

Price – the determining factor in strategies of business entities during the covid and post-covid period

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Abstract: *The crisis caused by the COVID-19 pandemic affected business entities worldwide and didn't give the financial management sufficient time to prepare for a period of uncertainty. The financial management plays a significant role in business management during a period of uncertainty, its decisions during the covid and post-covid period only increase in weight and responsibility. If a business fails to set its prices right, the business will fail to reach the expected profit, and that is why product or service price is a determining factor on the basis of which the customer decides, whether to buy the given product or service during the covid or post-covid period, which thus ensures the business reaches its sales and secures financial income. For the above reasons, it is the goal of this report to evaluate the roles of pricing management in price management in all of its phases as a tool used to promote and grow businesses in the covid and post-covid period.*

Keywords: *COVID-19 pandemic, price, pricing management, pricing strategy, pricing controlling*

JEL codes: L1, L11, M21, M31, M40

1 Introduction

The growth of a business and its success depend on a number of factors and especially on individual management decisions that can lead the business towards established goals not only during prosperous times, but also during periods, when the business is affected by negative impacts. Management decisions of businesses operating within any sphere are currently facing a price increase. Currently, the price increase is in the background significantly affected by the COVID-19 pandemic, which impacted suppliers and caused a price increase. The Slovak consumer market has noted a significant interannual price increase of energies and foods. While the causes of price increase for energies are quite intuitive, for foods it is a mixture of causes and effects, which may be different for each commodity (Slovenská sporiteľňa, 2022). Decision-making in pricing management is a relatively new field that is covered by experts on an international scale and in a scope that goes beyond the micro-economical and marketing price perception (Remeňová, 2022) and its significance in management decisions is increasingly rising during this covid and post-covid period. The importance of pricing as a determining factor impacting the profitability of a business needs to be viewed as a strategic decision of the business management, which has to "sensitively" decide on the price of a product or service. To lure in their customers and create competitive benefits, most businesses use a price strategy (Jankelová et al., 2022) that helps with price selection with the aim of maximising the profits of a business and to create room for compromise, where, for a certain price, the buyer is willing to buy and the seller to sell.

The goal of this report is to evaluate the roles of pricing management in all phases of price management as a tool used to grow businesses in the covid and post-covid period, when the decision-making is associated with high risk and uncertainty.

2 Methodology and Data

The significance of pricing management and pricing is increasing, as it is not easy for a business to determine the optimal price for a given product or service. Pricing is influenced by a number of factors that vary depending on the impact of the external environment on

the business, so the price is affected by whether the business is carrying out its activities during the covid, post-covid or usual period. The importance of this matter affecting the profitability of a business needs to be viewed as strategic decisions of pricing management as a tool used to promote a business during the covid and post-covid period, when the business management didn't have enough time to prepare for a crisis period.

3 Results and Discussion

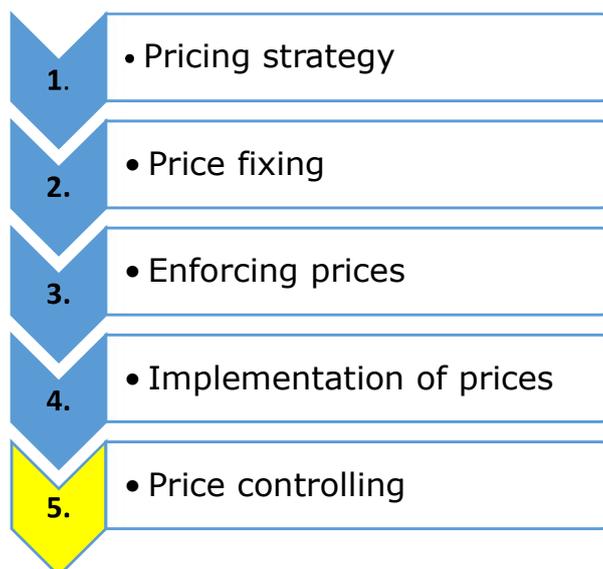
Pricing management is an element of the pricing strategy of a business, one of the main decision-making processes regardless of the field in which the company operates. Profit of the business depends on the difference by which revenue exceeds expenses spent on production, whereas price is the variable that creates profit. According to the provision of Section 2(1) Act No. 18/1996 Coll. on Prices, as amended, price is defined as a monetary amount agreed during the purchase and sale of goods.

Impacts of decisions made in pricing management need to be monitored and evaluated from the perspective of accounting as well. Accounting can only record those facts that are subject to accounting, in monetary units, which means that we need to express them with a suitable price, pricing them, by which we apply one of the basic principles of accounting, which is to measure using a monetary unit (Juhászová et al., 2021). We can say that price is the measure of value of a pricing object expressed in monetary units (Šlosárová et al., 2016). The matter of pricing in accounting in the Slovak republic is laid down in Act No. 431/2002 Coll. on Accounting, as amended, in section five, stating which pricing parameters are to be used by a business under which conditions to the date of pricing.

The objective to make the right decision during the covid and post-covid period is very difficult for the pricing management, because the pricing management does not have sufficient time to make good preparations, develop a good pricing strategy, determine optimal prices well in advance or react to the change in market conditions during the COVID-19 pandemic, which caused measures mostly related to limiting the mobility of people, closing of shops, banning travel, mass events and going outside.

Pricing management consists of basic phases, which represent the individual moments of the decision-making process of price management. According to Remeňová (2020), pricing management consists of the following phases (Figure 1).

Figure 1 The phases of pricing management



Zdroj: Remeňová, 2020

The business can pick suitable tools for pricing within the individual phases of the decision-making process of pricing management during the period influenced by the COVID-19

pandemic (Lovciová, 2022). The decision-making process is always related to a certain amount of uncertainty, but currently, in the period of the COVID-19 pandemic, the amount of uncertainty is increased several times in comparison to the period before the pandemic (Vašeková, 2021).

Pricing strategy is the first step of price management and is the starting point for determining the best optimal price. Determining the optimal price for a product or service is a complex process. If a company sets the price too high, it could lose customers; if it sets the price too low, it could lose profits. The question of determining the optimal price is currently even more important, because outside of the climatic and political conditions caused by the COVID-19 pandemic, it also affected the increase in prices (Verma, Rangnekar and Barua, 2016). Businesses have to monitor the impact of price and its change on customer behaviour, which was changing rapidly mainly due to the conditions set during the COVID-19 pandemic. Especially during the COVID-19 pandemic, a new pricing strategy has significantly pushed forward, the so-called internet pricing strategy. (Kalusová, 2013). As for the pricing strategy, the pricing management puts a different price on goods on the website compared to the prices in normal physical stores of the business. Pricing strategies can impact the shopping decisions of consumers. Consumers prefer increased price control, but they are put off by the effort needed to make decisions on what to pay. Strategies, for example pay what you want, can decrease shopping intentions due to the required effort. On the contrary, strategies that increase feelings of control, but hide the effort, for example a selection of price options, which let the consumer pick from a limited set of prices, could increase the price results (Wang, Beck and Yuan, 2021).

The second step in pricing management is price fixing. Managerial decision-making on pricing is also influenced by contextual factors like the environment and its limitations (control and information requirements, financial limitations), time and type of the task (Ballová – Mikušková, 2017). For the period of the COVID-19 pandemic, it's the impact of the virus on peoples' health and the implementation of measures against the spread of the COVID-19 virus. During the covid and post-covid period, the determination of optimal price has shifted away from determining prices according to traditional pricing models or pricing strategies and the pricing management of businesses was forced to use new methods of pricing (Rekettye, 2020). Digitalisation was put forward, which, among things like new business opportunities and changes in the production and provision of services, had also an impact on pricing. For example, high unit price and high level of stock of goods in a stock management system can result in the newly produced goods to cause a delay before their sale (Kachani and Perakis, 2006).

Enforcing prices on the market is difficult, because if a business fails to put the correct prices, it will not reach the expected profits. When enforcing prices, it is always necessary to remember the customer and to understand his consumer behaviour (Mohammed et al., 2020). Especially during the COVID-19 period, when the whole society operated in an electronic environment, the businesses had to quickly react to the change in market conditions and adjust prices (Lovciová, 2022). When pricing during this period, dynamic pricing was helpful for businesses. Thanks to the automatic decision-making, processing in real time and immediate reaction to the market situation, the dynamic pricing can contribute to an increase of profit and maximizing profitability. The role of dynamic pricing is to update prices on an e-shop in relation to customers' demand, their behaviour, prices of competition and other attributes.

The effectiveness of pricing decisions is evaluated as part of the last phase of the pricing management, also named price controlling. The role of price controlling, an important tool for evaluating the effectiveness of a business (Mazur et al., 2021), is to evaluate the impact of the pricing strategy and to create a system of evaluative indicators of price optimisation and to monitor the process and quality of price enforcement towards the customers - consumers. Pricing controlling should be a supporting mechanism of the top management during the implementation of pricing processes (Roll, 2009). One of the benefits of price controlling is that it represents proactive management, i.e. management directed towards

the future (Majtán et al., 2016), and thus it allows for the creation of plans and determining of price levels with an outlook.

Conclusions

Every business experiences growth due to management decisions, it either prospers or fails. The decision-making itself is not a simple matter and this is absolutely true for the covid and post-covid period, because it takes place under continually changing conditions and this decision-making process comes with significant uncertainty. The matter of pricing management is important due to its impact on the overall profitability of the business. In general, the COVID-19 pandemic had a major impact on price increase, and it is price that is an important tool ensuring the growth of a business, whereas it's the aim of the pricing management to react to the impacts caused by the COVID-19 pandemic in every step of this decision-making process and to determine the optimal price of a product or service, which should cover not only expenses spent on its production or provision, but it should also secure the income of the business during the covid and post-covid period. Pricing management is an important tool for reaching sustainable incomes and should not be put into the background of management decision-making processes, because it provides flexible pricing controlling in all of its phases and, through pricing controlling, it also provides room for determining the optimal price, not only in the present, but also for the future.

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