

# Women Entrepreneurs And The Pricing Dilemma

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## INTRODUCTION

Small industry is considered to be an ideal nursery for the growth and development of entrepreneurship. The small scale sector promotes decentralization and widens the entrepreneurial base. Thus, entrepreneurship and small scale industries are closely related. Entrepreneurship is considered to be a major determinant of the rate of economic growth of a country. Growth of women entrepreneurship would be supplementary and complementary for women in particular, and the country in general.

Women in our country have always remained a victim of discrimination and neglect. Since some time, the need is urgently felt that women should work outside the home for getting better living standards for all. While in the rural areas, underemployment is a prevalent phenomenon; the urban situation is characterized by a high level of open unemployment. It is against this background that the role of women industrial enterprises arises. According to an ILO study (1988), women around the world face more obstacles than men in setting up their business. Women face more problems than men in acquiring technical and entrepreneurial competencies (**Easwaran, 1992**).

Marketing constraints scored a second place to financial constraints, when the resource constraints of women entrepreneurs were studied in the state of Haryana (**Singh, 1992**).

A survey conducted in 1995 among the women entrepreneurs in Kerala revealed that raw material stocking and marketing were the major problems of their small scale units. The cottage industries, such as, those engaged in making mats and baskets, where female employment was very high, failed because of reasons of inadequate availability of raw materials and working capital problems. An industry, where entry is easy because of low technical threshold, is characterized by overcrowding of manufacturers and consequently subnormal profits, making it impossible for small firms to grow significantly (**Eugene and Morse, 1965**). This is especially true for the women entrepreneurs who generally choose low technology and low risk projects for their business units. They face problems in marketing their products as their resources and experiences are limited. Dependence on a limited number of customers and single or a limited number of products put constraints on their formulation of strategies regarding the marketing mix (product, price, place and promotion).

A close look at the problems of most of the small scale units, particularly the women entrepreneurial units, reveal the fact that the main element of most of the sick units is not finance, but marketing. Most of the small scale units lack resources to undertake vital tasks, such as advertising, sales promotion and establishment of distribution channels. Poor sales realization, defective pricing policy, unscrupulous sales/purchase practices etc., are cited as the marketing problems leading to industrial sickness (**Narayanamurthy, 1990**). **Vaidya (1990)**, assigned reasons for failure of most of the small units in the market, to incorrect product selection, launching, pricing and sales promotion.

## THE DILEMMA OF SETTING THE RIGHT PRICE

Price is the only element of the marketing mix that bring in revenue, while the other elements produce costs. Companies do their pricing in a variety of ways. Many firms do not handle pricing well. Price is not revised often enough to capitalize on market changes; price is set independently of the rest of the marketing mix rather than as an intrinsic element of market-positioning strategy; and price is not varied enough for different product items, market segments, distribution channels, and purchase occasions (**Kotler et al., 2007**). The importance of pricing for

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profitability was demonstrated in a 1992 study by **McKinsey & Company**. Examining 2,400 companies, McKinsey concluded that a 1 percent improvement in price created an operating profit of 11.1 percent. By contrast, 1 percent improvements in variable cost, volume, and fixed cost produced profit improvements, respectively, of only 7.8 percent, 3.3 percent, and 2.3 percent.

Most of the ailments of small enterprises are attributed to their inability to market their products manufactured by them at remunerative prices. Delay in getting payments, lack of demand, heavy competitive market and fluctuation or variation in prices make sales very difficult. Price is a key decision variable of the marketing mix for any seller. What price is to be charged for a product or service is a question that haunts an entrepreneur at crucial stages of the marketing process and calls for careful consideration. Small scale entrepreneurs tend to take mainly cost of production as the basis for setting the price. Women entrepreneurs often leave decisions regarding pricing to the men of the family, even though they strive to bring out the product in the market. Most of the time, the women entrepreneurs tend to overlook the hidden costs and the need for growth and development. They find it difficult to fix an optimum price and have trouble in setting the price initially and during the course of their business operations.

## METHODOLOGY

This study had the specific objectives to understand the price setting considerations and methods of pricing by the women entrepreneurs. A random sample of 62 modern SSI units of Ernakulam district, which is the most industrialized district of the state of Kerala, was selected for this purpose. Units with at least five years of existence only were selected as samples. Data were collected by interviewing the respondents using a questionnaire. The industrial units were grouped into seven, namely, plastic-rubber; readymade garments; concrete-wood-carton; printing; food-chemicals; electrical and miscellaneous units. The entrepreneurs were asked to rank the methods used, attributes considered, problems faced and so on, giving a rank of one to three in the order of decreasing importance. Weighted scores and average weighted scores were used to express the degree of feeling, attitudes and frequencies.

## FACTORS INFLUENCING PRICING

Many factors influence the decision of setting the price of a product. Although non price factors have become quite important in modern times, price still remains an important factor in determining sales and profitability.

**Table 1: Important Factors in Setting the Price**

Sl. No.	Factors	Average Weighted Score For Various Product Groups							Total Score (62)
		Pl- Rub (7)	R. Gar (16)	Con-Wood-Cart (5)	Pri (6)	Fo- Ch (17)	Elec (6)	Misc (5)	
1	Cost of production	2.4	2.6	2.6	2.5	2.2	2	2.8	2.4
2	Demand for the product	0.57	0.69	0.4	0.33	0.29	0.17	0.6	0.44
3	Competitor's price	1.6	1.1	2	1.8	1.9	1.8	0.8	1.6
4	Consumer Paying capacity	—	0.25	—	0.17	0.53	0.17	—	0.16

Maximum average score that can be assigned to any single factor is 3

Abbreviations used: Pl-Rub - Plastic & Rubber; R.Gar - Readymade Garments; Pri -Printing;

Fo-Ch - Food & Chemicals; Elec - Electrical; Misc - Miscellaneous

Figures in parentheses indicate the number of units

Cost of production was considered to be the most important factor, evidenced by the highest score, for setting the price by all the entrepreneurs of various groups of the SSI units studied. This was followed by competitor's price and demand for the product. Consumer paying capacity is not played with much as the bargaining power of the sellers is minimal due to the choice of me-too products by most of them. The importance of Maximum Retail Price (MRP) from consumer point of view was stressed by the chemical units.

## PRICE COMPARISONS

Competitor's costs, prices, and possible price reactions play a major role in determining the range of possible prices. The firm can decide whether it can charge more, the same, or less than the competitor, depending on the features, unique selling proposition etc. of the product. Competitor's prices had a strong influence on fixing the prices of the

**Table 2 : Comparison of Price Fixation With Major Competitors**

Sl. No.	Price Level In Comparison With Major Competitors	Proportion (%) Of The SSI Units							Total (62)
		Pl- Rub (7)	R.Gar (16)	Con-wood-Cart (5)	Pri (6)	Fo- Ch (17)	Elec (6)	Misc (5)	
1	Below	14.8(1)	62.5(10)	40(2)	16.7(1)	41.2(7)	16.7(1)	20(1)	37.1(23)
2	Above	28.6(2)	-	20(1)	-	-	-	-	4.8 (3)
3	At par	28.6(2)	37.5(6)	40(2)	33.3(2)	35.3(6)	66.7(4)	80(4)	41.9(26)
4	1&2	-	-	-	-	-	-	-	-
5	1&3	14.3(1)	-	-	-	5.9(1)	16.7(1)	-	4.8(3)
6	2&3	14.3(1)	-	-	16.7(1)	17.7(3)	-	-	8.1(5)
7	1,2&3	-	-	-	33.3(2)	-	-	-	3.2(2)
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Abbreviations used: Pl-Rub - Plastic & Rubber; R.Gar - Readymade Garments; Pri - Printing;

Fo-Ch - Food & Chemicals; Elec - Electrical; Misc - Miscellaneous

Figures in parentheses indicate the number of units

sample units. For most of them, other SSI units were the major competitors. Thirty seven percent in total of the entrepreneurs charged lower prices in comparison with competitors. Ready made garment manufacturers lead in charging low price, which can be assigned to competition due to a large number of similar units. Forty two percent of the entrepreneurs charged prices at par with the competitors. So, altogether, about eighty percent of the entrepreneurs were going for low or same prices in comparison with the competitors. Only about five percent of the units reported charging higher prices in comparison with the competitors. Interestingly, these units were not from the Fast Moving Consumer Goods (FMCG) sector. Thus, women entrepreneurs charged a lower price than their competitors.

## ALTERNATE PRICING POLICIES

A small firm may prefer to adopt a one-price policy or a variable price policy for the same product item in their effort to maximize profits. Following a single price means that the firm does not differentiate between customers. Discount and concessions, if allowed, are granted on equal terms to all the buyers. Under the variable price policy, different prices are charged from different customers depending on the bargaining power, geographical region, size of purchase etc., of the customers. A variable price policy may not be advisable in all situations. However, one may be constrained to follow a variable price policy.

**Table 3 : Pricing Policies Distribution**

Sl. No.	Pricing Policy	Product Groups (%)							Total Score (62)
		Pl-Rub (7)	R.Gar (16)	Con-wood -cart (5)	Pri (6)	Fo- Ch (17)	Elec (6)	Misc (5)	
1	Fixed	71.4(5)	37.5(6)	20(1)	16.7(1)	94.1(16)	33.3(2)	40(2)	53.3(33)
2	Variable	28.6(2)	62.5(10)	80(4)	83.3(5)	5.9(1)	66.7(4)	60(3)	46.8(29)

Abbreviations used: Pl-Rub - Plastic & Rubber; R.Gar - Readymade Garments; Pri - Printing;

Fo-Ch - Food & Chemicals; Elec - Electrical; Misc - Miscellaneous

Figures in parentheses indicate the number of units

Product-wise classification showed that food-chemical group followed by plastic- rubber units mostly follow single price policy. Non consumable product groups follow variable price mostly. Thus, fixed/variable price policy emanates mostly from the product characteristics. Entrepreneurs who followed a variable policy in other product groups also reduced the prices on bulk purchases.

## PRICING OBJECTIVES

A firm may want to achieve more than one objective through its pricing strategy. Objectives such as return on

investment, survival, profit optimization and growth are inherent in any pricing strategy. With a view to find out what objectives were really sought while formulating the pricing strategy, the entrepreneurs were asked to point out the objectives which they had been following initially and at the time of the study.

About 20% of the entrepreneurs did not change their initial pricing objectives. Market penetration was the pricing objective initially of 61 percent (38 units) of the entrepreneurs. Only six units continued to follow this objective. Majority could shift to the objective of improving the market share later. The printing group stood apart from the rest of the groups by the fact that every unit in the group shifted the initial pricing objective for the better, even though later, majority of the printing units had to adopt technological improvements to stay in the market and some of them closed down due to difficulty in staying in the market.

**Table 4: Matrix Of Shift In Pricing Objectives By SSI Units**

Sl. No.	PRESENT (TO)	Profit Maximization	Target Return	Meet Competition	Improve. Mkt Share	Mkt. Penetration	Other	Total No. Of Units
	INITIAL (FROM)							
1	Profit maximisation	(1) 50%	-	-	1	-	-	2
2	Target return on investment	3	-	1	-	1	-	5
3	Meeting/preventing competition	4	-	(5) 33.3%	5	1	-	15
4	Improving market share	-	-	-	-	-	-	-
5	Market penetration	7	-	8	17	(6) 15.8%	-	38
6	Others	-	-	-	1	-	(1) 50%	2
	<b>Total</b>	<b>15</b>	<b>-</b>	<b>14</b>	<b>24</b>	<b>8</b>	<b>1</b>	<b>62</b>

The diagonal elements (i, i) represent units which did not change the objective.

## PRICING METHODS

It is difficult to conceptualize the pricing methods followed by different units in the form of specific procedures. Numerous factors as stated earlier, play a part in choosing the pricing method. However, cost is usually a predominant factor in the determination of the price of a product. Moreover, over a period of time, the units may change the pricing method depending on the market conditions. Products manufactured by small scale entrepreneurs are perceived to be of lower quality, and this affects the prices charged for them.

Most of the women entrepreneurs under the study lacked confidence in setting the price of the product. Men in the household were taking an active role in this regard in 80 percent of the concrete-wood-carton units, 72.7 percent of the food-chemical units, 60 percent of the plastic-rubber units, 50 percent of the printing units and 56 percent of the total number of units. In enterprises such as ready made garments, the help availed from men was found to be low, showing that where women have experience in the area of business and the units are tiny in size, decisions are taken independently.

The matrix of shift in pricing methods show that 61 percent of the units did not change their method as indicated by the diagonal elements in the matrix. Forty percent of the units that started with cost plus pricing and about 96 percent of the units that started with market price continued to follow the same method. All the units in the food-chemicals group

**Table 5 : Matrix of Shift in Pricing Methods**

Sl. No.	PRESENT(TO)	Cost Plus	Competitive	Premium	Penetration (low)	Other	Total No. Of Units
	INITIAL (FROM)						
1	Cost plus	(13) 40.6%	17	2	-	-	32
2	Market price/Competitive	-	(22) 95.7%	1	-	-	23
3	Premium	-	-	-	-	-	-
4	Penetration (low)	1	3	-	(2) 33.3%	-	6
5	Other	-	-	-	-	(1) 100%	1
	<b>Total</b>	<b>14</b>	<b>42</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>62</b>

The diagonal elements (i, i) represent units which did not change the pricing method.

that started of with competitive pricing retained that method and more than 50 percent of this group follow this method. Penetration pricing as an initial method was reported only by ten percent of the total number of units. In penetration pricing, the entrepreneur offered lower price in comparison with the competing brands. None of the entrepreneurs ventured to charge premium prices initially, though three units claimed to do so in later stages. The shift in method of pricing was mainly from cost plus method to competitive method of pricing. But this means charging less than or equal to the competitors, which comes up to about 80 percent (refer Table 2).

## PRICING METHODS ADOPTED DURING VARIOUS SITUATIONS

Entrepreneurs employ different methods of pricing during different situations. Competitive method of pricing predominate when meeting competition and trying to increase sales. For introducing products, 50 percent of the entrepreneurs resorted to cost plus method of pricing.

**Table 6 : Pricing Methods During Various Situations**

Sl. No.	SITUATIONS	METHODS (%)				
		Cost plus	Competitive	Skimming/Premium	Penetration	Others/Can't say
1	Introduce new products	50 (31)	24.2 (15)	-	24.2 (15)	1.6 (1)
2	Meet competition	-	72.6 9( 45)	-	-	27.4 (17)
3	Get a market share	-	48.4 (30)	8 (5)	1.6 (1)	43.6 (27)
4	Increase sales	-	58 (36)	-	29 (18)	12.9 (8)

Figures in parentheses indicate the number of units .Product wise classification was not significant

## FACTORS LEADING TO RE-FIXATION OF PRICES

Price of a product, once set, cannot remain unchanged for a long time. Factors, such as change in overall trend in market prices, change in major competitor's prices, selling in a new market and cost of production compel the marketers to re-fix the price of the products.

Change in major competitor's prices followed by change in overall trend in market prices, as indicated by the weighted scores, were the important factors that led to refixation of prices. Change in the cost of production took only a third place in this regard. Product group-wise, change in overall trend in market prices was the most important factor leading to refixation of prices of rubber-plastic units. This was followed by change in cost of production, change in major competitor's price and selling in a new market area in descending order of importance. Change in cost of production was the most important factor effecting re-fixation of price in garment units. Printing and food-chemical units operate in a very competitive market and change in competitor's price influenced them the most. In short, changes in competitor's prices, overall market conditions, and cost of production lead to price changes.

**Table 7: Factors Leading to Re-fixation Of The Price**

Sl.No.	Factors	Average Weighted Score For Various Product Groups							Total Score (62)
		Pl-Rub (7)	R.Gar (16)	Con-wood -cart (5)	Pri (6)	Fo- Ch (17)	Elec (6)	Misc (5)	
1	For boosting sales	-	-	0.8	-	-	-	-	0.11
2	Change in overall Trend in market prices	1.7	1.3	1.2	0.5	1.1	1.8	2.2	1.4
3	Change in major competitor's price	.86	.56	2	2.2	2.2	1.5	.6	1.41
4	Selling in a new market	.29	-	-	.33	.11	-	-	.1
5	Change in cost of production	1.1	1.6	0.6	1.7	1.4	1	1.6	1.3

Maximum average score that can be assigned to any single factor is 3

Abbreviations used: Pl-Rub - Plastic & Rubber; R. Gar - Readymade Garments; Pri - Printing;

Fo- Ch - Food & Chemicals; Elec - Electrical; Misc - Miscellaneous

Figures in parentheses indicate the number of units



## PRICE CONCESSIONS

Marketers give discounts or price concessions to motivate customers. Almost all units offered price concessions in one situation or another or in one or the other form. Competition, fall in sales, excess stock and bulk purchase, in the order were reported to be the major reasons for offering concessions. Nature of the product had a dominant role to play in the offer of price concessions.

Significantly, 50 percent of garments units offered price concessions for immediate cash purchases. These units are the smaller of the small units that face cash shortages. A unit that did not offer any discounts belonged to a charitable society which follow societal objective in pricing their products.

**Table 8 : Price Concession Situations**

Sl. No.	Situations	NUMBER OF UNITS							Total Score (62)
		Pl-Rub (7)	R.Gar (16)	Con-wood - Cart (5)	Pri (6)	Fo- Ch (17)	Elec (6)	Misc (5)	
1	Competitors offer discounts	3 (43)	3 (19)	3 (60)	4 (66.7)	7 (41.2)	5 (83.3)	1 (20)	26 (41.9)
2	Fall in sales	3 (42.9)	8 (50)	3 (60)	1 (16.7)	8 (47.1)	1 (16.7)	-	24 (38.7)
3	Excess stock	4 (57.1)	8 (50)	2 (40)	-	8 (47)	-	2 (40)	24 (38.7)
4	Ready cash offer	-	8 (50)	1 (20)	-	2 (11.8)	2 (33.3)	-	13 (21)
5	Quantity discount	3 (42.9)	4 (25)	3 (60)	2 (33.3)	6 (35.3)	1 (16.7)	3 (60)	22 (35.5)
6	Seasonal and others	1 (14.3)	-	1 (20)	-	-	-	-	2 (3.2)
7	No discounts	-	-	-	-	-	-	1 (20)	1 (1.6)

Abbreviations used: Pl-Rub - Plastic & Rubber; R.Gar - Readymade Garments; Pri - Printing;

Fo-Ch - Food & Chemicals; Elec - Electrical; Misc - Miscellaneous

Figures in parentheses indicate percentage of the number of units

## DISCOUNT OFFER IN COMPARISON WITH THE COMPETITORS

Entrepreneurs who considered their discounts equal to that of their competitors constitute about 34 percent of the units. About 78 percent of the units were offering equal or more discounts in comparison with the competitors. This indicates a lower level of the units under the study in the competitive position.

**Table 9 : Discount Offer In Comparison With Competitors**

Sl. No.	DISCOUNT	NUMBER OF UNITS							TOTAL SCORE (62)
		Pl-Rub (7)	R.Gar (16)	Con-wood - cart (5)	Pri (6)	Fo- Ch (17)	Elec (6)	Misc (5)	
1	More	1 (14.3)	2 (12.5)	-	-	5 (29.4)	4 (66.7)	-	12 (19.4)
2	Equal	3 (42.9)	5 (31.3)	17 (20)	5 (50)	6 (35.3)	-	3 (60)	21 (33.9)
3	Less	-	2 (12.5)	-	-	1 (5.9)	-	-	6 (9.7)
4	More or equal	-	5 (31.3)	2 (40)	3 (50)	5 (29.4)	-	-	15 (24.2)
5	Can't say & others	-	2 (12.5)	2 (40)	-	-	2 (33.3)	2 (40)	8 (12.9)

Abbreviations used: Pl-Rub - Plastic & Rubber; R. Gar - Readymade Garments; Pri - Printing;

Fo-Ch - Food & Chemicals; Elec - Electrical; Misc - Miscellaneous

Figures in parentheses indicate the percentage of the number of units

## CONCLUSION AND MANAGERIAL IMPLICATIONS

Cost of production followed by competitor's price were the two most important factors that influence the pricing decision of the women entrepreneurs. About 42 percent of the units fixed the price at par with major competitors whereas, 37 percent of them fixed it below the competitor's prices. The pricing policies i.e., fixed/variable price, were product specific to a great extent. Units that sold a good proportion of their products to organizational customers resort to variable price policy.

The pricing objectives of women entrepreneurs had undergone changes during the course of time. Market penetration was the main objective initially, whereas the objective of improving the market share was held by about 40 percent of the units later. About one fifth of the units did not move from the initial objectives. The cost plus method of pricing followed initially by more than 50 percent of the units came down during the course of existence. About 61 percent of the units did not change pricing method and competitive pricing was stated to be followed after getting established in the market. Most of the units changed the price of their products when there was a change in major competitor's prices and there was a change in overall trend in market prices.

The pricing objectives, strategies and methods followed by the women reflect the feelings of limitations due to lack of experience, mobility etc. Though they take active help of male members in the family to perform the marketing activities, particularly pricing of the product, as they gain confidence, they feel capable of taking decisions. Going for low margins while resorting to cost plus pricing and competitive pricing leaves them with less profits, forcing them to keep their operations at a minimal level. The practice of charging premium prices by value addition and brand building is yet to catch on among the women entrepreneurs.

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