

PRODUCT RANGES PRICE STRATEGIES

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ABSTRACT

Most companies no longer offer a single product for sale but rather a range of products, which complicates the approach to substantiating the price strategy. The disappearance of single-product offers has distorted competition and has complicated the substantiation of the price strategy. If the company's products are independent in terms of production and sales, their prices should be determined separately. Otherwise, it is not possible anymore to take into consideration a product price strategy but rather a product range price strategy, so the company will have to substantiate its prices so as to maximize the profits of the whole range of products.

The aim of this paper is to highlight the essential elements underpinning price substantiation for product ranges in order to maximize the company's profit.

KEYWORDS: *complementary products, price optimization, price strategy, product range, substitutable products.*

JEL CLASSIFICATION: *D24, L21, M21, M31, O12*

1. INTRODUCTION

A product range is a group of products closely related because they operate in a similar manner, are sold to the same customer category, are distributed through the same distribution channel, and their prices vary between the same limits. In substantiating prices, companies have to look at the length of the range and the characteristics that differentiate its products. The length of the product range can be increased in two ways: by extension or by addition (Deac & Băgu, 2000).

Expansion of the product range occurs when the company develops its products beyond the current assortment range, expanding downstream, upstream, or in both directions. Downstream expansion can take place in situations where the company has high or medium range products and means widening the range of products downwards. Such a move may have different motivations (covering a niche market to prevent the appearance of a new competitor, like IBM did - they also produced cheap PCs in order to take advantage of a faster growth in the sector). However, the downstream expansion presents some risks, the most serious being the risk of the new product being adopted by some of the customers which were buying other high-end products and the risk of damaging the image of top level market existing company products (Lacoste is a good example here). Companies with low or medium range products can try to penetrate the top-of-the-range market, attracted by higher profits or an increase in that market segment, or simply by the desire to develop their product line; thus they also confer current products a prestigious image. However, this type of expansion also poses a risk. On the one hand, the competitors at the top will react, and potential customers

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may not be convinced that the new product will offer a superior quality, and on the other hand the company and its distributors will lack of the necessary training to act in the higher field of the market.

Companies manufacturing medium range products may decide to develop their product range in both directions. For example, Nokia, which dominates the mobile phone market, has used this strategy to produce the full range. Introducing the first mobile phone in the middle of the market, as competitors have replicated with models offered at lower prices, Nokia has broadened the line to the bottom, and for prestige and attracting more demanding users, has developed the line and (N series, Nokia's top range in terms of applications and the complexity of the technology used). "One size does not fit anyone, and so can we say about price levels," said Nokia's marketing director (Lauterbon, 1990).

A company can complete its line of products by adding more items in the same range, with the objectives being diverse: increasing profit, attracting new customers, using surplus production capacities, becoming the main company producing a complete line of products, keeping its competitors away. If we were to take the example of the famous Coca-Cola Company, it had only one product in its portfolio before launching Coca-Cola Light (1982), Cherry Coke (1985), Cherry Coke Light (1986), Coca-Cola without caffeine (1990), Coca-Cola Zero (2007) (Deac et al., 2014).

The disappearance of single-product offers has distorted competition and has complicated the substantiation of the price strategy. If, in the example presented, there are relatively similar products and consequently the prices are very close, there are also many situations in which the prices of products in the same range are very different (Whirlpool, for example, produces a wide range of refrigerators, with different features at very different prices; the Whirlpool ARC2353IX, 218 l, Class A+, H 143 cm, stainless steel, sells at 850 lei, while the Whirlpool T two-door model, l, Class A+, 6th Sense, Full No Frost, water dispenser, H 180 cm, stainless steel sells at the price of 3,200 lei).

2. ANALYSIS OF THE INTERDEPENDENCE BETWEEN A COMPANY'S PRODUCTS

If the company's products are independent in terms of production and sales, their prices can be determined separately, otherwise, it is not possible anymore to take into consideration a product price strategy but rather a product range price strategy. Thus, the company will have to substantiate its prices so as to maximize the profits of the whole range of products. Pricing is more difficult in this case because products within the range have different costs and face different demand and degrees of competition. In substantiating its prices, the company has to take into account the differences of costs of products within the range, consumer assessments in relation to their various attributes and competitors' prices. If the price difference between two successive products is low, buyers will purchase the most advanced product, and this may result in an increase in profits if the difference in cost between the two products is less than the price difference. If the price difference is significant, many buyers will turn to the cheaper product.

Next, we will address interdependent aspects in terms of demand, given the theme of the paper, the interdependence factors between products belonging to a range, as shown in Figure 1 (Simon et al., 2006).

The first arrow shows the well-known interdependence between the price and the volume of sales of a product A, according to the demand curve, which is very well known and on which we will not insist, not being part of the scope of this work. Arrows 2 and 3 show that sales of Product A may have an impact on another product B.

If this influence is positive (arrow 2), products A and B *are complementary*, consequently an increase in demand for product A will also lead to an increase in demand for product B. For example, in the automotive industry, throughout its lifetime a car requires servicing, which in many cases yields a much higher profit than the actual car. This is taken into account by car manufacturers as part of their price strategy. In general, margins obtained from the sale of

complementary products are far superior to those obtained from the sale of the main products, without taking into account the fact that for the same main product there may be repetitive sales of complementary products or services (sales of toner for printers; service and sales of spare parts in the automotive industry and so on). For example, in a restaurant, most of the customers ordering food order drinks as well; the alcohol margins may represent more than six times the direct costs, compared to about two to three times what the margins are for the food (Hise et al., 1984).

If the correlation between the demand for product A and product B is negative (arrow 3), the two products *are substitutable*. In this situation it is essential to segment the market correctly in order to avoid the "cannibalization phenomenon" (Ducreux et al., 2009).

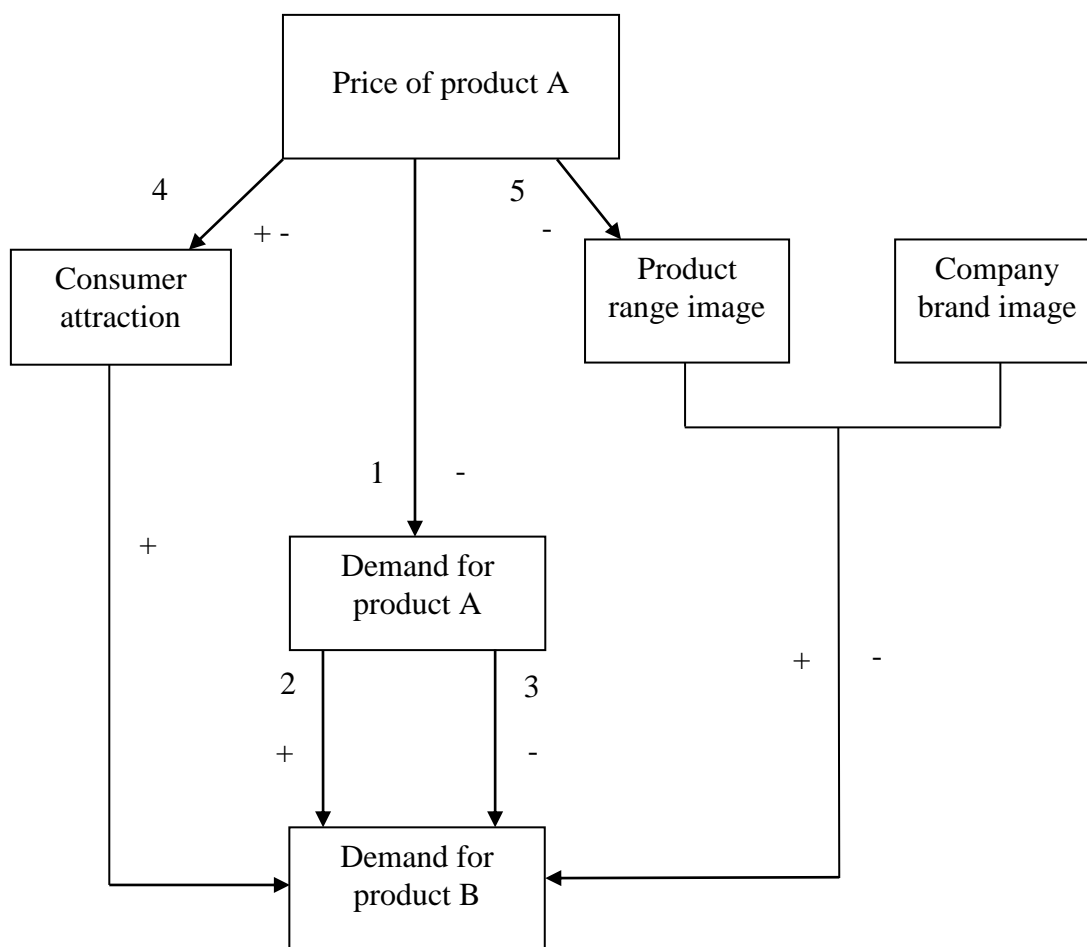


Figure 1. Product interdependencies

Source: adapted from Simon et al. (2006, p.113)

Contrary to even what some marketing specialists consider, the real goal of expanding the range of products is not to better meet the needs and exigencies of existing customers, but to conquer new customer segments on which to practice differentiated prices or to increase market share within the same customer segment in order to maximize profits. For example, Accor, world leader on the hotel market, also active in Romania, has developed a full specter of hotels covering the entire range, starting with Meridien and Sofitel (high range), then Novotel and Ibis (medium range) and ending with those of the low range, respectively Motel 6 and Formula 1. Another example is Mercedes-Benz, traditionally delivering high-range cars, which entered the medium and small car segments, producing model 190 in the '80s, the C-Class in 1993, the A-Class in 1997, and the Smart model in 1998, also known as "city cars", and whose prices are considered modest compared to the other Mercedes models. This strategy has allowed the company to broaden its price range and better exploit the willingness of customers to pay. A Mercedes customer may think that it's too much to

buy his daughter who is a student a traditional model, but the A-Class is just about right. Opposite, Toyota and Nissan targeted the top segment by expanding their range of cars with prestigious brands such as Lexus (Toyota) and Infiniti (Nissan). All of these cars meet the same basic need - passenger transport and are therefore substitutable, but a potential Toyota Lexus buyer will not take into consideration a Toyota Yaris as well (the two models target different buyer segments and are not in direct competition).

If in the presented examples of product and implicitly price strategies companies targeted new buyers' segments, the strategy of expanding the product range could also target attracting new clients belonging to the same segment who might be tempted by the new product. For example, there are people who do not consume Coca-Cola, but with the launch of the new Coca-Cola Zero product, it is likely that they will be tempted by it and become permanent customers. In these cases, the price strategy issues are more delicate given that prices are relatively close within the same range, which implies a major risk, **namely the phenomenon of cannibalization of a brand by another own brand**, which is contrary to the proposed objective.

As examples, we can point the Volkswagen Polo case, which has captured market shares from the Golf model (in the mid '90s); Ford Ka, which has substantially reduced sales of Ford Fiesta; Pepsi Twist Lemon, which strongly cannibalized the traditional Pepsi product even from its launch on the market. For a wide range of brands and products, cannibalization can become a very serious issue if their prices and positioning are not rigorously studied.

Another major risk in expanding the range of products by introducing low-end products, if the company already has a reputation on the market for its high-end products, is the deterioration of brand image. An excellent example of this is Porsche, which throughout its existence has focused on the financially potent buyers segment, which are exigent with their passions, their clothes, restaurants and the cars they drive. Such buyers make a clear distinction between a current use car (the car needed to go to work, shop, take children to school, which is bought taking into account elements such as price, size, fuel consumption and other practical considerations) and a Porsche. The Porsche is more than just a car, it becomes a passion, it must produce joy, pleasure, fulfillment of a dream, communicate the status and lifestyle of the buyer. However, in the mid '80s, the company strayed from this conception, planning to increase its sales volume by 50% by selling 60,000 cars annually, focusing on lower price models, specifically around 30,000 former West German marks, selling at that time for about \$20,000 each). The opportunity to buy a Porsche at a price close to that of a regular car attracted many new buyers (in 1986 the company sold about 50,000 cars, most of which on the US market), the company undergoing a profound change, moving from the class auto market to mass auto market (Porsche 924, inexpensive, four-cylinder), a change that deeply affected the company's image, creating confusion among loyal but very demanding members (Kirkpatrick, 1994).

This aspect and the strong competition of the new Japanese sports car models led to a decrease in subsequent sales; in 1988 their level was reduced by 50%. Later on, Porsche strived to restore its image and regain customers' confidence, redesigning their models back to the class auto market. If Porsche has reshaped its image, the same thing has not happened for the Lacoste brand, which by its mass-production option has lost its high-end brand positioning. To eliminate this risk, a solution would be to use another brand for low-range products. For example, Thomson, the world's number four electronics producer, has two high-grade brands - Thomson and RCA - but also has several product ranges under brands such as Ferguson, Brandt, Saba, Telefunken, G.E. and Proscan.

In the reverse situation, when the product range is uplifted by introducing high-end brands, the potential benefits relate to all of the company's products by increasing brand prestige. As a rule, this way of expanding the product range is more difficult to achieve because the company is marked by a certain perception of its historical positioning on low or medium price segments. As a result, the company will have to decide whether in order to broaden the range of products it will resort to its own brand or whether it should turn to a totally new brand for the high-end product. An example of this is Honda's Acura, which less than a year after its launch has become America's best-selling

luxury car, replacing the top-ranked Mercedes-Benz; also Toyota, with the luxury model under the new Lexus brand. Another approach, less risky, to expanding the product range up is to buy the already prestigious brands on the market (for example, Ford's takeover of the Jaguar brand, Volkswagen's takeover of the Bentley and Bugatti brands, BMW's Rolls-Royce brand takeover and, perhaps the most spectacular one, the brand of Volvo, renowned as leader in car safety, taken over by the unknown Chinese manufacturer Geely) (Kotler, 1998).

In addition to complementarity or substitution between a company's products, there may be other types of interdependence, as shown by the presented figure. Arrow 4 highlights the fact that a competitive price for Product A increases the attraction for Product A (the negative sign emphasizes that a reduction in the price of the product leads to an increase in demand), and this interest for Product A has a positive effect on sales of the product B, which brings a bigger margin. This is the classic mechanism of "*welcoming*" (or "*sacrifice*") *products* that have a very good or even symbolic price, attracting customers, with substantial margins being obtained from other products sold by this "welcoming product". For example, all mobile communication companies on the Romanian market offer a very attractive price for telephone sets (in many European countries the price is symbolic, set at 1 Euro), selling a subscription contract for a certain period of time along with the telephone. In France, in the summer of 1999, Leclerc proposed a fuel price similar to the one of the supplier in its hypermarkets' peco stations. This very attractive price brought in many customers, who, after fueling their cars, were also shopping at the Leclerc hypermarket, which was the real source of profits.

A last interdependence between the elements of a product range is highlighted by arrow 5 and refers to the perceived image of the brand, product, and product range (Lauterbon, 1990). If there is consistency with the perceived image of the product's brand, the price can have a positive influence and increase the sales of product B. Conversely, a price that is not in line with the perceived customer image leads to confusion, with the direct effect of reducing sales for product B. It is also very important to know if the perception of the prices of the company's products is influenced by the prices of some reference products or, on the contrary, by the prices of the aggregate products within the range.

Although the image of the price in the customer's mood is still difficult to exploit, recent research highlights the fact that before forming an image on the price of a product, customers observe a wide range of prices and products, giving greater importance to consistency the prices of a range of products rather than focusing on a few products that benefit from promotions or special offers. Companies such as Walmart in the US and IKEA in Europe have established their entire low-prices strategy based on this principle, a strategy that has been harmoniously complemented with day-to-day promotions for specific products.

3. SUBSTANTIATING THE PRICE OF COMPLEMENTARY PRODUCTS

In the case of two complementary products, an increase in the sales of one of them (considered as the main product) leads to an appropriate increase in the sales of the other product. **In the case of complementarity of products, the key problem is related to the substantiation of the optimal price of the main product.**

In order to better understand the issues of price substantiation for complementary products, we will take a hypothetical example. Products A and B are complementary. Without taking into account the interdependence between the two products, the demand for product A varies between 270 pieces (when the price is equal to the unit cost of 30 value units/piece) and 0 pieces (when the price is 120 value units/piece).

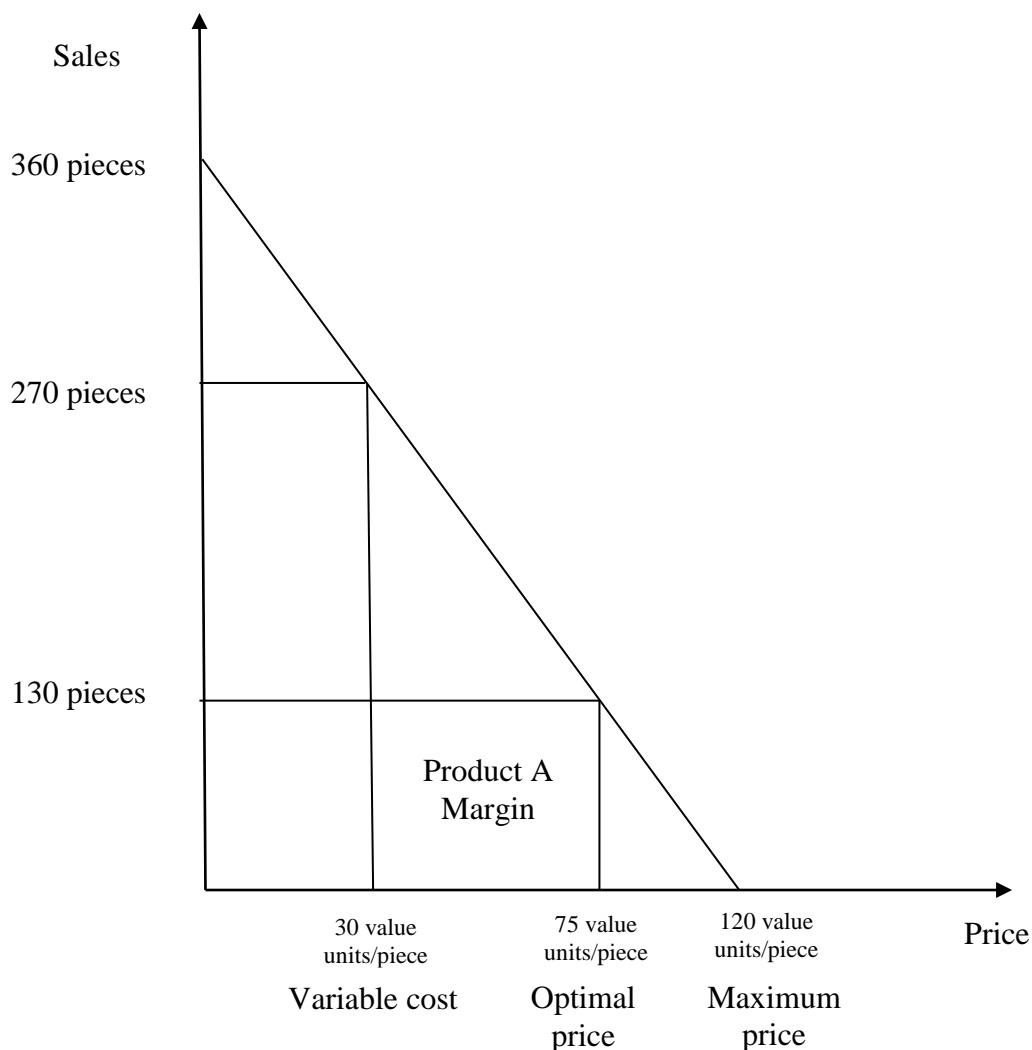


Figure 2. Optimizing price without taking into account complementarity

Source: adapted from Deac et al. (2014, p.50)

The optimal unit price is 75 value units/piece (the one that maximizes the total absolute margin and thus the company's profit, the optimal sales volume being 130 pieces, as shown in Figure 2). As such, from the sale of product A, the company will obtain a total absolute margin of 5,850 value units. We need to point out that, from the point of view of simplifying the mathematical calculations in order to better understand the economic implications, it was assumed that the aspect of the demand curve in relation to the price is a straight line, the economic reasoning being true regardless of its form.

If we do not take into account the complementarity of products, assuming that product B has a unit margin of 20 value units/piece and that every buyer who buys a product A will also buy a product B, the company will also get a gross margin from product B of 2,600 value units. Finally, from the sales of the two products, without taking into account their complementarity, the company will achieve a total gross margin of 8,450 value units (5,850 value units + 2,600 value units).

In the idea that every buyer who buys a product A will also buy a product B, product B will generate additional margin due to the fact that the product A was purchased, which can be economically interpreted as a reduction of variable cost/unit of product A, precisely equal to the margin/unit that product B yields. Consequently, given that product B has a unit margin of 20 value

units per piece, the corrected variable cost/unit of product A will be 10 value units/piece, and the optimal price level of A will not be 75 value units/piece but 65 value units/piece, as also shown in Figure 3.

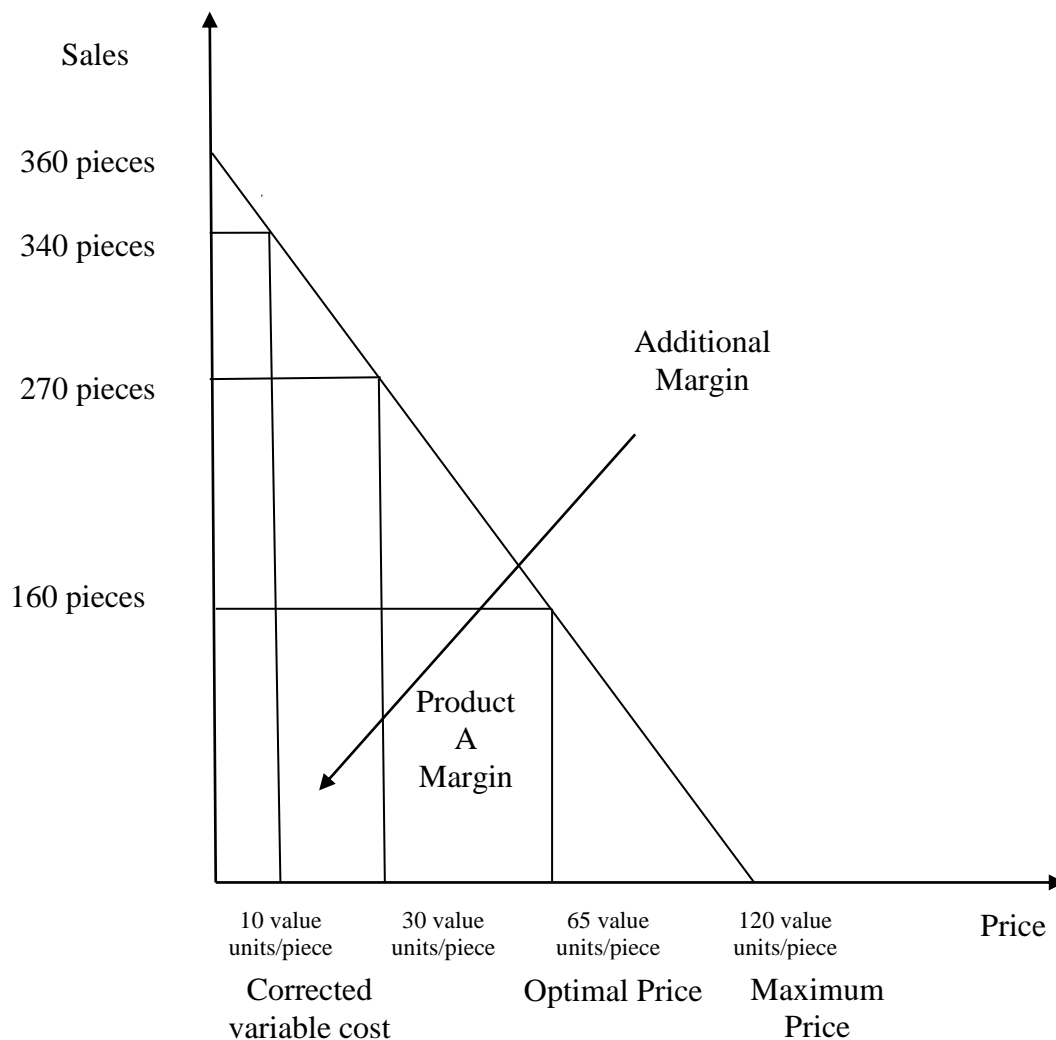


Figure 3. Optimizing price taking into account complementarity

Source: adapted from Deac et al. (2014, p.52)

For an optimal price of 65 value units/piece the sales volume of A will be 160 pieces, resulting in a total gross margin of 8,800 value units, given the complementarity aspect of the two products (the company will also sell 160 pieces of product B, but by “transferring” the margin/unit of Product B to Product A, no margin is obtained from their sale) which means 350 more value units than if the complementarity of the two products is not taken into account.

As it results, in the case of complementary products, by analyzing the products together, the optimal price of the main product is always lower than that resulting from a separate analysis, and the higher the margin of the complementary product, the more efficient it is to give up a part of the main product margin (by reducing its price) to increase the overall margin.

If we also take into account the fact that for the same main product there may be repetitive sales of complementary products or services (for instance toner sales for printers, service and the sale of spare parts in the automotive industry, and so on) the more reason to reduce the price of the main product (sacrificing the immediate profit) to increase the profits in the medium and long term.

The introduction of new complementary products or services within the range will have a similar impact on the optimal prices of existing products, which implies an analysis of the impact of new complementary products or services and the revision of prices to maximize the total margin and, implicitly, the profit (Mickwitz, 1959).

As shown above, **in situations where there is a very close link between products or services, a very attractive or even symbolic price of the main product will attract customers, with substantial margins being obtained from other products or services sold with this "welcoming product"**. For example, casinos offer free drinks and food to their customers. This approach starts from the reasoning that in some situations it is more efficient for the company to sacrifice a product's margin or even to offer it free of charge if it allows the company to build a loyal customer base that will generate a higher profit in the future. **In reality, this is another approach on how to get profit, not few being the cases where it is more effective to abandon the prospect of "product profit" and switch to the "profit on customer" approach.**

4. SUBSTANTIATING THE PRICE OF SUBSTITUTABLE PRODUCTS

As shown in Figure 1, if the correlation between the demand for product A and the demand for product B is negative (arrow 3), the two products are substitutable. A reduction in the price of a product to stimulate its sales growth (or any other approach to this objective) at the expense of reducing the sales of the other product (the cannibalization of one product), is contrary to the objective proposed by completing the range of products. As examples, we can show the cases of the Volkswagen Polo brand, which has gained market share at the expense of the Golf model, or the Ford Ka model, which has substantially reduced sales to Ford Fiesta, or even Pepsi Twist Lemon, which cannibalized the traditional Pepsi product even from its launch (Dobbin, 2005). For a wide range of brands and products, cannibalization can become a very serious issue if prices and positioning are not rigorously studied.

The notion of cross-price elasticity of demand permits the measurement of the links between two products. For this, the elasticity of the demand for a product A will be measured based on the price of another product B ($E_{Ca/Pb}$) according to the formula (Nagle & Hogan, 2008):

$$E_{Ca/Pb} = \frac{\frac{\Delta C_a}{C_a}}{\frac{\Delta P_b}{P_b}} = \frac{\Delta C_a}{C_a} \times \frac{P_b}{\Delta P_b} = \frac{\Delta C_a}{\Delta P_b} \times \frac{P_b}{C_a} \quad (1)$$

in which:

- C_a = the level of demand for product A, before modifying the price of B;
- ΔC_a = demand variation of product A, as a result of modifying the price of B;
- P_b = the initial price of B;
- ΔP_b = price variation for product B.

If the product elasticity of the demand of A based on the price of B is negative, the two products are substitutable. The consumer believes that he can replace product A with product B, the products being in competition (when the above stated elasticity is positive the two products are in a relationship of complementarity). This substitutable relationship is of great importance in substantiating the prices of the product range (but also of the prices in relation to competition).

In substantiating the price strategy when a company opts for expansion by completing or expanding the range of products to avoid "cannibalizing" other products, it will have to take into account the following aspects in price optimization (Porter, 1982):

- for the product that has the highest price within the line, the optimal price taking into account the substitution phenomenon will be higher than the one calculated without taking this phenomenon into account;
- the higher the demand-price elasticity and, implicitly, a higher degree of substitution, the higher the price of the product at the top of the line;
- the higher the margin of the substituting products (implicitly they are more cost-effective), the higher the "cannibalization" costs, and the main product price will have to be increased to avoid it.
- for the product with the lowest price within the line, the optimal price taking into account the substitution phenomenon will be lower than the one calculated without taking this phenomenon into account;
- the price difference between two substitutable products belonging to the same range is much more important than the one between two different range products (the phenomenon of cannibalization being much stronger in this case).

Given that there are very few cases where a company does not sell a product range or even more, the risk of substitution must be taken into account in the development of the price strategy, which complicates this approach; the objective pursued must be to maximize the total result (with the risk of sacrificing the margins of some products). For a better understanding of the substitution phenomenon in the pricing approach, we will present the typology of substitutable products.

- **Type 1. Products that perform the same function but are not practically substitutable.** A company can market a range of identical products in several variants to better accommodate the needs of different customers. For example, a manufacturer of fluorescent light bulbs sells this product in several variants (bulbs with different powers: 20, 40, 60 watts), which have different prices (the higher the power and the higher the price). However, every buyer who wants to buy these bulbs has an exact need (for example, he wants three 40W and five 60W bulbs) and will not compromise between power and price, thus the products are not substitutable. If the same manufacturer sells fluorescent light bulbs and halogen bulbs and LEDs in addition to bulbs, the latter, although fulfilling the same function, are substitutable with the fluorescent lamps.
- **Type 2. Products for which the substitution effect is null as a result of their distribution through different distribution channels.** There are frequent situations where a manufacturer produces a product under different brands by applying differentiated pricing strategies, essential in this situation being the distribution network differentiation (for example, Osram sells Osram and Healux economic luminaires through distinct distribution networks; Electrolux sells over 25 brands of dishwashers). **This strategy is very effective for the manufacturer and is based on the reasoning that in reality distribution networks target distinct customer groups, and as such the different product variants target customers specific to that particular network, thus avoiding the substitution phenomenon between their own products.** Essentially, in these situations, there is a price coherence within a distribution network and by segmentation buyers aren't allowed to migrate to lower price channels and the possibility of making price comparisons is eliminated.
- **Type 3. The products do not differ from each other by more than necessary to adapt to customer tastes, and the customer choose them according to subjective preference criteria, the products being the same in terms of quality, brand, and so on.** For example, a customer may prefer a red Dacia Logan, while another customer prefers a blue one, both of which have the same technical specifications. Although they are different products, they are not substitutable. We are talking about a widening of product features to better respond to diversified customer preferences.

For the three types of situations presented, the nature of interdependence between products leads to the conclusion that *from the point of view of price substantiation the problems are not too complicated, we can speak of identical prices (in type 3) or of price coherence (in the first two types)*.

- **Type 4. Products within the range are designed to meet different requirements and needs.** For example, a PC producer can offer computers with different performance, for office, multimedia applications, games, or image processing, each client choosing the desired option according to his needs. Since in these situations each customer wants to achieve the highest performance at the same price, *to prevent the substitution of the essential products it is imperative to clearly differentiate products within the range*. In the given example, if a computer is purchased by a client for multimedia applications, the fact that a desktop PC is less expensive will have little impact on the customer. Consequently, no other barriers will have to be put in place to prevent customers from migrating to lower range products, the performance barrier being enough. Instead, *we can witness a phenomenon of buyers migrating from lower to upper segments of the range* (especially when price differences are weak), since we know that customers will always try to optimize the performance/price ratio. As such, products from different ranges are competing with each other. *To prevent this, the difference in performance must be clearly visible in the price difference*.
- **Type 5. Products or services are not clearly differentiated, and customers are looking for a compromise between quality and price.** The mechanism of this type of substitution is more subtle. The substitution risk, with negative effects on the final result, comes from the fact that potential customers belonging to a market segment with high-range products or services (implicitly high prices) may be tempted to buy from segments with lower prices in their quest to find the best value for money. In these situations it is absolutely necessary to keep the most demanding customers on high-priced segments and to set up other types of barriers to prevent them from migrating to lower price segments (there are a number of restrictions or inconveniences that discourage demanding customers). A typical example is that of airlines, which, in order to benefit from a lower price, condition customer payment a few months before the flight, or practice lower weekend prices with the obligation to stay on Saturday night, few of those traveling for business purposes being willing to stay an extra day away from home in order to take advantage of a lower price.

The issues presented regarding the substitution phenomenon between products concerned only products of the same company; in the economic reality the phenomenon of product substitution is much more complex. **In general, we consider substitutable products: first of all, products of the same kind with other existing products but which exhibit a better performance/price ratio; secondly, completely different products but which satisfy the same needs and can compete with existing products in terms of performance/price ratio.** Substitution can take place in a more or less progressive manner, it can be brutal, causing the disappearance of activities in a very short time and, as a result, the disappearance or conversion of existing companies. One of the most well-known examples of this substitution phenomenon is that of the slide rulers replaced in only two to three years in the mid-seventies by pocket computers developed on the basis of a totally distinct technology from that of slide rulers. Also, the technological evolution of the watchmaking industry in the same period concretized by the emergence of quartz watches with numerical and electronic display determined not only a phenomenon of substitution of the famous mechanical watches, but also a revival of the activity of this field.

When the threat of substitution of a company's products is manifested in a concrete way, we often see a general defense phenomenon of the threatened company. In general, the means available to companies to "fight" against substitution products are very low and often ineffective (especially where substitution is achieved through innovative products). *The question that arises is: must the*

company engage in a "fight" against products substituting their own? Our answer is that a company does not need to focus its efforts on this issue, it has neither the means nor is it normal to oppose technological evolution, to raise "barriers" against it. **What needs to be very clear to the management of any company, no matter of the field of activity, is that at any time its products may be threatened by substitute products that meet the same needs or, there may even appear new products that change consumer needs, and as such the risk of buyers giving up old products.**

A defense of the threatened field of activity by innovative substitution products through a price reduction, a more aggressive trade policy is often ephemeral and presents the risk of depriving the companies concerned of resources indispensable to a reconversion of the present activity. The only chance to cope with the dangers of innovative substitution products is technological innovation, which can reduce costs or improve product performance (these two aspects are not mutually exclusive), which will allow the company to respond in a sustainable manner to the threat of substitution.

Except for the substitution of existing products by new products, all companies in a field of activity are in direct competition with companies that manufacture similar products and, in the broad sense of the term, the products of any company could be substituted by the products of other competitors. However, one of the most serious threats for less powerful brands is to face the competition of no-name products or distributors' own brands at lower prices. To avoid competition from these, companies have several means (Detrie et al., 1997):

- a first mean is a permanent policy of promotions such as the one Procter & Gamble uses in the U.S., where, starting from its "*Every Day Low Pricing*" concept, prices are adjusted daily downwards based on competitors' prices;
- a second mean is a significant temporary price reduction, a common strategy for consumer goods, thus avoiding permanent attacks of lower-priced brands;
- a third mean is the analysis of the possibility of introducing a second lower price brand in order to retrieve customers who are tempted by competitors' lower prices products (this must be analyzed in the light of the possible negative effect on the main brand, including the risk of cannibalizing own products).

5. CONCLUSIONS

A company, as part of its global strategy, can propose as a strategic option to improve its range of products, the objectives pursued being very diverse: to increase its profits, to attract new undecided customers, to start using its unused production capacities, to become the main company producing a full range of products, to keep competitors away, and so on. However, regardless of the chosen option (upgrading the product range up, down or on the same line) and the strategic goal underlying this option, a correct application of the price strategy within the respective range of products will be the primary factor in the success of the chosen strategic option and, implicitly, in achieving the pursued objective.

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