulations in respectively the short- and long-term pricing objectives; (2) the extent to which there is a 'switch' in the specification of a given objective across the two-time horizons; (3) the degree to which there is a difference in the importance attached to the same objective depending on whether maximisation or satisficing is sought; (4) the interrelationships between different objectives and (5) the impact of the external environment (i.e. market influences) on objectives specification. The findings indicate that maximisation and satisficing represent conceptually distinct motivational patterns of objectives specification. The very high ratings to long-term profit maximisation contrast sharply with the ratings, given in short term, when satisficing formulations were indicated in all cases. The most important objective is market share, followed by sales volume, money profit, sales revenue, profit margin and liquidity. The overall mean ratings for all objectives in the long-term appear to be consistently higher than their corresponding short-term equivalents. The study also revealed that, in fact, the interrelationships exist among pricing objectives. Looking at the nature of linkages, most indicate goal complementary rather than goal conflict. All market variables examined impact upon the specification of one or more short- and/or long-term objectives. Some

market characteristics have greater influence than others (e.g. non-price competition is related to more objectives then product substitutability).

Tzokas et al. (2000) aim to explore empirically the export pricing practices of industrial companies in the United Kingdom. The object of analysis is the data from 178 companies for which research was done in terms of pricing factors taken into account, pricing objectives, pricing policies and methods employed. The most frequently defined pricing objectives include: survival in the long run, customer value, target export profit, target export sales and customer price needs.

Avlonitis and Indounas (2005a) investigate the pricing objectives that service companies pursue along with the pricing methods that they adopt in order to set their prices. Data were collected from 170 companies operating in six different services sectors in Greece through personal interviews. The findings of the study reveal that the objectives which are pursued are fundamentally qualitative rather than quantitative in their nature with a particular emphasis given on company customers (attracting new customers, keeping the existing ones and satisfying their needs). Other important objectives were found to be the service quality leadership, the creation of a prestige image of the company and long-term survival. The pricing methods adopted by the majority of the companies include the traditional cost-plus method and the pricing according to the market's average prices. The study also revealed that pricing objectives are associated with pricing methods. The customer-related objectives along with competition-related objectives were found to be associated positively with the method of pricing according to the market's average prices, whereas the service quality-related objectives and the maximisation of profits and sales objectives in the survey were found to be associated negatively with this specific method. The financial objectives, along with the achievement of satisfactory profits and sales objectives were associated positively with the method of target return pricing, whereas the stability in the market objective was associated negatively with this method. The competition-related objectives were associated positively with the method of pricing according to the dominant price in the market and the method of pricing below competitors, whereas the market share and capacity-related objectives were also associated positively with the method of pricing below competitors. The competition-related objectives are bound to have a bearing on competition-based methods (i.e. pricing according to the dominant price in the market and pricing below competitors), whereas the financial objectives have a bearing on cost-based methods (i.e. target return pricing).

One of the most comprehensive surveys examining the relationship between the three key elements of pricing decisions – pricing strategies, pricing objectives and pricing determinants is that of Rao and Kartono (2009). It was carried out with 199 managers from 3 countries – the USA, India and Singapore. A conceptual model of pricing was developed based on an analysis of the literature on this matter. The survey aimed to check the applicability of the model in the part pricing strategies – pricing objectives – pricing determinants, to examine their correlation and to compare the results by country. The impact of various pricing determinants (market conditions, competitive conditions, product/company conditions, etc.) on the choice of pricing objectives was analysed. Regardless of the differences observed by country, it was found out that, generally, the most important objectives were those of increasing or keeping market share and increasing

or keeping sales volume. The least important objectives were those of avoiding government attention or intervention and undercutting competitor pricing. The most frequently used pricing strategy was cost-plus pricing. This was followed by price signalling, perceived value pricing and parity pricing /setting a price for the product that is comparable to that of the market leader or price leader/. The least frequently used pricing strategies were Internet pricing and both breakeven pricing and second market discounting. The survey results show that for the companies that adopted cost-plus pricing, the most significant pricing objectives are to increase or keep profit and to maintain a rational pricing structure; for the companies that adopted the strategy of parity pricing – competitor-based pricing, maintaining competitive level, erecting or maintaining barriers to entry and maintaining distributor support, etc.; and for the companies that adopted value-based pricing – preventing new players from entering the market and building long-term customer relationships involving consumer loyalty to a company and its products.

Indounas (2018) investigated the pricing objectives that service companies pursue to set their prices and to examine the impact of market structure on these objectives. Data were collected from 184 companies in Greece, operating in four different service industries. The findings indicate that the companies seem to follow a hierarchy of pricing objectives, in which their main focus is on the keeping of the existing customers and the attraction of new ones in order to ensure their long-term survival in their market without, however, disregarding financial issues and objectives. The study also revealed that the market structure, along with the sector of operation, has an impact on the pricing objectives pursued, as different market conditions were found to lead to different pricing objectives.

The review of the empirical studies on pricing objectives allows their classification into three groups:

- studies focused on the frequency of usage and the importance of the different pricing objectives for companies based on various criteria (the period of time they refer to, their quantitative or qualitative nature, the focus on maximisation or satisficing, their compatibility with one another, etc.) – Samiee (1987); Diamantopoulos and Mathews (1994); Avlonitis and Indounas (2005a); Indounas (2018) et al.;
- studies focused on revealing relations and correlations between pricing objectives and other pricing stages (taking into account the impact of pricing factors, choice of pricing strategy, choice of pricing method, etc.) – Tzokas et al. (2000); Avlonitis and Indounas (2005a); Rao and Kartono (2009) et al.;
- studies focused on clarifying the relations and correlations between various environmental factors (market conditions; competitive conditions, product/company conditions) and pricing objectives – Diamantopoulos and Mathews (1994); Tzokas et al. (2000); Rao and Kartono (2009); Indounas (2018) et al.

Pricing strategies

Some of the empirical studies are complex, with company pricing objectives and strategies being their object of analysis (Avlonitis and Indounas (2005a), Rao and Kartono (2009), etc.). Only empirical studies on pricing strategies are presented in this section.

A survey conducted by Hogan (2010) set out to establish if there is a correlation between the adopted pricing strategy and company financial results. It was carried out with managers from over 200 companies from different sectors of the economy. Its aim was to answer two questions: (1) which pricing strategies correlate with operating profit most and (2) which is the bigger source of profit – a good strategy or effective execution. It was found out that value masters, the companies developing and effectively implementing value-based strategy, have an operating profit which is on average 24% higher than the rest of the companies in the trade (which determine their prices based on costs and competition). It is noted that it is not sufficient to develop a good pricing strategy. It is important that price is a strategic priority to senior company management, that it is clearly defined and well-explained within the organisation. It is proved that companies that ensure these conditions have higher financial results.

Liozu and Hinterhuber (2013) conducted a survey of 1812 professionals in the field of pricing in order to measure the impact of the adopted pricing strategy on company results. The authors found out that the three basic pricing strategies have different influence on company pricing capacity, which is in close relation to company performance. A positive relationship between value-based pricing and company performance was established.

Ingenbleek and van der Lans (2013) set out to see if there is a relation between the pricing strategies and pricing practices that refer to the use of customer value, competition, and cost information. For this purpose, an online survey was conducted with CEOs of 95 small and medium-sized manufacturing and service firms in the Netherlands. The object of research was the pricing strategies and pricing practices of companies producing tangible products and/or offering services intended for B2C and/or B2B consumers. According to the researchers, pricing strategies are visible in the market, whereas pricing practices remain hidden within an organisation. The authors prove that there is a relation between pricing strategies and pricing practices because pricing strategies are implemented through pricing practices based on information about the value a product has for consumers, competition and costs.

Marinov (2017) did empirical research on innovations in Bulgarian companies. For this purpose, an online survey of 304 company managers was carried out. The companies operated in Bulgaria and had developed at least two new products over the last two years. It was found out that when launching new products on the market, the most popular pricing strategy is the competition-based one and the least popular strategy is value-based pricing.

Toni, Milan, Saciloto and Larentis (2017) suggested and tested a theoretical model showing the impact of the adopted pricing strategy on company profitability. For this purpose, data were collected for 150 industrial companies in the field of material production in Brazil, the pricing strategies adopted by them (value-based, competition-based and cost-based), price levels (high and low) as well as their influence on company profitability. It was established

that in terms of profitability, the best results are obtained with value-based pricing and high price levels whereas in the cases of value-based pricing and low price levels company performance is negatively affected.

Guerreiro and Amaral (2018) investigated whether the marketing researchers' claim that the use of cost-based pricing approach prevails over the use of value-based pricing approach is pertinent. The arguments, propositions and the case study findings provide the logical sequence and the support required to conclude that price-setting based on cost plus margin does not always conflict with the value-based pricing approach. As a result, it may be claimed that the general proposition established is theoretically valid, i.e. using a price formula, that contains the cost and margin elements, does not necessarily mean that the company sets prices based on cost.

The review of the empirical research on pricing strategies allows their classification into four groups:

- studies on the frequency of usage and the importance of the different pricing strategies for companies – Marinov (2017) et al.;
- studies focused on revealing relations and correlations between the adopted pricing strategies and other stages of the pricing process (setting pricing objectives, taking into account the influence of pricing factors, choice of pricing method, pricing practices, etc.) – Tzokas et al. (2000); Avlonitis and Indounas (2005a); Rao and Kartono (2009); Ingenbleek and van der Lans (2013) et al.;
- studies focused on clarifying the relations and correlations between the adopted pricing strategy and company performance – Hogan (2010); Liozu and Hinterhuber (2013); Toni, Milan, Saciloto and Larentis (2017) et al.;
- studies focused on the compatibility or controversial nature of cost-based pricing, competition-based pricing and value-based pricing strategy – Guerreiro and Amaral (2018).

Generally, in Bulgarian literature, there are no publications based on empirical research on the pricing objectives and strategies used by the companies operating in Bulgaria, which outline the specifics and trends of goal-setting and of choosing a pricing strategy, respectively. This study attempts to establish a realistic picture of the pricing objectives and, correspondingly, the adopted pricing strategies for their achievement of the companies operating in Bulgaria.

2. Research methodology

In accordance with the aim and research issues of this scientific study, the following working hypotheses are tested:

H1: There is no pricing objective that is common to all companies.

H2: Companies tend to set quantitative rather than qualitative pricing objectives.

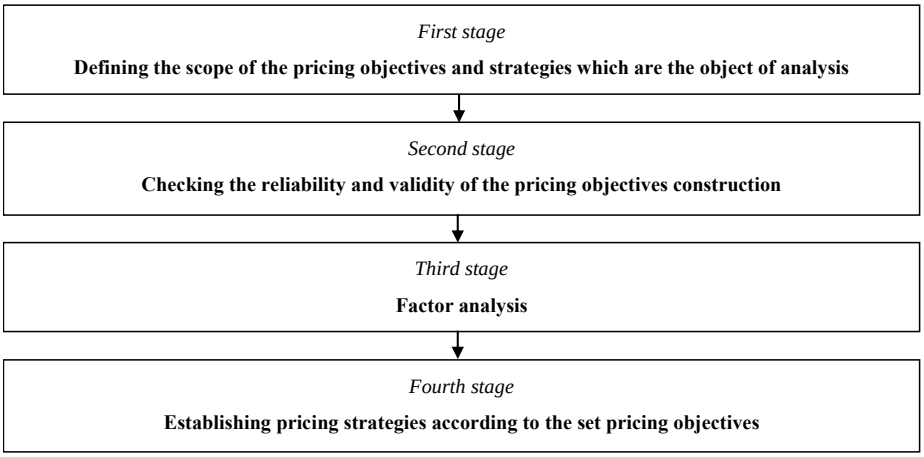
H3: Most quantitative objectives companies set can be achieved by using various pricing strategies. Qualitative objectives are the ones that are typical of a given pricing strategy.

The main method employed for data collection in the present study is the structured personal online survey carried out for the period of July–August 2017. First, 20 in-depth interviews with managers were conducted in order to cover best the respondents' professional language and answer formulations on which the final version of the online survey is based. The units observed in the survey are companies operating on Bulgarian territory (Bulgarian and foreign ones with a subsidiary or agency). The companies are from the material production and services sectors. The target respondent in each company is the CEO/ marketing director/ manager – the person that, depending on the company structure, is in charge of prices and pricing. The sample size is 200 surveyed units (companies) and the collected data are the object of analysis, which does not claim for a representation of the results in terms of the population. The research applies quota sampling based on two characteristics: company size (depending on employee number) and product type (material and non-material). The statistical data processing and analysis include: the reliability (Cronbach's alpha analysis) and construct validity (Kaiser-Meyer-Okin measure of sampling adequacy test, Bartlet's test of sphericity) of a questionnaire, determining pricing objectives (anti-image correlation matrix) in order to find out the corresponding pricing strategies for their achievement (factor analysis). The statistical hypotheses checks for all methods were carried out at a 5% risk of a type I error. The statistical data processing was carried out with the programs Factor and Jamovi.

The methodology of the current study consists of four stages (Figure 1).

Figure 1

A sequence of actions aimed at establishing pricing strategies according to the set pricing objectives



Source: Developed by the authors.

First stage

The list of pricing objectives is based on the one suggested by Oxenfeldt (1973) and Rao and Kartono (2009) and was complemented by objectives proposed by Diamantopoulos and Mathews (1994); Diamantopoulos (1995); Tzokas et al. (2000), which are typical of industrial companies, as well as by Avlonitis and Indounas (2005a, 2005b), which are applicable to companies from the services sector. The list includes both quantitative and qualitative objectives. Some of the objectives are long-term, others are short-term. The complexity of pricing decisions requires the formulation of more than one pricing objective over a given period (Oxenfeldt, 1973; Shipley, 1981; Diamantopoulos, 1991 et al.). That is why respondents were asked to choose from the suggested list one or more pricing objectives related to the main product. This is the company product with the highest sales revenue over the last calendar year. For the purposes of this survey, the respondents were given a list of 24 possible pricing objectives (Table 1), but they were able to add other objectives as well.

Table 1

Pricing objectives

1. Increasing long-term profit	14. Survival
2. Increasing or keeping short-term profit	15. Building an image of the company and its products
3. Achievement of satisfaction profit	
4. ROI (Return on Investment)	16. Building a positive attitude towards the company and its products
5. Increasing or keeping sales volume	
6. Increasing or keeping market share	17. Creation of interest about the product
7. Using the price of one product to support sales of other products in the same product line	18. Quality leadership
	19. Keeping the existing customers
	20. Attraction of new customers
8. Matching competitor pricing	21. Building long-term customer relationships
9. Avoiding price wars	22. Retaining loyalty of middlemen and getting their support
10. Achievement of price leadership	
11. Discouragement of new competitors' entering into the market	23. Achievement of social goals
	24. Avoiding government intervention and control
12. Accelerating the exit of major competitors	
13. Price stability in the market	25. Others

Source: Adapted by Oxenfeldt (1973), Diamantopoulos and Mathews (1994), Diamantopoulos (1995), Tzokas et al. (2000), Avlonitis and Indounas (2005a, 2005b) and Rao and Kartono (2009).

As it was noted down in the theoretical review, pricing theory and practice offer a great variety of pricing strategies. The pricing strategies subject to analysis in this study are cost-based pricing, competition-based pricing and value-based pricing. The choice of these strategies is justified by the following arguments: *first*, these pricing strategies can lead to a change in the strategic positions of a company in the future; *second*, the opinions of the manager respondents in the 20 in-depth interviews; *third,* over the last years, it is these three pricing strategies that have been of greatest interest to the academic community, researchers and practitioners.

Second stage

In order to obtain reliable results, it should be proved that there are: *first*, reliability of the results regarding pricing objectives; *second*, construct validity of objectives.

- Reliability

Reliability indicates the consistency and repeatability of results. There are two kinds of reliability: *internal*, which checks a questionnaire or scale consistency and *external*, which checks results stability. For the purposes of this research, internal reliability is used because it aims to find out consistency between pricing objectives themselves (Table 2).

Table 2

Pricing objectives indicated by the companies

Item / Firms	Item 1 [Price Object 1]	Item 2 [Price Object 2]	…	Item 24 [Price Object 24]
1	Yes/No	Yes/No	…	Yes/No
2	Yes/No	Yes/No	…	Yes/No
…	…	…	…	…
200	Yes/No	Yes/No	…	Yes/No

Source: Developed by the authors.

Proving that pricing objectives are consistent with one another will mean that they are homogeneous and measure the same thing (Tang, Cui, Babenko, 2014).

The most common methods for assessment of the internal reliability of a scale are the split-half-reliability and Cronbach's alpha coefficient. The scale here means a group of variables (in our case, these are the objectives indicated by the companies) measured by the same construct.

The method of split-half-reliability divides variables into two groups and, based on this, assesses the reliability of the whole scale. Since the assessment depends to a great extent on how pricing objectives will be split into the two groups, this leads to different results.

Cronbach's alpha coefficient solves this problem by calculating the average reliability of all possible split-half reliabilities based on a scale. The calculations with this coefficient are based on more information which makes it a better measure for the assessment of internal reliability (Howitt, Cramer, 2011). In our case, to measure the internal reliability, we have to use a special case of Cronbach's coefficient: Kuder-Richardson 20 index. It is applied for variables with binary choices such as the possible answers (Yes/No) regarding each pricing objective (Kuder and Richardson, 1937). In some cases, the Kuder-Richardson index and Cronbach's alpha coefficient lead to the same assessment, but the assessment with Cronbach's alpha is sustainable as well. This is the case when the variables construct of objectives is a multidimensional scale and there are no missing values of the variables. The values for both coefficients range between 0 and 1 where 0 means no reliability and 1 means perfect reliability (Naidenov, 2015). The calculated coefficient must exceed 0.50; otherwise, reliability is considered low and insufficient.

- Validity

Validity shows the extent to which a particular instrument measures what it is designed to measure (Robson, 2011) and assesses how truthful research results are.

Three main types of validity are distinguished: content validity, criterion validity and construct validity. According to Cronbach and Meehl (1955), when there is no criterion to correlate the test against, a validation of the construct itself must be carried out. Since there has not been done any other research in the field of setting price objectives by the companies in the country, it is not possible to make a comparison. This requires a validation only in terms of the objectives of the internal construct. Construct validity is considered the commonest of the three types of validity, that subsumes content and criterion validity (Krabbe, 2017). The construct of pricing objectives must be validated in advance because it will serve as the basis for a subsequent factor analysis that will relate a particular pricing strategy to a particular pricing objective.

The instrument to validate the whole construct is the Kaiser-Meyer-Olkin Test which is a sampling adequacy test. This test assesses the proportion of variance in the variables (pricing objectives) that might be caused by underlying factors (strategies). The Kaiser-Meyer-Olkin coefficient ranges from 0 to 1 and in order to consider the sample adequacy satisfactory, its value must be over 0.50. Together with the Kaiser-Meyer-Olkin, the data will be checked with the Bartlet's test of sphericity. Bartlet's test makes it possible to answer the question about the suitability of the data for factor analysis. If after the check with this test, it turns out that the level of significance is lower than the expected risk of a type I error, then the data are considered suitable for factor analysis.

Third stage

Factor analysis finds factors that are hidden and cannot be measured directly. There are two types of factor analysis – confirmatory factor analysis and exploratory factor analysis. Since it is not known in advance which strategy will be employed for given objectives, exploratory factor analysis will be used. It can also be used for the validation of the objectives construct in order to confirm the results received from the second stage. Generally, factor analysis is based on Pearson's correlation coefficients, but in our case, the objectives are given with binary answers (Yes/No) and it is more appropriate to use tetrachoric correlation (Savaley, Bonett, Bentler, 2015).

It is necessary to make it clear that factor analysis is not used in its classic version where strategies are factors for price objectives grouping. The idea here is to use its instruments in order to group the objectives that will, later on, be related to the corresponding pricing strategies.

Fourth stage

Based on factor analysis, there will be established the pricing strategies used by companies to achieve given pricing objectives. If two objectives are related, the relation is due to the

fact that they both have a common feature that cannot be observed directly. In our case, we want to group the objectives for the achievement of which is applied one of the three pricing strategies (cost-based pricing, competition-based pricing, value-based pricing) that play the role of hidden (latent) factors. In order to decide which pricing objectives to include in the factor analysis, the anti-image correlation matrix will be used. Each objective on the diagonal of the matrix with a value bigger than 0.50 will be included in the analysis (Goev et al., 2019). The rest do not have a correlation with the other pricing objectives that is strong enough. They have a universal nature and can be achieved by employing any of the three pricing strategies.

3. Empirical results and analysis

Depending on the market they operate on, 60% of the companies are Bulgarian ones operating entirely on the domestic market, 26% are Bulgarian companies operating on both the domestic and foreign markets, and 14% are foreign companies operating on the domestic market. In terms of the number of employees, in 24% of the companies from the sample, the average monthly number of employees is up to 9, in 29% – from 10 to 49 people, in 30.5% – from 50 to 249 people and in 16.5% – 250 and over employees. In terms of consumer type – 65% of the companies in the researched aggregate sell mostly to end consumers (B2C) and 35% – mostly to business consumers (B2B). In terms of the nature of the products offered – 50% of the companies from the sample offer mostly material products and 50% offer services.

As it was mentioned in stage 1 of this study methodology, the object of analysis are 24 pricing objectives. None of the survey respondents indicated that in their company are defined objectives different from the ones enumerated in the survey. The complete list of pricing objectives and their frequency distribution are given in Table 3.

The survey results show that less than 1.5% of the companies in the sample have only one pricing objective. More than three pricing objectives were indicated by 27.5% of the companies. On average, every company indicated between three and four pricing objectives it set in relation to its main product. Most often, the pricing objectives set by the companies from the sample are: increasing or keeping of sales volume (14.7%) and the achievement of satisfaction profit (11.3%) followed by increasing long-term profit (9.9%), return on investment (8.7%) and increasing or keeping market share (8.6%). The low percentage of the most frequently indicated pricing objective of increasing or keeping sales volume (14.7%) shows that none of the pricing objectives can be defined as common to all businesses which confirms our first hypothesis (H1). The least indicated pricing objective is avoiding government intervention and control (0.3%). This can be explained with the small number of companies whose product prices are subject to state regulation.

Table 3

Frequency distribution of pricing objectives

Pricing objective	Frequency, (%)
1. Increasing long-term profit	73 (9.9%)
2. Increasing or keeping short-term profit	33 (4.5%)
3. Achievement of satisfaction profit	83 (11.3%)
4. ROI (Return on Investment)	64 (8.7%)
5. Increasing or keeping sales volume	108 (14.7%)
6. Increasing or keeping market share	63 (8.6%)
7. Using the price of one product to support sales of other products in the same product line	13 (1.8%)
8. Matching competitor pricing	23 (3.1%)
9. Avoiding price wars	8 (1.1%)
10. Achievement of price leadership	9 (1.2%)
11. Discouragement of new competitors' entering into the market	4 (0.5%)
12. Accelerating the exit of major competitors	3 (0.4%)
13. Price stability in the market	12 (1.6%)
14. Survival	13 (1.8%)
15. Building an image of the company and its products	46 (6.3%)
16. Building a positive attitude towards the company and its products	25 (3.4%)
17. Creation of interest about the product	16 (2.2%)
18. Quality leadership	28 (3.8%)
19. Keeping the existing customers	18 (2.4%)
20. Attraction of new customers	44 (6.0%)
21. Building long-term customer relationships	36 (4.9%)
22. Retaining loyalty of middlemen and getting their support	5 (0.7%)
23. Achievement of social goals	6 (0.8%)
24. Avoiding government intervention and control	2 (0.3%)
Total	735 (100%)

Note: The number of answers is bigger than the number of firms, because every firm can indicate more than one pricing objective.

Source: Authors' calculations.

Usually, a quantifiable objective is combined with several qualitative ones, even though it is not an exception to have cases in which several quantifiable objectives are combined. Conversely, setting qualitative objectives only is observed with only 7.5% of the companies.

The number of the quantifiable objectives (increasing or keeping sales volume, the achievement of satisfaction profit, increasing long-term profit, increasing or keeping the short-term profit, return on investment, increasing or keeping company market share)) is smaller – only 6, but as a percentage, they amount to 57.7% of all answers given regarding pricing objectives. This confirms the second hypothesis (H2), which states that more often companies set quantitative rather than qualitative objectives.

Of the pricing objectives related to profit, companies give 1.4 % more to the pricing objective of achievement of satisfaction profit compared to the pricing objective of increasing long-term profit as well as 5.4 % more to the pricing objective of increasing long-term profit compared to the pricing objective of increasing or keeping the short-term profit.

Defining the pricing objectives that will be used for establishing the pricing strategies for their achievement was found out with the results from the anti-image correlation matrix given in Table 4.

Table 4

Anti-image correlation matrix

Pricing objective	Diagonal value	Pricing objective	Diagonal value
1. Increasing long-term profit	0.387	13. Price stability in the market	0.424
2. Increasing or keeping short-term profit	0.532	14. Survival	0.441
3. Achievement of satisfaction profit	0.551	15. Building an image of the company and its products	0.751
4. ROI (Return on Investment)	0.366	16. Building a positive attitude towards the company and its products	0.814
5. Increasing or keeping sales volume	0.384	17. Creation of interest about the product	0.736
6. Increasing or keeping market share	0.606	18. Quality leadership	0.785
7. Using the price of one product to support sales of other products in the same product line	0.631	19. Keeping the existing customers	0.694
8. Matching competitor pricing	0.535	20. Attraction of new customers	0.718
9. Avoiding price wars	0.551	21. Building long-term customer relationships	0.723
10. Achievement of price leadership	0.647	22. Retaining loyalty of middlemen and getting their support	0.712
11. Discouragement of new competitors' entering into the market	0.723	23. Achievement of social goals	0.589
12. Accelerating the exit of major competitors	0.550	24. Avoiding government intervention and control	0.536

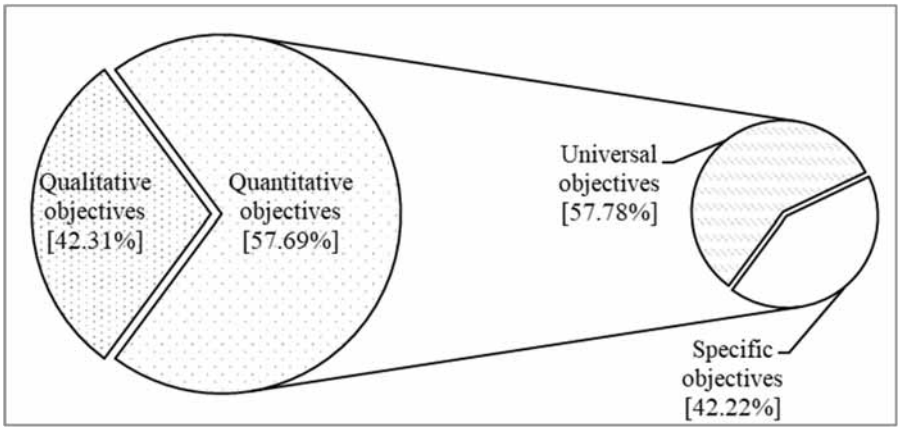
Source: Authors' calculations.

Five of the pricing objectives – increasing long-term profit, return on investment, increasing or keeping sales volume, price stability in the market and survival, have values received on the diagonal of the anti-image correlation matrix (Table 4) that are lower than 0.50 which shows that they do not have a really clear relation to the other objectives. These pricing objectives can be achieved by using each of the pricing strategies, which makes it

possible to define them as universal and form a separate group that is not part of the factor analysis. The universal pricing objectives are indicated in 36.7% of all answers. Three of them are of quantitative nature: increasing long-term profit, return on investment, increasing or keeping sales volume. The fourth and the fifth: price stability in the market and survival are of qualitative nature. Quantitative objectives of universal nature are 57.78% of all answers about quantitative objectives (Figure 2). This confirms the third hypothesis (H3) in the part stating that most of the quantitative objectives set by companies can be achieved by employing any of the three basic pricing strategies: cost-based pricing, competition-based pricing or value-based pricing.

Figure 2

Relative share of the universal and specific quantitative objectives



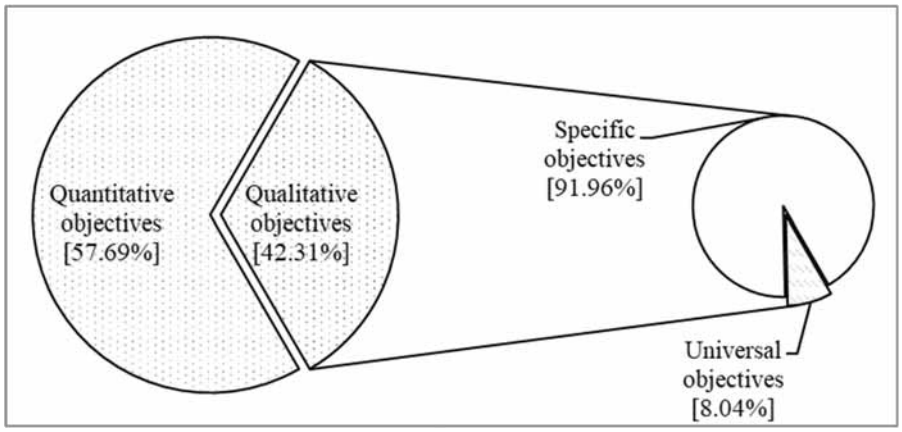
Source: Developed by the authors.

The other 19 pricing objectives are of qualitative nature (except for increasing or keeping market share) and have values higher than 0.50 on the diagonal of the anti-image correlation matrix (Table 4) which means that they correlate. In order to achieve them, companies employ one of the three basic pricing strategies: cost-based pricing, competition-based pricing or value-based pricing and they have a specific nature. Qualitative objectives are of specific nature according to 91.96% of the answers regarding qualitative objectives (Figure 3). This confirms the third hypothesis (H3) in the part stating that qualitative objectives are the objectives specific of a given pricing strategy.

The nineteen specific pricing objectives will be divided into three groups in order to find out what pricing strategy is used for their achievement. For them, a reliability and validity checks were done by using Cronbach's coefficient, Kaiser-Meyer-Olkin coefficient and Bartlett's test of sphericity. The values received are given in Table 5.

Figure 3

Relative share of the universal and specific qualitative objectives



Source: Developed by the authors.

Table 5

Assumption checks

Coefficient	Value
Cronbach's α / Kuder-Richardson 20 index	0.650
Kaiser-Meyer-Olkin	0.704
Bartlett's Test of Sphericity	0.000

Source: Authors' calculations.

As it was mentioned in the methodology section, there are two conditions under which the value of the Kuder-Richardson 20 index coefficient is the same as that of the Cronbach's α coefficient. The condition requiring a multidimensional scale of the variables construct is fulfilled because there is more than one strategy behind the pricing objectives. The other condition is fulfilled as well for all respondents provided answers. The value of the Cronbach's α / Kuder-Richardson 20 coefficients index amount to 0.650, which is a reason to claim that there is moderate data reliability (Tan, 2009). The total sample adequacy calculated based on the Kaiser-Meyer-Olkin coefficient amounts to 0.704, which means that adequacy is moderate as well (Kaiser, 1974). With the Bartlett's test of sphericity, we confirm that it is possible to apply factor analysis for pricing objectives since the level of test significance (Sig.= 0.000) is lower than the acceptable risk for a I type mistake (α = 5%).

The data in Table 6 show what part of the pricing objectives is achieved by using a particular pricing strategy. To achieve 17.35% of the pricing objectives, one pricing strategy can be used, for 10.75% – another pricing strategy and for 7.68% – a third pricing strategy. Altogether, with the three pricing strategies are achieved 35.78% of all pricing objectives are achieved by using the three strategies (cumulative %). The other part up to

100% is due to the free variation of objectives, that is not related to the three pricing strategies.

Table 6

Variance Explained

Factor	S.S. Loadings	% of Variance	Cumulative %
1	3.469	17.346	17.346
2	2.150	10.750	28.095
3	1.536	7.679	35.775

Source: Authors' calculations.

The results from the factor analysis are given in Table 7, where the objectives are divided into three groups, with each of them related to one of the three pricing strategies. A given pricing strategy is related to the objective with which their correlation coefficient has the highest value.

Table 7

Component matrix (N=200)

Pricing objective	Price strategy 1	Price strategy 2	Price strategy 3
Increasing or keeping short-term profit	.346		
Achievement of satisfaction profit	.375		
Avoiding price wars	-.434		
Discouragement of new competitors' entering into the market	.568		
Avoiding government intervention and control	.598		
Matching competitor pricing		.639	
Achievement of price leadership		.562	
Accelerating the exit of major competitors		.753	
Using the price of one product to support sales of other products in the same product line		.685	
Increasing or keeping market share			-.306
Building an image of the company and its products			.592
Building a positive attitude towards the company and its products			.601
Creation of interest about the product			.514
Quality leadership			.615
Keeping the existing customers			.691
Attraction of new customers			.687
Building long-term customer relationships			.631
Retaining loyalty of middlemen and getting their support			.434
Achievement of social goals			.379

Note: Extraction Method: Principal component analysis.

Source: Authors' calculations.

A researcher is faced with the challenge of deciding which pricing strategies match given pricing objectives. The arguments are based on the specific features of the three pricing strategies (section 1.1.) as well as on the opinions of the respondent managers who took part in the in-depth interviews (section 2).

Pricing strategy 1 is employed to achieve the following pricing objectives: increasing or keeping the short-term profit, achievement of satisfaction profit, avoiding price wars, discouragement of new competitors' entering into the market and avoiding government intervention and control. What lies behind these pricing objectives is managerial prudence, not proactive pricing action. This means increasing or keeping short-term instead of long-term profit; achievement of satisfaction profit instead of aiming at an optimal profit; avoiding price wars and state control (avoiding implying being passive, not active); discouragement of new competitors' entering into the market instead of achievement of leadership positions in the market. To achieve these pricing objectives, it is most appropriate to use a cost-based pricing strategy.

Pricing strategy 2 is applied to achieve the following pricing objectives: matching competitor pricing, achievement of price-leadership, accelerating the exit of major competitors and using the price of one product to support sales of other products in the same product line. What these objectives have in common is the relation to competition, not to company performance. In this sense, to achieve them, it is best to apply the competition-based pricing strategy.

Pricing strategy 3 is used to achieve the following pricing objectives: increasing or keeping market share, building an image of the company and its products, building a positive attitude towards the company and its products, creation of interest about the product, quality leadership, keeping the existing customers, attraction of new customers, building long-term customer relationships and retaining middlemen's loyalty and getting their support, and achievement of social goals. These pricing objectives are oriented towards a company with its customers and partners. When formulating them, words with an active meaning are used such as building, creation, attraction, keeping, retaining and achievement. These pricing objectives could be considered as implying a strive for creating consumer value (creating company and company products image, a positive attitude towards the company, interest in the company and its products, developing high-quality products), capturing value from customers (by building a long-term relationship with them, being socially responsible, keeping customers and attracting new ones) and loyalty to company partners. That is why the most appropriate strategy for the achievement of these pricing objectives is a value-based pricing strategy.

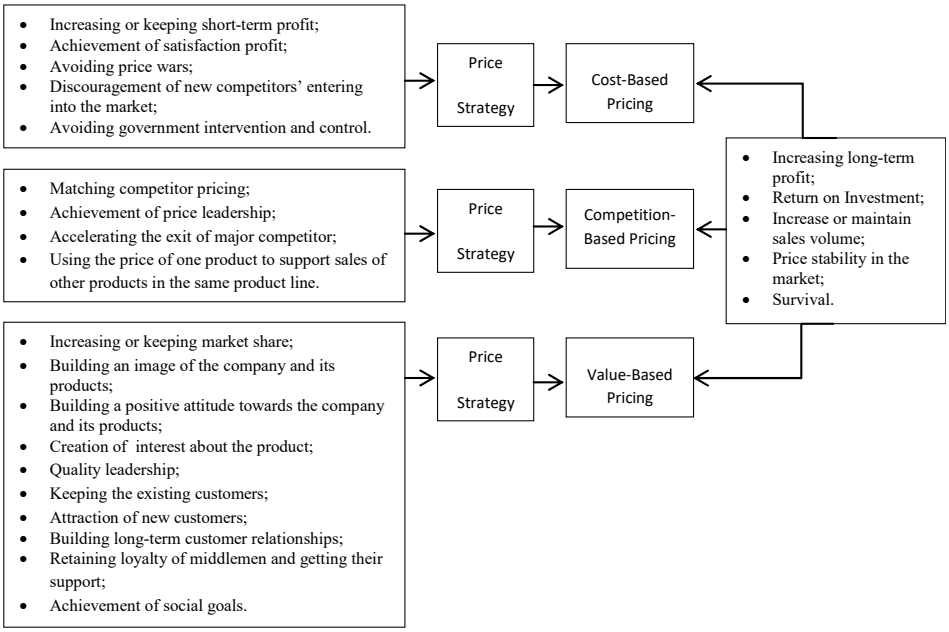
The survey results are presented schematically in Figure 4.

The figure shows the relation between the three groups of pricing objectives and pricing strategies. On the left, there are the specific pricing objectives divided into three groups, each of which is related to a particular pricing strategy. On the right, there are the five universal pricing objectives which can be achieved by using any of the three pricing strategies.

To sum up, based on the empirical results mentioned in the methodology section, a check of the working hypotheses has been done and its results are given in Table 8.

Figure 4

Pricing objectives and pricing strategies for their achievement



Source: Developed by the authors.

Table 8

Hypotheses check results

	Hypothesis	**Result**
H1:	There is no pricing objective that is common to all companies.	☑
H2:	Companies tend to set quantitative rather than qualitative pricing objectives.	☑
H3:	Most quantitative objectives companies set can be achieved by using various pricing strategies. Qualitative objectives are the ones that are typical of a given pricing strategy.	☑

Legend: ☑ *– confirmed* ☒ *– rejected*

Source: Developed by the authors.

The table shows that all working hypotheses have been confirmed completely.

Conclusion

The current study has been the first one focused on the pricing objectives set by the companies operating in Bulgaria as well as on the pricing strategies for their achievement. The object of research are 24 pricing objectives and three pricing strategies – cost-based pricing, competition-based pricing and value-based pricing.

The findings indicate that the most common pricing objectives set by the companies operating in Bulgaria are of quantitative nature and include increasing or keeping sales volume, achievement of satisfaction profit, increasing long-term profit, return on investment and increasing or keeping market share.

The present study is original because it distinguishes two groups of pricing objectives – of universal and of specific nature. It has been established that mostly quantitative objectives are of universal nature. They are of greater importance to companies and any of the three pricing strategies can be used for their achievement. Mostly qualitative objectives are of a specific nature. With them, the price is used as a marketing tool in a different way and for their achievement companies employ one of the three pricing strategies: cost-based pricing, competition-based pricing or value-based pricing. In terms of qualitative objectives, it has been established which strategy should be applied for each of the pricing objectives groups.

This study is significant because of the practical and applied nature of its findings. The potential users of the survey results are the managers responsible for prices and pricing in the respective companies. These results can be used as a guide to the pricing strategies they should develop according to the pricing objectives.

In the future, in order to obtain a more profound understanding of company pricing, the findings could be expanded by examining the relationship pricing factors – pricing objectives – pricing strategies – pricing methods. This would allow a deeper insight into the complexity and secrets of company pricing.

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