LAB University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Program in International Business

Huong Duong

Creating a pricing strategy for a case company ABC Oy

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Abstract

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Senior Lecturer Jukka Sirkiä, LAB University of Applied Sciences

Abstract

The purpose of the research is to identify the most suitable pricing technique for a case company. The company has a simple business model and it operates in a relatively competitive market. Lacking of a specific pricing strategy is the main reason for its unsuccessful performance. Therefore, it is an urge for the company to develop an appropriate pricing technique. The chosen technique must comply with theoretical framework and practical data. Based on the proposed pricing model, a suitable pricing strategy is then created.

Theoretical insights are sourced from books, articles and blogs. The objective of the literature review is to find out feasible pricing approaches and key metrics for gaining business insights. The two courses of data set background and principle for strategy development process.

A combination of qualitative and quantitative research was used to achieve data integrity. The current business situation is assessed by conducting interview with the firm's manager, collecting customer preference from survey and processing sales data. In the end, value-based pricing is considered as the most beneficial for the company. Suggestions from the created strategy grants it a good chance to achieve financial success.

Keywords

pricing strategy, value-based pricing

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1 Introduction

In the first chapter of the book "Strategy and tactics of pricing", the authors stated that in marketing, product, promotion and distribution are the company's effort to create values while pricing is the attempt to capture the profit. If the first three elements sow the seeds, pricing harvests the results. Business practitioners fully understand that among the marketing mix elements, price is the only source of their revenue while everything else costs. In fact, getting pricing right enables a company to drive greater revenue and maximize profit in the most effective way. (Boehm 2020.)

A research done by a consultancy firm has highlighted the importance of pricing. Taking 2,400 companies in the United States as case studies. The research institution realized that among the four profitability drivers mentioned below, price acted as dominant influencer. Figure 1 displays the result of their research. Even though variable cost, sales volume and fixed cost also contribute to the bottom line, price has the most significant impact since only 1% improvement in pricing drives 11.1% increase in operating profit. (Boehm 2020.)
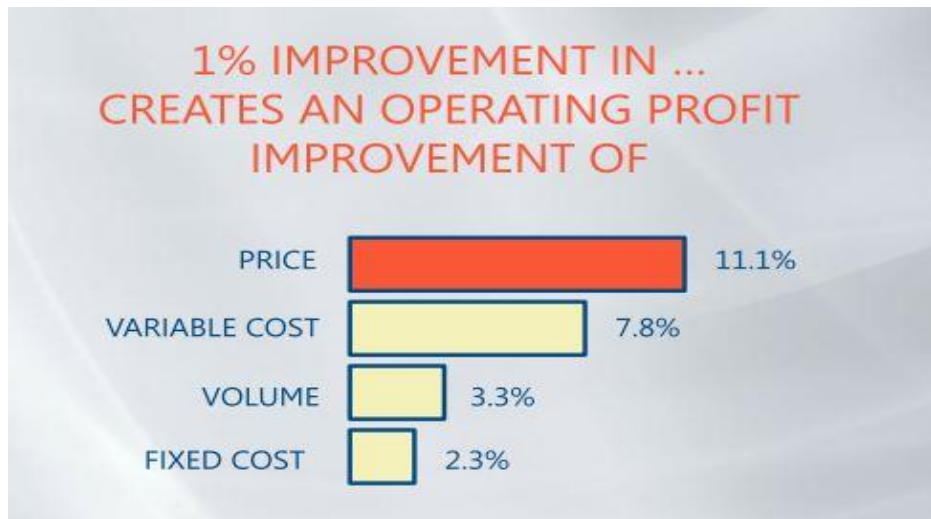

Figure 1. Importance of pricing (Boehm 2020)

All elements in marketing are interrelated. A good pricing strategy cannot compensate for the other failed factors and a bad pricing method would prevent all the effort from financial success. A business has done everything right but fail in pricing would result in a huge financial lost. (Nagle & Müller 2018.)

The information revolution has made price more transparent to buyers which made them became more and more price-aware. Meanwhile, globalization causes the increase in competitors and helps lower the cost of sales. Therefore, the job of the pricing strategy planner has become more important than ever. For these reasons, having the right pricing policy is the prerequisite of a company profitability.

2   Objective

The purpose of this study is to create a pricing strategy for a case company, due to confidential reason, the company is called ABC Oy henceforward. This is a small company working in a relatively competitive industry: Food & Beverage. ABC has been founded under one year and currently does not have a pricing strategy. This makes the company look less attractive to purchaser. Indeed, not having a proper pricing strategy is believed to be the biggest reason for its financial loss.

To solve the described problem, the researcher studies available pricing strategies, what kind of problems each practice has. After that, the company business model and their current state will be further analyzed to understand its financial position, then to identify which strategies fit ABC's business model the most.

3   Case company

ABC Oy is a small firm located in Helsinki, Finland. It currently has three employees. The annual turnover is approximately ninety thousand euro, which is

relatively inadequate and unsatisfactory. In the period of the next five years, however, ABC's management team aims at doubling current annual return. It results in an urgent need for changing in the strategy and management, including pricing policies.

As a small local manufacturer, the case company's business model is understandably the direct sales model. In the premise, the business own employees demonstrate and sell their products directly to the end-consumer. It may use some online platforms from delivery partners, however, they do not play as intermediaries but as a third party that provide delivery services. The picture below gives detail to the firm's business model canvas.

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Food delivery companies	Employment-local community	Delivery healthy food with affordable prices	Establish good relationship with local customers and neighborhood of the premise	Health conscious
Companies with lunch voucher	Produce enough product quantity to sell	Meticulous, customized products		Employees on lunch break
Asian local stores		Help out local community with new business opportunities		General public/passers by
Staff	**Key Resources**		**Channels**	Product lovers
Companies that help with processing food waste	Raw food ingredients		Social network	
	Premises		Word of mouth	
	Cooking skills		Offline premise and partners' online platform	
	Investing money			

Cost Structure	Revenue Streams
Main costs: Labor, raw materials, insurance, tax, rent, utilities	Customers willing to pay
	Lunch offers
	Sales from food waste

Figure 2. Business model canvas (Osterwalder 2010)

It is apparent that ABC's marketing channel and revenue stream are quite ordinary. The main revenue stream comes simply from sales and its most significant marketing tactic is word-of-mouth. This passive concept poses certain limitations for the firm to pursue its prosperity. ABC also has the disadvantage of a small company missing its chance for economy of scale. It leads to a quite high

material cost. The humble sales volume does not help either, it raises the amount of fixed cost each product has to bear. This study develops an appropriate pricing strategy for ABC to attract more buyer and improve the current sales.

4 Delimitations

To improve accuracy and reliability of the study results, several delimitations are going to be set. First, the theoretical framework considers only on the suitable pricing strategies for restaurant industry, therefore, not every pricing practice is examined in this study. Second, as the thesis is case-specific, the research results should apply for only the case company even though there are certain common facts for other participants in the industry. Third, due to limited time resources, survey conducted in this study has quite few respondents, research reliability would be improved with a bigger sampling group. Last but not least, this study solely gives suggestion of the strategy, rather than the pricing process itself, which is the implementation plan based on the strategy. Thus, no details of how the firm should execute the pricing process is included.

5 Research questions

The main question that the thesis will give answer to is: "**Which pricing strategies generate most profit for ABC?**"

In order to deliver a precise and justified answer, there are three more sub-questions which are:

- What is the business model of ABC?
- What is their financial situation?
- What are the pricing practices?

The first two sub-questions are answered through empirical data and the last one is via theoretical data.

6 Research methodology

Creating a pricing strategy requires an in-depth knowledge of both the case company and its industry characteristics. Company business model, its strength and weaknesses, cost structure, financial goals in the short future are internal factors. Meanwhile, other features of the consumer characteristics and the nature of the sector are external influences, such as price sensitivity and how customer perceive the company product values. Pricing strategy to be chosen must be compatible with both internal and external aspects.

It is believed by Doctor Thattamparambil (2020) that quantitative analysis is suitable for testing a theory or hypothesis while qualitative research fits the intention of exploring concepts, thoughts or experiences. Aligned with the information listed in the above paragraph, understanding the internal facts of the case company is exploring a concept and examine external ones is testing a hypothesis. Hence, a combination of the research approach is necessary for the study.

Statistics used in the thesis are existing data and data collected from surveys and semi-structured interviews. Existing data includes sales history, company costs and prices to find the relations between its prices and sales, evaluating the effectiveness of the pricing method used in the past. Next, surveys are conducted to understand consumer willingness to pay. Finally, value proposition and future financial goal is collected through interviews with the company owners and customers. In terms of analysis tools, quantitative data is investigated through Excel while qualitative information is studied via content-analysis.

7 Literature review

Companies rarely publicize their strategies, hence there is no research on which type of pricing techniques are being used by the best performing companies in Food & Beverage industry. Literature review aims at identifying the pricing

strategies that are available and which of them yield best results. Chapter 6.1 gives general view on benefits and drawbacks of each pricing strategy, which are *cost-plus pricing, competition-based pricing,* and *value-based pricing.* Chapter 6.2 focuses on relevant key metrics that affect the decision-making process in choosing and building price strategy.

7.1   Pricing methods

There are several pricing models that have been developed through time, ranging from conventional textbook methods to more advanced to adapt with more innovative business model. For instance, many pricing methods have been created for airline industry or e-commerce industry like dynamic pricing or freemium pricing. However, concerning restaurant industry, it is widely believed that traditional, fundamental techniques are more feasible and applicable.

7.1.1   Cost-plus pricing

This is the most common and basic pricing tactic which answer to the question: "What prices needed to cover the costs?" The process is firstly to allocate all the costs to unit cost and then price every product or service in accordance with a certain profit margin, illustrated in figure 3. This strategy is simple, straightforward and guarantees to cover the costs. It is financially logical and seems to ensure profitability of the company. However, in Hermann Simon's (2015) opinion, it ignores user's willingness to pay, competitors' prices and the fact that in some industries, unit cost is rarely easily defined as a fixed number. Instead, it varies according to the sales volume.

To be more specific, unit cost comprises direct costs and indirect costs (Tracy 2020). Direct costs per unit are simple to determine, they are raw material costs, labor costs, commissions, etc. Indirect unit costs, on the other hand, varies. They could be cost of sales, inventory, insurance and similar costs that inevitably grow when sales grow. Simultaneously, there are costs that stay or fall when sales grow, which make costs per unit fall along with, like rents of the factory,

managerial salaries, office expenses, etc. It is "economies of scale". Overall, Kotler and Armstrong (2010) stated that in cost-plus pricing, companies need to oversee their cost base thoroughly. If a company has higher cost base than its competitors, it can either accept a smaller profit margin or charge a higher price.
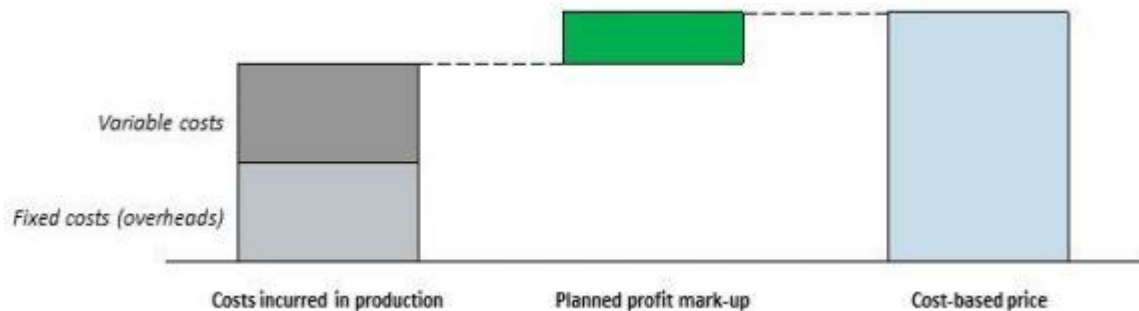

Figure 3. Illustration of cost-plus pricing (Savukoski 2015)

Observably, unit cost can hardly be defined before knowing the sales volume, which is defined by PRICE (Nagle & Müller 2018). Economists have solved this contradiction by assuming a level of sales in advance, then set the price within that volume and determine the profits accordingly. Nevertheless, one should remember that volume changes when price changes. It leads to two scenarios when sale is not as forecasted. If the real sale is lower than expected, price needs to be higher to cover the fixed costs. But when price is higher, sale continues to drop and raises costs per unit even more. Then the company should keep raising their price. It will soon become a paradox. In the second scenario, the sale is higher than predicted, costs per unit decreases which also decreases the price to match with the determined yield. In both scenarios, company is harmed one way or another. The method would overprice in weak market whilst underprice in strong one (Nagle & Müller, 2018).

On the other hand, business practitioners argue that cost-based pricing has a diverse of advantages. First of all, it is simple to implement. Companies do not

need to conduct comprehensive research, as long as they know their product costs and the desired mark-up percentage, they can effortlessly start pricing. Second, it is an effective tool to communicate to consumers the product quality and why the prices changed. When consumers believe that price is associated closely with cost, higher price is a signal of higher quality. Third, if calculated correctly, the business rate of return is consistent and predictable. (Hart, 2020.) Fourth, a firm with cost-based pricing technique can distinguish itself from the price wars between market players.

In conclusion, whether or not the company should adopt this strategy depends largely on how simple their cost structure is and whether or not they have cost advantages compared to other sellers. Those factors will be further analyzed later in this study.

7.1.2 Competition-based pricing

In competition-based pricing practice, company uses primarily competitor's price to determine its own because it does not seek for rigid relationship between its price and demand (Kerin 2004). The goal may not to match competitor price but to align with it. Price can be set below, match or above the competitor price depending on which market segment they are targeting. In order to do so, company must first understand and recognize their closest or biggest rivals and their current prices.

Competition-oriented pricing is categorized into *adjustment strategy* and *niche strategy*. The former strategy allows companies to follow the price set by a market leader, under an assumption that the leader's price does not aim to harm the followers and their cost structure are the same. In this manner, it results in the optimal price for all market players. The main strength of this adjustment strategy is the avoidance from undesirable competitive reactions. The latter approach, in contrast, differentiates a company position from that of its competitor. The price is set in a range that has not been occupied by other rivals. It can lie either near the price ceiling or the price floor of the existing price range. One reason for this

noticeable distance is that company attempts to reach to the new market segment which did not buy the product previously (Simon & Fassnatch 2019.).

This strategy may benefit in the initial stage, however, it ignores company sustainable growth. One flaw of competition-oriented pricing is that it does not consider the possibility in the success of the price and assumes that more market shares equals more profit. Several research has proved, contrarily, focusing too much on competition could harm profitability. Additionally, unless a company can be certain that its rivals are not able to and have no incentive to change their prices for competition, the long term cost of adjusting price outweighs the short term benefit (Nagle & Müller 2018). When price is the only measure to differentiate product in the market, it can easily starts a price war.

7.1.3 Value-based pricing

Price is the economic sacrifice buyers make to acquire a product or service and they always compare this sacrifice with the perception of the product's value. Value-based pricing practice, according to Will Kenton (2019), set prices based on buyer's perceived value of a company's good or services. It is useful especially when the product is customizable since there are many other competitors offering the same product. It is the phase of price negotiation in Business-to-business (B2B) market, while in Business-to-customer (B2C) sector, some may see it simply as bargaining. In this pricing strategy, company cannot design the product beforehand and then ask for the price based on the determined costs. Instead, company assesses the consumer's needs and perception first and estimates the target price in accordance with those needs and perception. The estimated price will limit the cost a company can incur while designing the product.

This pricing tactic uses value index, for example, willingness-to-pay and price elasticity, as a guideline for price decision. It is flexible in mark-up of each product or product line based on how customer perceive value from them. Value-based pricing has increasingly gained attention from academics and business practitioners. It results from the general recognition that understanding sources

of value from customer and finding solutions to meet their needs are the keys to sustained profitability (Hinterhuber 2008). It also enables a company to select an optimal price/volume combination (Canon & Morgan 1990). Likewise, Hinterhuber and Bertini (2011) suggested that this mechanism leads to sustained success and superior profitability. Despite the obvious benefits, the authors also mentioned difficulties in adopting this strategy such as lacking of data and reliable tools to assess and measure product value. It even seems unfeasible for small and medium enterprises and they are usually forced to revert to cost-based or competition-based pricing.

Figure 4 compares the difference in progression of cost-plus pricing and value-based pricing. In cost-plus pricing, first, manufacturing department design and make the product that they consider a "good" one. Costs to make the designed product are estimated in accordance with procurement and investment. The price is then determined by adding the desirable profit margin. Only at this step sales and marketing do their job as demonstrating product value to purchaser and trying to justify the decided price. Although sometimes sales team is allowed to be flexible with the price, those product features may continue to mismatch the customer needs. Value-based approach proposes a complete opposite process. The target price is set before knowing the costs and based on estimation of value. The costs is calculated after that and only now the designing process starts. (Nagle & Müller 2018).

Cost Based Pricing

Product → Cost → Price → Value → Customers

Value Based Pricing

Customers → Value → Price → Cost → Product

Figure 4. Cost-based pricing and value-based pricing progression (Jha 2020)

Some of the value measurement a company can conduct are:

- internal evaluation by company's employees
- conduct customer interviews and making a list of cost components to analyze the product economic value
- evaluation by specialist or experts such as consultants or company senior manager under the metric willingness-to-pay
- collect ratings on the feature of the offers
- trade-off analysis which gathers buyer's evaluations of a set of potential product offerings. (Simon & Fassnatch 2019).

7.2 Key metrics

Several metrics are introduced to set a background for further company's performance analysis. Under the scope of a bachelor thesis, the metrics are chosen so that they directly deliver more knowledge of the case company and customer's characteristics. The most vital understanding ABC should get is willingness-to-pay. Moreover, the study also discusses price elasticity, average revenue per customer and value propositions.

7.2.1 Willingness-to-pay

Willingness-to-pay (WTP), defined by Breidert (2005), is the maximum price at which a client is definitely buy a goods or service. According to him, there is two aspects that affect how much a person is willing to pay: the perceived value and the product utility. The price a person is willing to accept can be either *maximum price* or *reservation price*. *Maximum price* corresponds to the product economic value or exchange value, which is identified mainly by cost opportunity, or in other words, how the money can be used for other alternatives. It depends heavily on the concrete decision context under which the product is offered. *Reservation*

price of a product, on the other hand, is the price that does not depend on an alternative product but solely on what the product is really worth to the customer, in other words, the product utility.

7.2.2 Measuring methods of willingness to pay

Regarding tactics for measuring WTP, Breidert et al. (2006) have proposed a framework. Researchers separate these methods into two main approach: Observation and Survey, which are named as revealed preference and stated preference demonstrated in figure 5 in a hierarchical order.
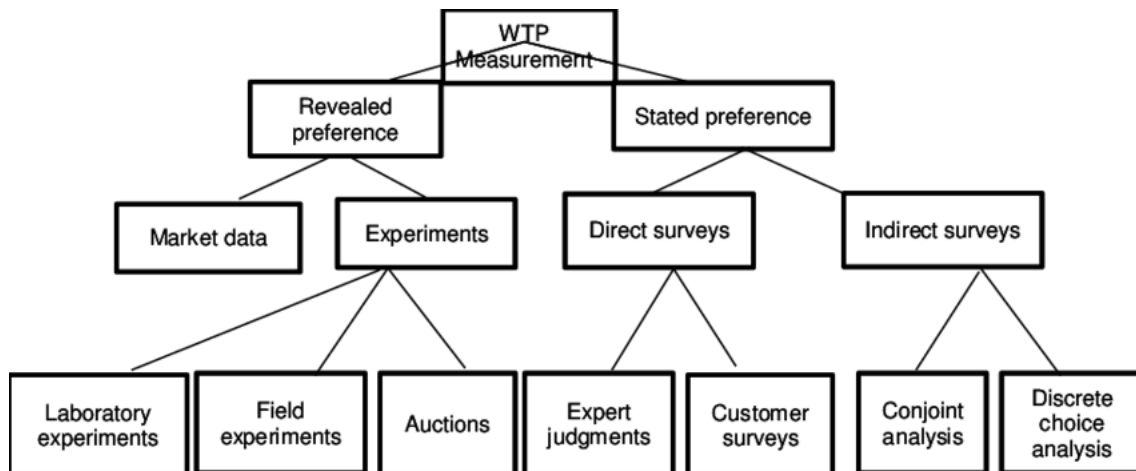
Figure 5. Classification framework for methods to measure willingness-to-pay (Breidert et al. 2006)

On the highest level, several measuring techniques are grouped based on whether they use response data (revealed preference) or surveying techniques (stated preference). Each of these methods has its practical positive and negative traits aligned with time and monetary constraints. Further analysis of these techniques provides a guideline for choosing the appropriate technique within the scale of this study.

a. Market data

Business practitioners extract information such as sales record or individual purchase data to reflect real purchase behavior. However, one may criticize this method for its limited information. The first missing piece of information is the number of customers who refuse to pay because of the high price. Sales data demonstrates customers who actually purchase and ignores those who think the price does not worth. Generally, it does not represent the whole market. The other constraint of using market data lies upon its price range. Prices observed in these data may not contain a new price point of a new product. For that reason, prediction of behavior towards a new price is somehow erroneous. (Breidert 2005).

b. Experiments

Laboratory and field experiments are effective tools in pricing studies that can deliver results quickly. In laboratory experiment, attendants are given a certain amount of money and requested to spend on a particular collection of goods. One problem of this experiment is that these attendants fully acknowledge of the experimental situation. They are aware that it is not their money and they do not possess the goods for real. It affects their bias and rationality, therefore, it does not exhibit the real purchasing behavior. Field experiments help improving this weakness because it is set up in natural environments so that participant have little knowledge about their behavior being analyzed. However, small enterprises seldom favor this system due to its high costs. (Breidert 2005).

Auction in connection with measuring WTP has an independent mechanism compared to traditional auction. The highest bid wins but the bidder only has to pay the price of the second highest bid. It gives them the incentive to reveal the true valuation they would think the product worth because it is always beneficial for them to bid with their true WTP rather than a higher or lower bid.

c. Direct surveys

Surveys can be an effective way to assess WTP when it is not possible to obtain real-context data. As specified by Breidert et al., direct surveys can be subdivided into customer surveys and expert judgments. Customer surveys requires participant to state how much they would pay for a product if they had the opportunity to buy it. This study consists of two questions developed by Marbeau (1987):

1. "*Above which price would you definitely not buy the product, because you cannot afford it or because you did not think it was worth the money?*
2. *Below which price would you say you would not buy the product because you would start to suspect the quality?*"

Scientists identify this approach as hypothetical measurement of WTP and they question its results' accuracy. Survey respondents sometimes conceal their real answer for several reasons. They may overstate prices for dignity or understate prices in attempt to artificially lower price which benefit them as a potential buyer. Even if respondents give true answers, it does not necessarily reflect real purchasing behavior. Nagle and Müller (2018) stated that *direct questioning should never be accepted as a valid methodology. The results of such studies are at best useless and are potentially highly misleading.* Likewise, asking consumers directly for their WTP prevents a precise estimate and the most vital means to compute WTP is conjoint analysis (Simon 2018).

Expert judgments, on the other hand, are well-educated opinions from internal managers in projecting customer's WTP. As these individuals work closely to the clients and understand the market the most, they are aware of market trends and consumer needs. This tactic avoids bias opinions as the participants have no incentive to interfere with the true estimates. However, validity of the measurement instrument is still in controversy.

e. Indirect surveys

Generally indirect surveys can be distinguished between conjoint analysis and discrete choice analysis. Instead of asking consumer to state their WTPs, researchers provide them with random product profiles with assigned prices to choose which one they prefer. These research methods mimic more closely the real purchasing behavior and make the task much easier for respondents than direct surveys do (Breidert 2005). Researchers can add diversed variations into the experiment such as product attributes and levels of each attributes. Study design of these techniques are further explained in the next paragraphs.

In discrete choice analysis, researchers measure purchaser preference between products with a diverse of attributes and level of each attributes. Those attributes could be features, benefits or prices. It reveals how customers make tradeoffs in their purchasing decisions in light of a part-worth utility function. To be more specific, in conjoint analysis, customers rank their preference for each product. Using these rankings, researchers find the part-worth utility of a specific product. (Smith 2012).

Figure 6 and 7 are examples of translating rankings into part-worth utilities score given by Smith (2012). This research includes a matrix of three attributes and after evaluating the part-worth utility, it helps calculate the preference value the participant places on attribute levels. Figure 6 shows scores of each combination based on their rankings. Combination that has the highest rank gains the highest score and so on. Researcher after that assigning the score to the elements and averaging those scores. It allows business practitioner to see each level's evaluation more clearly, illustrated by figure 7. From there it can be seen that pure mango beats fruit blend option by 2.0 part-worth utility and national brand add more value to the customer compared to premium niche brand. (Smith 2012).

Brand	Price			
	Ingredient		**Ingredient**	
	Pure Mango Juice Premium Niche $7	Mango Fruit Blend Premium Niche $7	Pure Mango Juice Premium Niche $4	Mango Fruit Blend Premium Niche $4
	Score = 2	Score = 0	Score = 6	Score = 4
	Pure Mango Juice National $7	Mango Fruit Blend National $7	Pure Mango Juice National $4	Mango Fruit Blend National $4
	Score = 3	Score = 1	Score = 7	Score = 5

Figure 6. Mango juice scores (Smith 2020)

Attribute	Level	Average Score	Part Worth Utility (utils)
Ingredient	Pure Mango Fruit Blend	(2 + 3 + 6 + 7)/4 (0 + 1 + 4 + 5)/4	4.5 2.5
Brand	Premium Niche National	(2 + 0 + 6 + 4)/4 (3 + 1 + 7 + 5)/4	3.0 4.0
Price	$7 $4	(2 + 0 + 3 + 1)/4 (6 + 4 + 7 + 5)/4	1.5 5.5

Figure 7. Mango juice part-worth utility (Smith 2020)

Conjoint analysis has a similar study design with discrete choice analysis, however, instead of giving rankings, respondents choose the most attractive product to them and then answer whether or not they would actually buy the product in real life. Participants can often choose "Not any above" option, in case they would not buy any of the offer presented. Figure 8 is a prime example of conjoint analysis.

Figure 8. Conjoint analysis (Conjoint.ly 2020)

These indirect surveys are appraised highly by the academics for theirs precision and accuracy. They are the most effective tools to identify the best price that can both encourage purchases and deliver most profits.

7.2.3 Price elasticity of demand

Price elasticity is the degree of change in quantity demanded of a product when its price changes (Stiglitz & Walsh 2006). Price elasticity represents responsiveness of quantity demanded to the price change. Expressed mathematically, it is:

$$elasticity\ of\ demand = \frac{percentage\ change\ in\ quantity\ demanded}{percentage\ change\ in\ price}$$

Equation 1. Elasticity of demand

When the elasticity of demand is greater than 1, which means the percentage in demanded volume change is greater than that of price change, the product is considered as relatively elastic or sensitive to price changes. Adversely, if the

demand elasticity is less than 1, the product is relatively inelastic. In case of any change in price equals a same change in quantity (elasticity = 1), it is unit-elastic. (Stiglitz & Walsh 2006.)

There are two special cases when measuring price elasticity:

- Zero elastic (perfectly inelastic): happens when no matter how much the price changed, the quantity demanded stays the same.
- Infinitely elastic (perfectly elastic): happens when only a tiny rise in price can cause extremely large drop of quantity demanded.
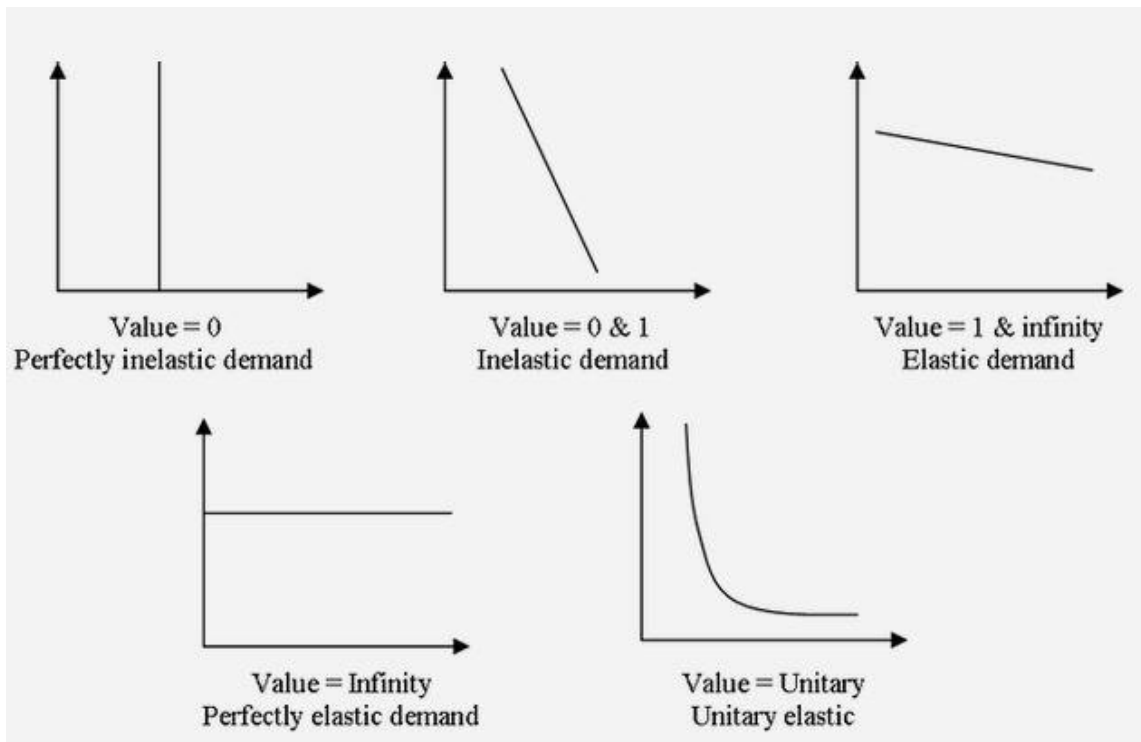
Figure 9. Price elasticity (Wix.com 2016)

According to Woodruff (2019), there are several factors that affect price elasticity including:

- Availability of substitutes: when close substitutes of the product is available and easily accessible, the demand elasticity is higher.

- How necessary the good is: luxury products also have higher demand elasticity than necessities since customers may need rice or milk regardless of price but they tend to hesitate to buy car of house when the price of these properties go up.

- Share of income spent on the good: if the good's price consume a large part of customer's income, the demand elasticity will be higher.

- Time of horizon: if the product price goes up for only a short time, consumer may not swiftly switch away from it, however, if the price remains high for the long run, buyers will start to changes their behavior and find new substitution.

7.2.4 Value propositions

The value a company promises to deliver to customer through their product is the value proposition. As explained by Twin (2020), value proposition is a promise that one brand make to its customers, usually as a business philosophy or product characteristics that distinguish itself other market participants. Through value proposition, a company communicate the number of reason why customer should choose their product over those of their competitor. It is the first and foremost channel that the company define and differentiate itself from the others. The range of price, thus, must be in accordance with their positioning.

7.2.5 Average revenue per customer

Average revenue per user (ARPU) is the average monthly revenue a company receive per their customer (McBride 2020). The metric is calculated by dividing the total revenue by the number of purchaser. It helps identify the price points that attract customer than others. A low ARPU in a small market can be the warning signal for long-term loss and lack of business potential while a high ARPU in a large market shows prosperity and long-term growth (McBride 2020). Moreover, a low ARPU indicates that the product maybe too cheap and a company needs

many more customer to reach their targeted monthly revenue. It also means that the business is not sufficiently extracting value from each buyer and given that, their price should be raised to match with the product value.

8 Data analysis

This chapter represents the insights discovered through the primary data collection. These analysis helps to link literature review with practice and enhance research reliability. Findings from these examination is meant to support and justify research choice of pricing technique. Data is collected via three sources: manager interview, sales history and internet survey. Data acquired is divided into categories:

- current pricing practices
- average revenue per customer
- sales and revenue contribution by products
- customer willingness-to-pay
- business insights
- price elasticity

8.1 Reexamine current pricing approach

In attempt of answering the sub-question: "What is their financial situation now and in the next five years?" the researcher had an interview with ABC's manager. The answers reveal how much attention the management team pay on pricing practices and how it affects the company prosperity.

a. What is your value proposition?

"At first the company wish to deliver fancy products, but soon we realize we have the wrong location, the area and the neighborhood does not support this business model. Our business scale is also not appropriate. Hence, we need to change our

vision into delivering affordable goods with above average quality. In this way, we are able to reach the right customers and systemized our business."

b. Is your current price match the value you are delivering?

"Before we change the value proposition, the price did not match the value we offer. We delivered only 70% of the promises we had, therefore, prices were higher than the values. However, we are thriving to slowly match those two elements."

c. How often do you change price?

"In the first operation year, we changed price once but only on a few products. In this year we changed price again twice, one time on a small percentage and most recently on a larger scale throughout our several products."

d. In which direction the price is changed?

"The price is cut little by little every time"

e. What are the reasons for changing price?

"There are many reasons urging us to change our price. First is our own realization of the illogical prices among different products. Second is the modest growth in sales. Third is the pandemic situation, it forces many offices in the neighborhood to close and our customers are now working from home. We are losing a big customer segment. As a result, we need to focus more on another customer group, this calls for discount in price to make our products more affordable and attractive to this customer segment."

f. How do you consider the impact of those movements?

"They drive significant positive affect on our sales. Clients increasingly search for our business on Google as twice as before and the sales of the abovementioned customer group increases by four times."

g. What are the pricing practices you have used?

"In the beginning we mainly used competition-based pricing. We charged higher than our competitors did as we seen our product quality was in a higher level. After two times changing prices, we switched to cost-plus pricing which is more suitable for us at that time. However, none of these techniques was done properly. Now we are gradually shifting to value-based pricing"

h. What is your 5-year financial target?

"In the next five years, we are pursuing a triple in our current sales. I strongly believe that when the pandemic situation gets better, we have great potential to grow since our premises area is planning on new projects that can drive more customers."

On the basis of this interview, the researcher learns that ABC has made several attempts in choosing the correct prices yet it is still struggling with the right pricing method. However, the firm is willing to shift to a new pricing technique providing that it improves the profitability. It is also worth noticing that internal managers pay little attention to revenue contribution from each of their individual product or customer groups. This sets certain prerequisites for upcoming pricing strategy. It must match ABC's value proposition, comply with their resources and have capability to meet the five-year financial target.

ABC is adopting adjustment strategy of competition-based pricing. They set their price range higher than their direct competitor, who has an advantage of good reputation for a long period of time in the neighborhood. The implementation of competition-based pricing do not support ABC gaining their market position, especially when they step into the game much later than their competitors do. In this situation, ABC could either make their value offered clearer to the customer or implement penetration pricing, none of which they did. Another irrational movement of ABC's management team is in their prices across the products. For example, product 3 comprises product 1 and product 2, however, the price of

product 3 is higher than of product 1 and 2 combined. This confuses customers and leads to unwanted purchasing behavior such as refusing to buy at all. It could be fixed by eliminating product 3 completely so customer can focus on only product 1 and 2, or reducing product 3 price so product 1 and 2 become anchoring object that make product 3 more appealing.

8.2 Average revenue per user

ABC has three customer groups, each of them contributes to the total revenue differently and they have distinguished average revenue per user, too. The first and biggest customer group accounts for 60% of total revenue. Its average revenue per customer is also the largest: approximately 22.5 euro. The figure encounters returning buyer, too. This group has the biggest potential to grow even though ABC is paying a fairly high commission for distribution channels. Thanks to the distribution channels, ABC reaches to a wider group of customers since these channels allow the firm to deliver their product to a wider parameter, as long as purchasers are willing to pay for extra delivery fees.

Group 2 contributes 35.8% to the total sales and group 3 represents 4.2%. Their basket sizes are roughly 15 euro and 7 euro, respectively. A notable weakness group 2 has is the result of ABC's inadequate resource. The operating premise is relatively small so it limits the number of guest ABC can serve at a time. This customer segment's growth has remained stable and is predicted to be the same in the future. The low shares of the third segment can be explained by the dependence of this group on the other two group. ABC only sells to this group when they cannot sells to group 1 and 2.

These numbers show that pricing should be done separately amongst the three customer groups since each contributes distinctively to the total annual return and requires separate marketing effort to reach certain percentage of sales. For example, ABC's second customer group gains one-third of revenue, half as the biggest group, but due to its small basket size, the company still needs to make the same marketing effort comparing to the largest group to have enough

customer for that 35.8%. Combining that with a higher customer acquisition cost, this customer segment should not be the ABC key revenue bringer.

In conclusion, each consumer group of ABC brings different amount of profitability. This motivates the firm to price accordingly to gain the optimal income from each segment.

8.3 Sales and revenue contribution by products

The case company has almost fifty unique products and not all of them has the same contribution to the total revenue. Observing their sales information, the report writer collected the total number of units sold by each product, converted them into percentage of all the units that have ever been sold. Next, this number was compared to the shares in revenue of each individual product, which of them has a higher shares in revenue than unit sold is considered a "valuable" product. As a result, around thirty percent of ABC's product items, forty percent in sales volume, generate sixty percent of its total revenue. Considerably, their top product accounts for 19.5% of the revenue while representing 11.4% in total product quantity. This empirical data suggests that if ABC carefully moves their profit margin in this specific product or any product in the "valuable" column, within an acceptable range that still remains the sales volume, it can have more profit from these potential items.
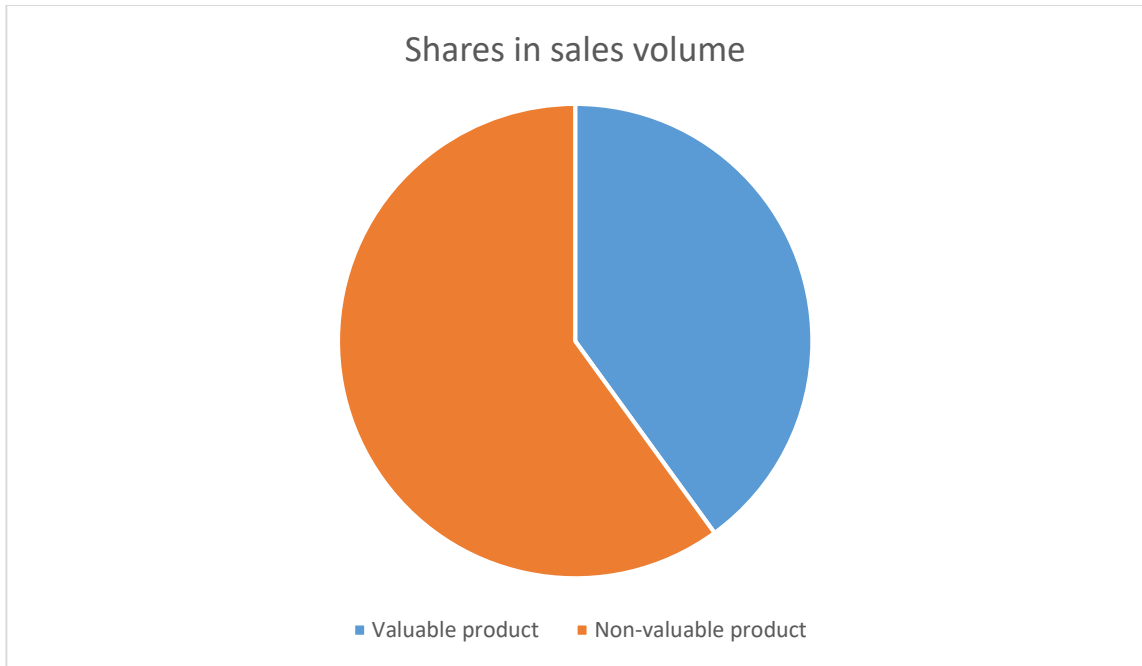
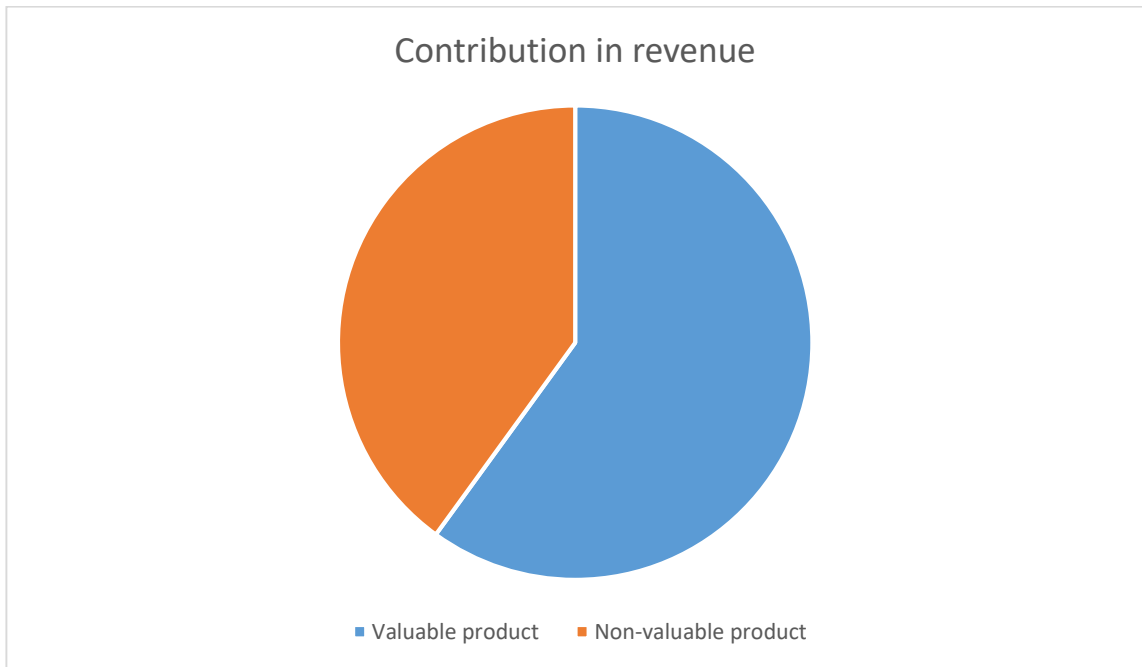Figure 10. Shares in sales volume

Figure 11. Contribution in revenue

8.4 Business insights via survey

Empirical data is collected through internet survey under the form of conjoint analysis and discrete choice analysis. The survey has 6 questions testing:

- the degree of customer's affection towards ABC certain product ingredients
- customer preference in ingredient variability
- how consumer behavior changes when price changes

The survey includes comparative rankings and multiple choice questions where respondents are asked to rank their personal choice based on product utility and price. Example of such question is presented in the figure below:

Rank the 4 products based on your own preference #1: most favourite and #4: least favourite. Please only make one choice for each rank.

	#1	#2	#3	#4
Grilled salmon nigiri	○	○	○	○
Eel nigiri	○	○	○	○
Raw salmon cucumber maki	○	○	○	○
Shrimp avocado maki	○	○	○	○

Figure 12. Example of survey question

Researcher uses Google form to design the question and the results are later transformed and processed in Excel. The process of collecting survey is in two days and it gets total of 58 respondents. They are residents in the neighborhood, ABC's followers on Social Media account, potential consumers and random

internet users. To minimize the research random errors, the questions are designed so that participants cannot enter more than one response each column. Likewise, responses that have missing answers are eliminated.

The next three sections describe several findings yielded from the survey. These findings navigate the case company and researcher in choosing the right pricing approach as well as details in implementing it. Information from the research might not be the ultimate guideline for ABC but it certainly sets fundamental principle for the company to proceed implementing the new strategy.

8.4.1 Finding top product utility

Top 3 most-sold ABC ingredients are picked together with a completely new ingredient that the firm is considering to add to its menu. The idea is to examine consumer ranking towards these options and their value points. The variables are respectively Grilled salmon nigiri, Eel nigiri, Raw salmon cucumber maki and Shrimp avocado maki.
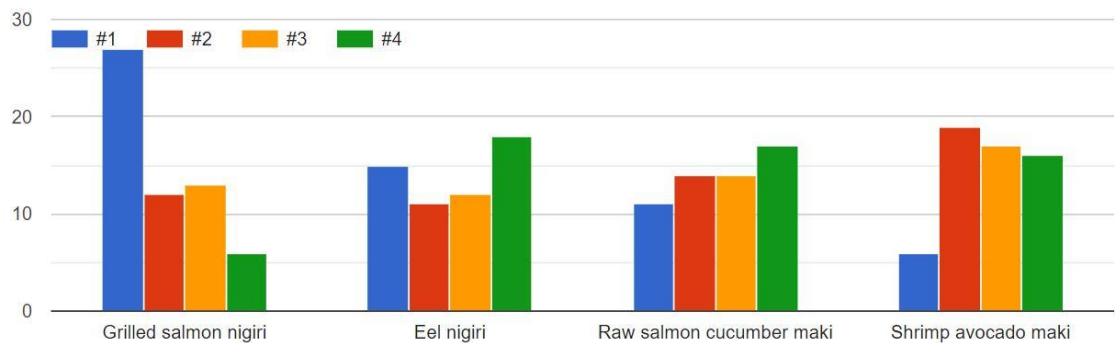

Figure 13. Top 4 products' rankings

The ranking data is then converted into score as described in figure 14 below. The scores are basically weighted calculation. Rank 1 is weighted the highest according to number of option. For instance, in this question there are 4 choices, rank 1 is weighted as 4 and the lower rank leads to lower score. The weight is

later multiply with the number of each rank count and the sum of each row score is product's final score. In the example of Grilled salmon nigiri, the total score is 165, followed by Eel nigiri with 131 score, Raw salmon cucumber maki with 125 score and Shrimp avocado maki with 119 score.

Grilled salmon nigiri					
	Total responses		Weight		Score
Rank 1 count	25	x	4	=	100
Rank 2 count	11	x	3	=	33
Rank 3 count	13	x	2	=	26
Rank 4 count	6	x	1	=	6
					165

Figure 14. Convert rankings into scores example

Ingredient	Score	Rank
Grilled salmon nigiri	165	1
Eel nigiri	131	2
Raw salmon cucumber maki	125	3
Shrimp avocado maki	119	4

Table 1. Ingredient scores and rankings

Table 1 exhibits score and official rank of these products. It helps to determine priorities when ABC introduces new product or modify the old one. Customer's opinion on these product will be solidified by part-worth utility mentioned in chapter 8.8 Willingness-to-pay.

8.4.2 Ingredient variability

Ingredient diversity plays an important role in value creating of ABC products, at least it is the assumption of the manager. The second question aims to find if it is true. The survey presents two products with the same price, one with high value ingredient but limited in diversity and another one mixes several elements between high and middle value ingredients. As it can be seen in figure 15, option B comprises two ingredients from option A, but lowers the quantity and replaces them with two other ingredients to make it less repetitive.

5 Raw salmon nigiri 5 Shrimp nigiri	3 Raw salmon nigiri 3 Shrimp nigiri 2 Avocado nigiri 2 Tofu nigiri
10 euro	10 euro
(A)	(B)

Figure 15. Diversity testing

The result shows little difference in customer preference between the two products. Option A with less diverseness is even slightly selected more with 52.5% compared to 47.5% of option B. Thus, it could be concluded that variability in ingredient is not a factor that impacts consumer behavior much. This information urges ABC to rethink about their value creation. At the moment their products are always packed with many ingredients, which reduces the employee productivity and increases labor costs yet does not create any more value for buyer.
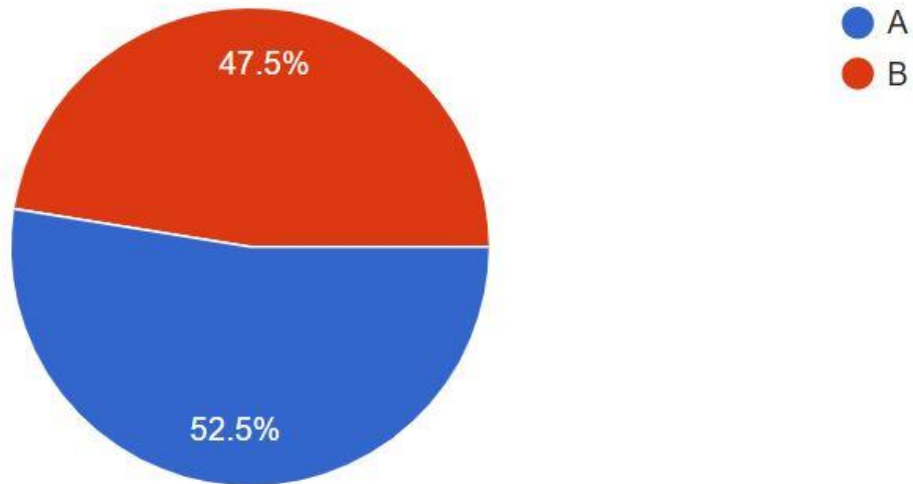
Figure 16. Diversity testing's result

8.4.3 Customer behavior towards price change

In section 2 of the survey, researcher exhibits three products: Salmon bowl, Teriyaki chicken and Ramen noodle chicken at the same price range: 12.9 euro. Participants continually give rankings of these products based on preference and price. Salmon bowl is ABC unique goods and it has been in the top 9 best sellers of this company. In the research, the result also reflects reality, Salmon bowl stays as most favorite product in the three nominees even when Teriyaki chicken price is lowered to 11.9 euro and Ramen noodle chicken is offered at 10.9 euro. However, positions of the two other products slightly change due to the price. To be more specific, when they are at the same price, Teriyaki chicken seems to be more attractive to buyers. Yet, when the price are 10.9 euro for Ramen noodle and 11.9 euro for Teriyaki chicken, a small number of consumers switch their choice to the cheaper option. This obviously shows that even when the price difference is 15.5% (2 euro), buyers are still willing to pay more for Salmon bowl and they find it little different in choosing Teriyaki chicken and Ramen chicken when the price gap is not significant.

8.5 Willingness-to-pay

As mentioned before, willingness-to-pay is a crucial indicator in this case study. An indirect survey was conducted to further comprehend how this term functions in ABC case. This section introduces the research approach among the methods mentioning in literature review and explains how it is applied in the study.

Discrete choice analysis, according to Smith (2012), is the most academically sound approach to measuring customer perceptions. He also states that it is particularly appropriate and useful in evolutionary market, where products are evolving by adding new value points to existing product and finding new ways to minimize costs. The case company is absolutely in this type of market. Their purchasers certainly have previous experience with the product thus they have sufficient information to make statements concerning their preferences. Moreover, in evolutionary market, it is wiser to acquire information from external customers about the value themselves assign to a product rather than seeking for internal executive's judgment or using solely historical data.

An experiment conducted by Kalish and Nelson (1991) gives evidence that indirect surveys validity either via rankings or ratings outperform that of direct methods. Meanwhile, experiments mechanism is less cost effective and time efficient than indirect surveys, which are ABC's potential constraints in implementing the measurement. The table below summarizes Breidert et al. (2006) opinions regarding pros and cons of each particular measuring method. These reasons prove that in ABC case, discrete choice analysis is a dominant approach. It can helps the company to yield the most accurate findings in line with its limited resources. In an effort to make the survey simple and easy to understand for respondent, a combination of discrete choice analysis and conjoint analysis is used.

	Market data	Experiments	Direct Surveys	Indirect Surveys	
				Conjoint Analysis	Discrete Choice Analysis (CBC)
Cost effective	+/-	--	++	+	+
Time efficient	+/-	--	++	+	+
Flexibility to include new price/product combinations	--	++	+/-	++	++
Validity of estimations	++	+/-	--	+	+
Real purchase behavior	++	+/-	--	--	--
Observed choice behavior	++	+	--	--	+
Individual level estimations	+/-	+/-	++	++	+

+ (++)   = (strong) advantage
- (--)   = (strong) disadvantage
+/-   = no clear advantage or disadvantage
           (depending on data-collection and/or estimation method)

Figure 17. Willingness-to-pay measurements comparison (Breidert et al. 2006)

In line with Smith's (2012) study design in mango juice example, a similar list of product is created to measure WTP under the formation of discrete choice analysis. The 8 products are presented in the picture below. Respondents again give ranks to these products based on their preference and the given price. The rankings at aggregate level are then processed into score like how it is done in finding the top utility section. Product A scores the highest and product F scores the lowest. They have 130 difference in points. Based on the score, the official ranking of each product is revealed. In theory, product with highest utility is ranked first, therefore, it also has the highest score. In the survey, there are eight products, product A is ranked first so it is given the highest score among them, which is 8. Likewise, product B is ranked second so it scores 7 and the same formula applies to the rest.

Figure 18. Product options

Product	A	B	C	D	E	F	G	H
Score	294	291	235	217	230	164	267	198
Ranking	#1	#2	#4	#6	#5	#8	#3	#7
WTP score	8	7	5	3	4	1	6	2

Table 2. Product scores and rankings

Part-worth utility is a crucial function in discrete choice analysis. It can be determined by averaging the product score that has a particular attribute level. In ABC case, figure 17 simplifies the averaging process. Taking Grilled salmon nigiri as an example, product A, B, E and G are those comprise this attribute level, hence, by averaging the score of those product we get part-worth utility of Grilled salmon nigiri, which is 6.25. It is the highest among the ingredients, in compliance with findings from the first survey question.

Attribute	Level	Average score	Part-worth Utility
Ingredient	Grilled salmon nigiri	(8+7+6+4)/4	6.25
	Eel nigiri	(6+5+4+3)/4	4.5
	Salmon cucumber maki	(8+1+5+2)/4	4
	Shrimp avocado maki	(7+1+3+2)/4	3.25
Price	10 euro	(8+7+6+5+3+2)/6	5.2
	12 euro	(1+4)/2	2.5

Figure 19. Ingredient part-worth utility

Since price is also an attribute in the example, monetary value is placed on the utility units (Smith, 2012). It is measured as follow:

$$\frac{12€ - 10€}{5.2 \: utility \: units - 2.5 \: utility \: units} = 0.74€/utility \: units$$

Equation 2. Monetary value of utility units

Armed with this information, each attribute preference value can be calculated. For instance, Grilled salmon nigiri beats Salmon cucumber maki 2.25 part-worth utility point (6.25 – 4), multiply it with 0.74€ we get 1.67€ difference in price. This means in the future if the case company wants to promote new product with Grilled salmon nigiri, competing with existing Salmon cucumber maki that is priced at 10€ (assuming the rest ingredients are the same in two products), ABC must price the new product less than 11.67€ to attract this researched customer group. The case company can expand the research with more products involved to determine how much monetary value each ingredient is worth.

8.6   Price elasticity

For the purpose of this research, ABC has reduced most of their products' prices by twenty percent to test their customer's price sensitivity. The result is outstanding after three weeks. Table shows the company's top 9 product that have a remarkable performance. Observably, most of these products have doubled the sales except for product 4. In the same trend, their price are infinitely elastic, applied with the literature review, despite an extensive variance in elasticity indicator. This immediate and dramatic response to price changes is somehow understandable since they are consumable nondurable goods, easily to be replaced by other substitutes, given that the market place is already highly competitive.

	% change in quantity	Price elasticity
Product 1	116	5.8
Product 2	110	5.5
Product 3	250	12.5
Product 4	20	1
Product 5	120	6
Product 6	700	35
Product 7	650	32.3
Product 8	500	25
Product 9	1500	75

Table 3. Price elasticity of ABC's top 9 product

Except for product 4, all these products have the increased sales compensates or even surpasses the lost in profit caused by discount prices. It proves that the company has a huge benefit by modifying their price to match customer's value perception. Product 9 is a good example for this claim. Declining their price by simply twenty percent results in a fifteen-time increase in quantity demanded.

Table shows the percentage of sales must increase to generate the same amount of profit. ABC's contribution margin ranging from 35% to 50% depending on each product. In 20% row the highest percentage point is 133.3%, thus, the results above exceed these benchmarks.

	Sales must increase by X to generate same gross profit					
Contribution margin	25%	30%	35%	40%	45%	50%
Discount						
10%	66.67%	50%	40%	33.3%	28.57%	25%
15%	150%	100%	75%	60%	50%	42.85%
20%	400%	200%	133.3%	100%	80%	66.67%
25%	Not possible	500%	250%	166.67%	125%	100%

Table 4. Effects of discounting (RealTime CEO Blog 2013)

The high elasticity number implies that ABC should be cautious when changing its price. The boundary in price of their product is relatively small. It should be kept in mind that high percentage increase in price could damage their sales

severely and when giving discount, they should ensure an equivalent raise in sales in line with effects of discounting.

9   Building strategy

Combining knowledge from theoretical framework and empirical data, thesis author develops the strategy in details and possible challenges in adopting the particular strategy. As stated in delimitation, the study will not discuss implementation plan. That part is under the management team's responsibility.

9.1   Literature reflection

Throughout the report, ABC business model and their financial picture have been painted quite clearly. A small firm with under a hundred thousand euro annual return, three employees and a small operating premises do not show much room for growth. As a consequence of humble sales, each of ABC's product bears a huge amount of fixed cost, making it even more difficult to earn profit. This comes from illogical price setting and lacking of a particular pricing strategy when the business was found. Hence, the outcome of this study is necessary for ABC to improve their sales and profitability.

Cost-plus pricing would be the simplest option for ABC. However, empirical evidence has proved that it is not the ideal choice, given that the company has a much higher cost base than it should do. The high rent and high labor cost are remarkable burdens for ABC. If the firm adopts cost-plus pricing, they either have to accept a low profit margin or make their products more expensive than those of competitors. Both two scenarios are harmful and contradictory with ABC's goals. For these reasons, this technique does not satisfy and benefit ABC prosperity.

As mentioned in the interview, ABC tried somewhat similar to competition-based pricing in their first attempt. Based on the description, they must have used adjustment strategy after evaluating the competitor prices. Nevertheless, there

are two notable flaws in this practice. First, they only took into account prices of the closest competitor and no thorough research about the overall market was done. The reference and information are thus insufficient to set reasonable prices. Second, they actually skipped the fact that their competitor and the company themselves have substantial disparity in background. Using solely the competitor prices providing that it has no relation with ABC's value proposition and customer segment do no good for their own sake. It can be conclude that ABC would be better off if they practice the prices based on their merit. This way helps them capture the right profit for the amount of value they have been offering.

In consequence, value-based pricing appears to be the optimal choice even though challenging for ABC. Consumers have shown that they perceive value from each ABC's product distinguishably. Under the same percentage of price reduce, sales from each product soars at different rate as well. Regarding sales contribution, the products and customer groups play separate role in generating ABC revenue. Therefore, it is reasonable for the firm to look into value-based pricing approach as their optimal strategy.

9.2 New strategy

Value-based pricing strategy emphasizes on first creating value based on customer preference, then determining price and designing product. Research of the top 4 product and willingness-to-pay are prime examples of placing monetary value on product ingredient. ABC could conduct more similar surveys but in a larger scale for the rest of their ingredients. Fully comprehending the ingredient value in quantitative facts, the business can then design new product with mixture of components based on determined price and cost. In terms of the current products, ABC can either modify the components or change their price to match with appropriate value offered. As stated in data analysis section, the company's niche products shall be remained at the same price since they are performing fairly well. It is also wise to promote these products by making more marketing effort plus adding more value to these products meanwhile. These special goods

are ABC's competitive advantage and they will draw more consumer's interest to the business if they know how to promote them right.

In the process of designing new product or modifying old ones, ABC should bear in mind the fact that their purchasers do not always require complicated several components. In table 3 concerning price elasticity, product 2, 3 and 4 are instances of simple combination with one or a few ingredients, yet they are still in ABC's best seller list. Selling simpler products is more time-efficient and therefore solves their high labor cost issue because their employees can now produce more output in an hour.

Considering products that contribute insignificantly to total revenue, ABC should either eliminate those product or make trade-offs by reducing their profit margin to around 5% - 10%. This movement leads to a decrease in price of those product, thus, make them more attractive to buyers and hopefully, gaining more shares in total returns. In contrast, the price of valuable product group, which has bigger sales volume and higher profit margin at the same time, should remain the same or slightly increase in accordance with willingness-to-pay and price elasticity of each product. It is optimal if ABC can raise prices within acceptable boundary so that it does not affect sales volume.

The case company should also focus on their consumer group. Since they are not yielding the same profit, ABC has every reason to charge differently among them. For example, the second consumer group with 35.8% shares in revenue contribution buys from ABC directly. The firm pays no commission for any third party when selling to this group. This gives them space to lower their price or add more values towards these consumers. The challenge may still remain in the fact that they have relatively small premise to be able to upscale when the number of this consumer group escalates. In this case, giving the customer some incentive such as 10% off for take-away order should do no harm for the company.

9.3 Potential challenges

The first challenge to be named is ABC's capability of measuring valid results. As such a small business with certain limited human resource, ABC must be absolutely committed in doing research for their implementation. Negligent research may overlook potential opportunity or result in damaging decision-making process. Time restrict could also be a pressure on management team. A complete new pricing strategy requires massive change in the business system, hence, it may pose some difficulties in adaptation. The new strategy also requires ABC to re-design their products on a large scale. Researcher and business manager might work closely to ensure the changes are in line with the proposed strategy.

10 Conclusion and recommendations

Pricing is an essential aspect in 4P marketing mix. Amongst the four elements, it is the only source of revenue while the rest being cost centers. An efficient pricing drives the maximum amount of customer willingness-to-pay and fulfills the following objectives:

- bring economic surplus to the company
- in line with market realities
- support the company overall strategy
- ensure consistency across categories and product

There are several pricing models and the three most common amongst them are cost-plus pricing, competition-based pricing and value-based pricing. The first model prices by adding a profit margin to the cost of goods sold. The second model utilize available competitors' prices to determine one's own. The last one measuring monetary value consumers place on a certain product utility and price the maximum of customer willingness-to-pay. Creating a pricing strategy is only the very first step. Small companies who pay little attention to strategy compliance

can easily deviate themselves from their strategy without knowing it. Operating the business consistently with the strategy is thus the prerequisite of a firm's financial success.

The thesis outcomes has provided answers for the research question: "**Which pricing strategies generate most profit for ABC?"** The research has evaluated various ABC's performance and discovers their flaws in pricing. Average revenue per customer, price elasticity, willingness-to-pay and other statistics were used to better understand consumer's characteristic. Overall, ABC currently has three customer groups which deliver different proportion of income, purchaser's sensitivity towards price change is indeed high and willingness-to-pay varies among their product utilities.

Evidence acquired from literature review and empirical research demonstrate that ABC can earn optimal profit and evolve along with drastic change in the business environment by using value-based pricing strategy. Certain strategic frames suggested by the researcher should define principles for the case company to make their prices more logical and drive better results. During the implementation process, they might want to establish certain benchmarking to measure how well the pricing strategy is performing.

It is recommended that there should be a further research for this case company. The study measures briefly willingness-to-pay of a few ABC's ingredient. A more thorough measuring for all of their product is necessary for implementation process. Likewise, price elasticity can be observed in all the products instead of the only top 9. An in-depth experiment in price elasticity shall be done in a longer period of time and in the other direction (increasing prices) to give comprehensive knowledge of purchasing behavior.

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Appendix: Survey questions

Sushi and Ramen

I appreciate your participation in my survey. The purpose is to measure willingness-to-pay toward some sushi and ramen products. This survey is related to my thesis at LAB University of Applied Sciences. It takes you approximately 3-5 minutes to answer.

Thank you for your time!

In case you are not familiar with sushi terms

Nigiri sushi: Thin slices of raw fish served atop rice

Maki sushi: A traditional sushi roll consisting of fish, veggies, and rice, rolled up in seaweed

Section 2

Select the best option

Which product you would rather buy?

5 Raw salmon nigiri 5 shrimp nigiri 10 euro (A)	3 raw salmon nigiri 3 shrimp nigiri 2 avocado nigiri 2 tofu nigiri 10 euro (B)

Which of the option above you would rather buy? *

○ A

○ B

Salmon bowl

Ramen chicken

Teriyaki chicken

Please rank the options below based on your preference and prices. #1: most favourite, #3: least favourite. Please only make one choice for each rank *

	#1	#2	#3
Salmon bowl: 12.9 euro	○	○	○
Ramen chicken: 12.9 euro	○	○	○
Teriyaki chicken: 12.9 euro	○	○	○

Please rank the options below based on your preferences and price #1: most
favourite, #3: least favourite. Please only make one choice for each rank *

	#1	#2	#3
Salmon bowl 12.9 euro	O	O	O
Ramen chicken 11.9 euro	O	O	O
Teriyaki chicken 11.9 euro	O	O	O

Please rank the options below based on your preferences and prices. #1: most
favourite, #3: least favourite. Please only make one choice for each rank *

	#1	#2	#3
Salmon bowl 12.9 euro	O	O	O
Ramen chicken 10.9 euro	O	O	O
Teriyaki chicken 11.9 euro	O	O	O

Section 3

Please rank below eight set (A-H) as your preference

5 Grilled salmon **nigiri**	5 Grilled salmon **nigiri**
5 Salmon cucumber *maki*	5 Shrimp avocado *maki*
10 euro	10 euro
(A)	(B)

5 Grilled salmon **nigiri**	5 Grilled salmon **nigiri**	5 Eel **nigiri**	5 Eel **nigiri**
5 Salmon cucumber *maki*	5 Shrimp avocado *maki*	5 Salmon cucumber *maki*	5 Shrimp avocado *maki*
10 euro	10 euro	10 euro	10 euro
(A)	(B)	(C)	(D)
5 Grilled salmon **nigiri**	5 Salmon cucumber *maki*	5 Grilled salmon **nigiri**	5 Salmon cucumber *maki*
5 Eel **nigiri**	5 Shrimp avocado *maki*	5 Eel **nigiri**	5 Shrimp avocado *maki*
12 euro	12 euro	10 euro	10 euro
(E)	(F)	(G)	(H)

#1: most favourite, #8: least favourite. Please only make one choice for each rank
*

	#1	#2	#3	#4	#5	#6	#7	#8
A	○	○	○	○	○	○	○	○
B	○	○	○	○	○	○	○	○
C	○	○	○	○	○	○	○	○
D	○	○	○	○	○	○	○	○
E	○	○	○	○	○	○	○	○
F	○	○	○	○	○	○	○	○
G	○	○	○	○	○	○	○	○
H	○	○	○	○	○	○	○	○

Thank you for your participation!