

# FINANCE AND MONEY TURNOVER

UDC 338.534:658.15

DOI <https://doi.org/10.26661/2414-0287-2024-1-61-08>

## THE CORPORATION'S PRICING POLICY IMPACT ON ITS FINANCIAL POSITION

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**Key words:**

price, pricing policy, corporation, factors, pricing, efficiency, liquidity, target, consumer, sales, industry, market, strategy, premium, demand

The article explores the essence of pricing policy and its impact on the financial condition of corporations. It delves into the Ukrainian beer market, determining the share of the analyzed group of enterprises. The indicators of the financial condition of PJSC "Carlsberg Ukraine" are scrutinized to define how they are influenced by the chosen pricing policy. The feasibility of applying pricing strategies at the corporation's enterprises is assessed. Potential enhancements to the pricing policy are investigated, and a forecast of changes in the beer market share in Ukraine is provided. Methods to enhance the efficiency of the chosen pricing policy, boosting the corporation's sales, and stimulating competitiveness are outlined. Main recommendations involve increasing the price attractiveness of products, actively adapting to market changes, further market segmentation, introducing new products, setting premium prices, and innovating with algorithmic pricing based on artificial intelligence. Implementing pricing policies of foreign brewing companies is proposed, with examples including premium pricing, price discrimination, and aggressive marketing to identify useful aspects that can drive positive innovations in quality.

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## ВПЛИВ ЦІНОВОЇ ПОЛІТИКИ КОРПОРАЦІЇ НА ЇЇ ФІНАНСОВИЙ СТАН

**Кущик А.П., Котухов Д.П.***Запорізький національний університет**Україна, 69000, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

ціна, цінова політика, корпорація, фактори, ціноутворення, ефективність, ліквідність, ціль, споживач, реалізація, галузь, ринок, стратегія, преміум, попит

У статті розглянуто сутність цінової політики і ціноутворення, та їх вплив на фінансовий стан корпорацій. Проаналізовано стан українського ринку пива, та визначено частку, яку займає аналізована група підприємств. Досліджено показники фінансового стану ПрАТ «Карлсберг Україна», визначено як саме на них впливає обрана цінова політика. Проведено оцінку доцільності використання застосовуваних стратегій ціноутворення на підприємствах корпорації. Досліджено потенційні шляхи покращення цінової політики та наведено прогноз у змінах частки ринку пива в Україні. Наведено шляхи та способи збільшення ефективності обраної цінової політики задля зростання обсягів збуту корпорації і стимулювання її конкурентоспроможності. В числі основних рекомендацій було перераховано підвищення цінової привабливості продукції, активну адаптацію до змін на ринку, подальшу сегментацію ринку та впровадження нових видів продукції, встановлення преміумних цін, рекомендовано інновацію в вигляді алгоритмічного ціноутворення, яке засноване на штучному інтелекті. Запропоновано впровадження цінових політик іноземних пивоварних компаній. В числі прикладів були наведені варіанти преміумного ціноутворення, цінової дискримінації та агресивного маркетингу, задля визначення корисних аспектів, які можуть стати рушієм для якісних позитивних нововведень.

### Statement of the problem

The pricing policy stands as a fundamental factor influencing the financial stability and capital adequacy of commercial enterprises. Determining and executing an effective and efficient pricing policy should be a top priority for managers, given the evolving modern business environment, which necessitates flexible and prudent decisions in establishing competitive and fair pricing. When establishing it, several factors need consideration, such as market conditions, the pricing preferences of the nearest competitors in the industry, and the continual fluctuations in supply and demand for manufactured products. Justifying, defining, and implementing an effective pricing strategy, which includes constant monitoring and adjustments, is a pressing issue for all modern corporations, irrespective of their organizational structure and type of activity.

### Analysis of the latest research and publications

The definition of the essence of the concept of “pricing policy” varies considerably depending on the scholar. Different approaches of scientists are more the result of a set of various ideas forming the basis of their understanding of this category than one specific definition. Classical scholars such as A. Smith [1], D. Ricardo [2], E. Böhm-Bawerk [3], and others actively studied pricing and the reasons for setting specific price levels. Among modern foreign scholars, R.J. Dolan and H. Simon [4], H. Macdivitt and M. Wilkinson [5], and many others have contributed to the field. Among domestic scholars, individuals like V.V. Kyrylenko [6], M.I. Tugan-Baranovsky [7], Y.G. Tormos [8], V.I. Korniev [9], V.G. Gerasymchuk, and A.E. Rosenplanter [10] have delved into the analysis of the concept. The aforementioned researchers substantiate the expediency of continuous improvement of pricing policy, confirming the importance and relevance of studying this issue.

### Objectives of the article

The purpose of the article is to analyze the pricing policy as a concept, the financial condition of the corporation, and the impact of the pricing policy on it. The article also aims to examine the state of pricing using PJSC “Carlsberg Ukraine” as an example and explore possible ways to improve it. Additionally, the article delves into the experiences of foreign corporations in this area and identifies competitive advantages that could be utilized, especially by managers of “Carlsberg”.

### Summary of the main research material

Corporate pricing is one of the most complex yet crucial aspects of management, directly impacting revenues, profits, and their subsequent allocation in the production cycle. In today's globalized world, where competition in industries is increasingly intense, the selection of the right pricing strategy becomes a decisive factor in a company's overall performance. Consequently, prices influence virtually every aspect related to performance: sales, profit, and consumer attitudes toward the brand.

The issue of prices encompasses various aspects that help understand the reasons behind a corporation's choice of a particular pricing strategy. “Price is primarily an instrument of the company's commercial policy. That is why any discussion of pricing methods and rules makes sense only when we know what the company wants to achieve by setting certain prices for its products or services” [11]. A well-chosen pricing strategy can determine the success of an enterprise in the market and impact its profitability.

To develop a pricing strategy effectively, a corporation must clearly define its goals, which it aims to achieve through the sale of goods or services. Typically, the primary goal is to maximize profit, but intermediate goals may vary, such as protecting interests, overcoming competitors, gaining new markets, introducing a new product, efficient cost recovery, or stabilizing revenues.

In today's dynamic market conditions, product pricing demands a sophisticated and flexible approach. Given this complexity, it is essential for a corporation to perceive pricing as a highly intricate process influenced by numerous factors. Instead of relying on a universal pricing method with fixed factors, managers should integrate different approaches and consider various factors influencing the pricing process. This approach will help find an optimal and reasonable price for products, ensuring high competitiveness and contributing to the company's development.

The study will continue by examining the impact of pricing policy on the financial condition of the corporation, using PJSC “Carlsberg Ukraine” as an example. Carlsberg Group, a formidable international brewing group with production facilities in over 20 countries, holds the fourth position among global brewing corporations in terms of revenue [12]. Carlsberg Group entered the Ukrainian market in 2001 by acquiring a 50 % stake in Baltic Beverages Holding, which controlled three breweries in Ukraine. In 2008, the Danish company acquired a share of the assets of Scottish & Newcastle, the second co-owner of Baltic Beverages Holding, gaining full control over the holding [12]. Today, the Carlsberg Group's representative office in Ukraine is known as Carlsberg Ukraine PrJSC, with 100 % ownership by Baltic Beverages Invest Aktiebolag [13].

To examine the impact of the pricing policy on the financial condition of the corporation, we will analyze key indicators of its liquidity, financial stability, and profitability. The results of the liquidity analysis of the company's balance sheet are presented in Table 1.

Table 1 – Liquidity ratios of PJSC “Carlsberg Ukraine” for 2019–2022

	2019	2020	2021	2022
Current liquidity ratio	1,448	1,391	1,345	1,959
Quick ratio	1,094	1,137	1,104	1,612
Absolute liquidity ratio	0,682	0,767	0,681	1,214
Inventory coverage ratio	4,129	5,547	5,612	5,656

Source: compiled by the authors based on [15]

The obtained values provide insights into the potential ability of the corporation to fulfill its financial obligations. Primarily, the current liquidity ratio indicates the company's insufficient ability to meet current financial obligations with current assets. Only in 2022 does its value approach the recommended range (2.0–2.5). Conversely, the quick ratio significantly exceeds the normative value (0.7–0.8), indicating a substantial share of receivables in the company's current assets and, therefore, potential issues with product sales and pricing policy. The absolute liquidity ratio also surpasses the recommended values (0.2–0.3), demonstrating the financial stability of the corporation. However, it also suggests the immobilization of cash and cash equivalents from turnover. The inventory coverage ratio, indicating the company's ability to fulfill obligations through inventories, maintains consistently high values throughout the analyzed period. The ambiguity in the dynamics of this indicator lies in its demonstration of medium-term financial stability while hinting at potential overstocking by the company. In conclusion, it is noteworthy that PJSC “Carlsberg Ukraine” maintains sufficient liquidity, influenced in part by the prices set for products by the corporation.

A preliminary conclusion can be drawn that pricing policy can have a significant impact on the financial position of corporations. A properly chosen pricing strategy contributes significantly to increasing profitability and building competitive advantages. To avoid undesirable negative consequences of an incorrectly chosen pricing policy, corporate managers need to take into account the specifics of the market, consumers, and the general environment.

Certainly, pricing policy has an impact on the liquidity of the corporation. Increasing values of liquidity ratios, particularly current and quick, indicate a balance between current assets and financial liabilities. This suggests that the pricing strategy not only helps increase profitability but also provides sufficient cash liquidity to meet obligations in a timely manner. Determining competitive advantages and assessing the stability of the company's financial position in the context of market challenges highlights the role of pricing policy in this context.

Financial stability ratios are also crucial indicators for analysis. Through an effective pricing strategy, a company can influence the level of profitability and the generation of its own funds, as reflected in the ratios of autonomy and financial independence. The use of optimal pricing strategies can also impact the financing structure, ensuring a balance between equity and debt, resulting in changes in the values of financial dependence and capitalization ratios. This list of indicators specifically relates to the financial resources of the corporation, characterizing them in one way or another, or demonstrating dependencies with other indicators of property values that can be utilized in the production process (Table 2).

The table indicates that the corporation is undergoing risky changes in the financial structure but exhibits signs of stability and potential improvement in financial stability in 2022.

Table 2 – Indicators of financial stability of PJSC “Carlsberg Ukraine” for 2019–2022

	2019	2020	2021	2022
Autonomy ratio	0,628	0,600	0,566	0,652
Financial dependency ratio	1,591	1,665	1,768	1,533
Ratio of financial independence from capitalized sources	0,986	0,977	0,982	0,986
Debt to equity ratio	0,577	0,641	0,749	0,519

Source: compiled by the authors based on [15]

To analyze the financial condition, it is also crucial to examine profitability ratios. These financial indicators assess the efficiency and profitability of enterprises, indicating how much of the revenue is converted into profit in various aspects of business operations. In analyzing them within the context of PJSC “Carlsberg Ukraine,” we selected indicators that best characterize the financial resources of the enterprise (Table 3).

Table 3 – Profitability indicators of PJSC “Carlsberg Ukraine” for 2019–2022

	2019	2020	2021	2022
Return on total capital	0,299	0,309	0,238	0,211
Return on equity	0,476	0,514	0,420	0,324
Return on sales	0,170	0,204	0,161	0,169

Source: compiled by the authors based on [15]

Table 4 shows a downward trend in the profitability of both total and equity capital. This trend may indicate the need to improve the company's asset and financial management strategies. However, the stability of the return on sales is a positive aspect, indicating the corporation's ability to maintain efficiency in generating profit from sales. It also highlights the effectiveness of the pricing policy in improving the company's results.

The calculations and analysis of the coefficients demonstrate a satisfactory level of financial stability for PJSC “Carlsberg Ukraine.” While there are some problematic issues, these can be addressed through joint efforts by the company's managers to make necessary improvements.

A more detailed analysis of the company's performance indicators reveals that Carlsberg has an effective pricing policy for its market segment. This effectiveness is evident in the volume of products produced compared to net sales revenue. The holding's companies consistently sell their products using an efficient, extensive logistics system, coupled with a stable pricing policy. Overall, the pricing system can be characterized as quite effective, given that no significant declines in the volume of products sold were observed during the analyzed periods.

A number of approaches could be employed to enhance overall performance by implementing new methods in pricing policy. For instance, to improve the pricing strategy, it is suggested to develop approaches for premium pricing. Premium prices can be justified by the high quality of the product, exclusivity, rarity, or a strategic positioning of

the product. Premium pricing often conveys to consumers that the product is of exceptionally high quality, though it requires significant marketing and promotional expenses. The advantage of this method lies in enhancing the overall image of the company's products, concurrently establishing a relatively high profit margin if sales are sufficient.

Another recommended strategy for corporations is the adoption of dynamic pricing algorithms. Algorithmic pricing involves setting optimal prices through the utilization of machine learning and artificial intelligence to maximize revenue, increase profits, or achieve other business objectives defined by retailers [16]. In the current stage of technological development, the use of such innovation stands as one of the most powerful ways to gain a competitive advantage. This approach is particularly pertinent for Carlsberg Ukraine due to the significant number of brands and products. Automating price setting with machine algorithms would prove more efficient, eliminating the human factor. Prices for specific product types could be determined based on historical data, analyzing past price levels, changes in demand, and other relevant factors.

Market segmentation and the introduction of new products within the corporation represent another approach, albeit a strategic one. This involves dividing the target market into different segments based on specific characteristics to more effectively direct marketing efforts and pricing. To enhance the pricing policy using this method, it is crucial to consider the needs and demands of different consumer groups. Carlsberg is already utilizing this system, but it requires revision and refinement.

It is advisable to consider the pricing strategies of foreign breweries as a direction for improving the pricing policy. Analyzing the successes and failures of other companies in the industry allows for the identification of new ways to enhance the pricing policy and, consequently, the overall stability of the corporation.

For instance, the American market extensively employs premium pricing, driven by the consistently inflated cost of raw materials. Consumers in the US understand and accept pricing when it comes to quality beer. Breweries have the opportunity to build brand loyalty through trust, ensuring consumers don't perceive the pricing as an attempt to keep up with market competitors. Establishing this level of trust means that if a consumer sees a 4-pack of their favorite brand of beer priced at \$15, they don't feel cheated. They understand what they are paying for – a premium-quality beer at a fair price. While the Ukrainian market differs somewhat from the American market, the principle remains the same, and Carlsberg Ukraine effectively employs this approach by setting special prices for its premium brands [16].

Belgian breweries exemplify price discrimination. Belgium takes pride in being the “country of beer” leading

to unique pricing policies among lesser-known breweries. Many local producers charge a significantly higher price for their products when sold in the neighborhood around the brewery. While the average cost of selling locally is likely lower (due to reduced transportation costs), the locals' pride in their regional brand gives brewers a certain monopoly power, which they willingly leverage. Brewers increase their profits, redistribute them, and grow, thanks to the consumption behavior of local residents [17].

German breweries can serve as an example of an aggressive marketing strategy. German beer producers heavily invest in brand promotion. According to Statista 2019, the German beer industry, in general, spends more on marketing than all other alcoholic beverage producers in the country. Ranking third in marketing spending after the sweets and dairy industries, the beer industry accounts for 12 % of all marketing spending on food and beverages in Germany [18]. The success of this strategy is evident, as German breweries work for export, promote their brands globally, and Germany is renowned worldwide for its beer, with events like Oktoberfest gaining international recognition. The profitability of this approach is apparent: the growing popularity and recognition of brands contribute to both domestic consumption and successful entry into foreign markets, ultimately enhancing profitability and strengthening the position of German beer producers globally.

It's essential to note that domestic and foreign companies may employ different pricing strategies based on various factors such as market conditions, competition, consumer preferences, and strategic goals. However, there are typical approaches that are not geographically specific and have a universal impact. The pricing policy of breweries should also consider local characteristics, cultural nuances, and consumer customs in specific countries or regions.

### Conclusions

Pricing policy has a significant impact on a corporation's financial position. It is a key tool for achieving commercial goals and determines the efficiency of all stages of the production cycle and the sales system. A properly selected, effective, and balanced pricing policy will make a substantial contribution to financial stability and success. In the context of constant competition and a changing business environment, the issue of improving and optimizing existing pricing strategies becomes quite relevant. Therefore, suggestions and recommendations using market segmentation, premium pricing, and artificial intelligence capabilities are becoming crucial tools for enhancing and increasing the effectiveness of existing pricing policies. Utilizing the experience of foreign companies in market segmentation can provide a source of useful information and interesting schemes that can be adopted and adapted for one's own purposes.

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