

## EXAMINE THE RELATIONSHIP BETWEEN PRICING STRATEGY AND MARKET CAPABILITIES

MOHAMMAD MORADIAN;<sup>1</sup>MOJTABA SOUFI<sup>2</sup>

1,2Department of Business Management , Collage of humanities, Kermanshah Branch , Islamic Azad University, Kermanshah, Iran.

Corresponding author: mojtaba.soufi.1982@gmail.com

### ABSTRACT

*The main purpose of this research is the relationship between market capabilities and Pricing strategy in Industry. Data were collected from 210 industries through a questionnaire. Result show that pricing strategies has a significant effect on marketing capabilities aspects, i.e. there is significant relationship between pricing strategies and marketing capabilities aspects. Standard coefficients for causal relationship between pricing strategies and marketing capabilities aspects show that customer relationship management is 0.433, differentiate products is 0.391, customers service is 0.267, effectiveness of promotion activities is 0.411, marketing researches is 0.271 and at last correlation coefficient for distribution network is 0.452. This shows that pricing strategies has a positive effect on marketing capabilities aspects and confirms the research hypotheses stated as effect of pricing strategies on marketing capabilities aspects. Therefore, the relationship between pricing strategies and marketing capabilities aspects is not rejected.*

**Key words:** price, pricing strategy, marketing, marketing capability

### INTRODUCTION

When manufacturers encounter an uncertainty in future prices of their product, they react in different ways (Minaqawa, 1998). In economic debates and especially in micro-economics pricing is a primary activity (Christensen, 1997). The lack of an appropriate price to supply in market and absence of a suitable guide for price offering, has led many firms to saturate markets with goods or technologies don't fit market prices (Ravi et al, 2003). Also, in the past it has been usual that sellers and buyers bargained over price. So, sellers demanded a price higher than they expected and buyers would offer a price lower than their expectation. After bargaining and dealing, ultimately they would agree on a price both had accepted (Kotler & Armstrong, 2008). Price is an indicator of customer and supplier perception of the product price (Che, 2009). Price is flexible element of marketing strategy, while pricing-decisions can be implemented relatively more quickly than other elements of marketing strategy (Avlonitis & Indounas, 2005). Adjusting prices can be called pricing strategy. The objective of pricing strategy is stability of optimal price along maximizing current profit and quantity of sale (Dolgui & Proth, 2010). Marketing capability helps

an industry to establish a strong relationship between customers and other members. Marketing literature states that industries use their capabilities to convert resources to output and return and are related to the function of industry (Nath et al, 2010). The role of marketing as resource for competition advantage in marketing strategy context has been discussed (Akdeniz et al, 2010). Srivastava, Shervani & Fahi (1999) offered that Assets and capabilities have enabled the industry to conduct organizational processes efficiently (Ramaswami et al, 2006). Hunt and Morgan (1995) also stated that competition advantage in context of tangible and intangible resources leads to competition advantage for industry and ultimately serves a greater value for industry and customers (Hunt & Morgan, 1995). Organizations that emphasize on pivotal capabilities have more potentiality to reach superior position (Vorhies, 1998). Therefore a set of capabilities is needed as contexts for development of stable advantage in market and consequently for organizational benefits (Ramaswami et al, 2006). All industries and organizations determine a price for the service and goods they supply. This price may be stated in words such as fee, subscription, rental and ... etc (Kotler & Armstrong, 2008). Among the components of marketing compound, price as a main factor, has

considerable effect on industry revenue (Dolgui & Proth, 2010). Although competition over price is one of main problems that industries may encounter, many industries cannot solve this problem in an excellent manner. As the quality of goods from different industries become more equal, the price factor changes to one of the most important factors for attracting and retaining customers and gain their loyalty and satisfactions. Nowadays, because of development of Internet, this issue is confirmed more strongly (Kotler & Armstrong, 2008). Pricing strategy should be coordinated with other strategies of industry. Therefore managers should be aware of proper price determination. Because, very low prices (wasted profit margin) and very high prices (wasted sale margin) can have terrible effects on profit making (Jobber, 2007). Pricing strategies may include market segmentation, discount, profit management and considering price superficial (Dolgui and Proth, 2010). Many authors have emphasized on effects of pricing decisions on industry profit-making and its long-term survival and have suggested that pricing is the only element of the marketing mix that produces revenues for the firm (Avlonitis & Indounas, 2005). In current studies, marketing capabilities has been defined as application of knowledge, skills and organizational resources in order to produce surplus value for goods and services, meeting competition necessities and responding to market related needs (Day, 1994). In developing marketing capabilities importance of learning processes has been emphasized; particularly when personnel can solve marketing problems of industry using knowledge and skills. For analyzing marketing capabilities of industry, those particular marketing processes will be discussed that are compatible with competitive strategy (Rezaie Dolat Abady & Khef Alahi, 2006). Higher the marketing capabilities of a industry more enabled to get information on competitors' actions and reactions. It will generate a special value for customers and creates obstacles for competitors' entrance and prevents their threats. This process develops a base to reach competitive profit (Verhies, Harker & Raw, 1999). Industries better equipped to respond to market needs and can anticipate variable conditions, expect to enjoy greater long-term profit and greater competition advantages. Main focus of capability which is not a new concept is on creating distinctive capabilities which appears in fundamental policies of industry (Day, 1994). The current research survey the

relation between pricing strategies and pricing capabilities.

#### **THEORETICAL FOUNDATIONS AND LITERATURE REVIEW**

Price in its broadest sense is the exchange value of goods and services which is stated in monetary unit. Price is the most important factor and motive for activity in market, due to which supply and demand is adjusted. Governments' interventions in this system and price control can take place for different purposes. Support for producers, consumers or both are one of the most important reasons for government intervention in the market system through price control. Price also is the quantity of money that is paid for goods and services. In a more comprehensive definition, price is the quantity of benefit that consumers pay for advantages of having or using a goods or service (Kotler & Armstrong, 2008). Price of goods or service, in different markets, is determined based on price theory. But these determined prices in all markets, are not necessarily economically efficient. In other words, these prices don't secure maximum interests of society. Thus, determining optimal price or pricing problem in these markets arises. Price is determined in order to maximize profit, increase portion in market, leading quality, survival and increase market price (Kotler & Armstrong, 2008). Simply pricing means the determination of price for a goods or service (Kotler & Armstrong, 2008). Pricing is an activity that should be replicated and is a continuous and nonstop process. This continuity is a result of environmental changes and lack of stability in market conditions and necessitates the modification of price (Shipley & Jobber, 2001). Therefore, this research discusses different methods and pricing strategies that have been derived from several resources (Avlonitis & Indounas, 2005; fig. 1).

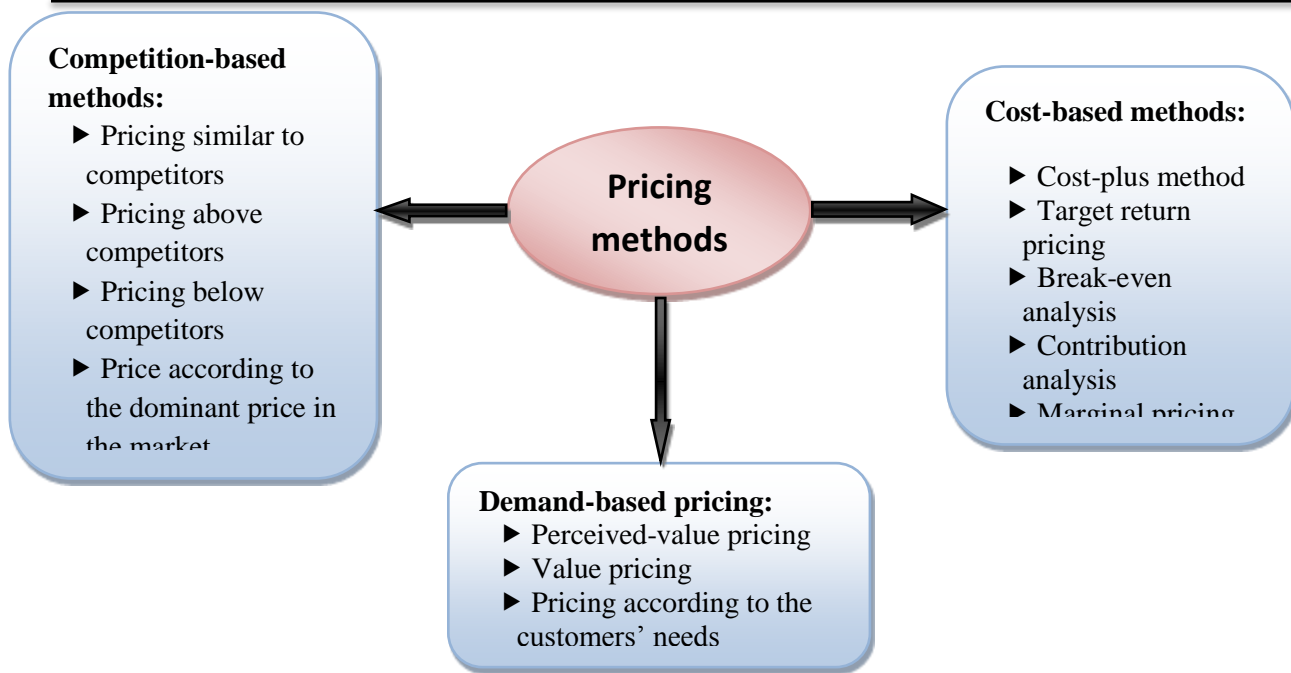


Figure1. The types of pricing methods (Avlonitis & Indounas, 2005)

Dolgui and Proth (2010) have divided their general strategies in two parts. The first part is High and low prices strategies. High price is accepted if it agrees with the value of the product perceived by the customers, otherwise such a strategy leads to commercial failure; a low price strategy may also lead to a commercial success, especially in the food retailing sector. Kotler & Armstrong (2008) have divided pricing methods into following methods. The first method is cost-plus pricing. In this method which is the most primitive pricing method, price is determined through adding a standard number to cost-price. The second method is break-even analysis. The price is determined at a point where total revenues are equals to total costs. The third method is Perceived – value pricing. This method not based on cost-price but based on customer judgment about product value, price is determined. The next pricing method is Price according to the dominant price in the market. In this method, stores determine their prices based on competitor industries. The last method is based on sealed offers. When industries offer sealed prices to fulfill projects, prices are determined through competition (2008). Due to this fact that all businesses develop capabilities which stems in competitive market, previous bonds and anticipated obligations, it is impossible to address all capabilities. However, some certain types of capabilities that are ready in every business to respond central processes are discussed (Day, 1994).

Marketing capability is defined as an integrated process through that industry using its tangible and intangible resources, perceives some particular needs of consumers and reaches a product distinct from other competitors' and meets stock holders' rights with a superior brand name (Nath et al, 2010).

#### MARKETING CAPABILITIES PROCESSES

In recent studies, marketing capabilities has been defined as application of knowledge, skills and organizational resources in order to produce surplus value for goods and services, meeting competition necessities and responding to market related needs (Day, 1994). For analyzing marketing capabilities of industry, marketing processes will be discussed that are compatible with competitive strategy (Rezaie Dolat Abady & Khef Alahi, 2006). Akdeniz et al. (2010) Identify eight types in marketing capabilities processes we follow the identification process by taking the marketing capabilities described by Verhies and Morgan (2005) as our reference set. Using cross-sectional survey data, Verhies and Morgan (2005) address eight marketing capabilities positively and directly relating to firm performance. The marketing capabilities include product development, the process to develop and manage product and service offerings; pricing, the strategy to extract the optimal revenue from firm's sales; channel management, the course of action to establish and

maintain the channels of distribution that effectively and efficiently deliver value to end-user customers; marketing communications, the ability to manage customer value perceptions; selling, the activity to fulfill customer orders; market information management, the practice to acquire and use market knowledge; marketing planning, the ability to create marketing strategies that optimize the match between the firm's resources and its marketplace; marketing implementation, the process to transform marketing strategy into realized resource deployments (2010). Weerawardena (2003) has described marketing capabilities processes and expanding Atuahene-Gima's (1993) conceptualization of marketing capability, and identifies several processes which are used by firms in their efforts to reach target

**CONCEPTUAL MODEL OF RESEARCH**

This model is an integration of pricing strategies and marketing capabilities. Price determination strategies integrate Esmailpur (2008), Avlonitis & Indounas (2005), Dolgui and Proth (2010), Kotler & Armstrong (2008) strategies. Moreover for presenting a model of marketing capabilities we have used aspects of Rezaie Dolat Abady & Khef Alahi (2006) market capabilities which have taken from Atuahene-Gima (1993). Besides, we have divided pricing strategies into four aspects including cost-based, competition-based, demand-based and financial aspect (Figure 2).

For considering conceptual model of research, the

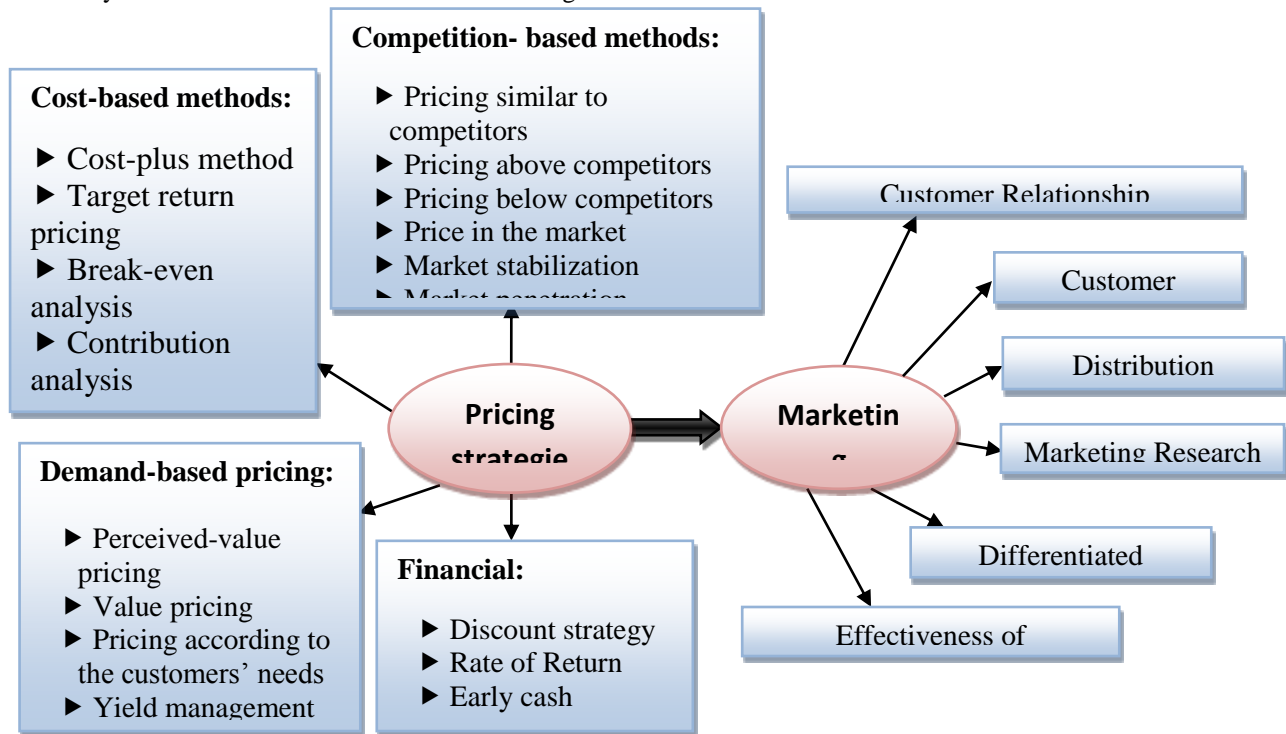


Figure2. Conceptual Research

customers with value-added products and services. Zeithaml & Bitner, (1996) stated that the process of customer services, defined as deeds, processes and performances which are largely intangible tasks that satisfy buyer or user needs. Also Rezaie Dolat Abady & Khef Alahi (2006) has described marketing capabilities as operationalize marketing capabilities, and defined several processes that each can be used by industry to attract target customers and produce surplus value for goods and services.

following hypotheses are stated:

- There is a relationship between pricing strategies and customer relationship management in under-study industries.
- There is a relationship between pricing strategies and differentiate products under-study industries.
- There is a relationship between pricing strategies and customers service in under-study industries.

- There is a relationship between pricing strategies and effectiveness of promotion activities in under-study industries.

- There is a relationship between pricing strategies and marketing research in under-study industries.

- There is a relationship between pricing strategies and distribution network in under-study industries.

### RESEARCH METHODOLOGY

The aim of this research is to study the relationship between elements of marketing capabilities and pricing. In such sort of studies, aim is to detect how much the two variables are associated. For this purpose, considering measurement scales of variables proper index are selected. This research respect to its objectives is an applied research and regarding its method can be categorized as descriptive survey research and considering the relationship between variables is a correlation type and at last respect to temporal aspect it is a cross-sectional research. In this research Kolmogorov-Smirnov test is used to test the normality of data distribution. Test results showed that data were normal then Pearson correlation coefficient and regression analysis are used to analyze data. Statistical population of the research is all pharmaceutical industries in Iran. There were 150

industries for determining sample size and morgan table is used and considering the type of activity stratified random sampling method. According to morgan table 108 industries accepted to participate in the research. In this research questionnaire is used to aggregate data. For pricing strategies and methods dichotomous scale (1 for yes and 0 for no) is used and indicates which industries have used considered methods. For marketing capabilities Athahen-Gimma (1993); Rezaie Dolat Abady & Khef Alahi (2006), questionnaire with Likert scale were used. Supervisor and consultant professor's contributions and experts' views have helped to increase validity of measurement instrument in order to a questionnaire be designed that cover all 6 hypotheses of research. Data analysis is crucial for accepting or rejecting hypotheses of research. Nowadays in most of researches that rely on data aggregation about research topic, data analysis is one of the most important sections of the research. Raw data are analyzed using statistical techniques and after processing are presented to concerned users in form of information. Frequency distribution for each of pricing methods is presented in Table 1. This table shows that cost-added method is the most prevalent method among industries. Simplicity of using this method can be the reason for its prevalent use.

<b>Pricing methods adopted</b>					
	<b>To tal</b>	<b>Perc ent</b>		<b>Tot al</b>	<b>Perc ent</b>
<b>Cost-plus method</b>	80	74%	<b>Perceived-value pricing</b>	61	56.5 %
<b>Target return pricing</b>	52	48%	<b>Pricing according to the customers' needs</b>	78	72.2 %
<b>Break-even analysis</b>	34	31.5 %	<b>Market stabilization</b>	64	59.3 %
<b>Contribution analysis</b>	34	31.5 %	<b>Market penetration</b>	60	55.6 %
<b>Marginal pricing</b>	57	52.8 %	<b>Rate of Return</b>	65	60.2 %
<b>Pricing similar to competitors</b>	67	62%	<b>Early cash Recovery</b>	27	25%
<b>Pricing above competitors</b>	38	35.2 %	<b>Prevent New Entry</b>	37	34.3 %
<b>Pricing below competitors</b>	44	40.7 %	<b>Based on sealed offers</b>	16	14.8 %
<b>Price according to the dominant price in the market</b>	76	70.4	<b>Yield management</b>	61	65.5



		%			%
<b>Value pricing</b>	39	36.1	<b>Discount strategy</b>	75	69.4
		%			%

Note: The sum of percentages is larger than 100, since respondents could give multiple responses, as they use more than one method

Table1. Pricing methods adopted

Correlation Coefficient and Regression Analysis for Research Hypotheses

Pearson correlation coefficient and multivariate regression analysis are used to verify research hypotheses.

Table 2 is correlation coefficient matrix between pricing strategies and marketing capabilities. In a 0.99 percent confidence level there is a relationship between selected pricing strategy and marketing capabilities and their correlation coefficient is presented in following table. Consequently, the relationship between selected pricing strategy and marketing capabilities is accepted.

pricing strategies and distribution network and at a 95 percent confidence level there is significant relationships between pricing strategies and customers service, between pricing strategies and marketing researches. Correlation coefficients for these relationships are presented in following table which shows correlation coefficient for customer relationship management is 0.433, for differentiate products is 0.391, for customers service is 0.267, for effectiveness of promotion activities is 0.411, for marketing researches is 0.271 and at last correlation coefficient for distribution network is 0.452. In total we can conclude that relationship between selected pricing strategy and marketing capabilities aspects is accepted.

		Type of pricing strategy in selected			
		Cost based	Competition based	Demand based	Financial
Marketing capabilities	Pearson Correlation	0.456	0.400	0.384	0.424
	Sig. (2-tailed)	0.000	0.000	0.000	0.000

Table2. Correlation coefficient matrix between pricing strategies and marketing capabilities

Also, it can be observed in Table 3 that there is a significant relationship between pricing strategies and marketing capabilities aspects, i.e. at a 99 percent confidence level there is significant relationships between pricing strategies and customer relationship management, between pricing strategies and differentiate products, between pricing strategies and effectiveness of promotion activities and between

		Variables of marketing capabilities					
		Customer Relationship Management	Differentiated product	Customer Service	Effectiveness of Promotional	Market Research	Distribution Networks
Pricing strategies	Pearson Correlation	0.433	0.360	0.267	0.411	0.271	0.452
	Sig. (2-tailed)	0.000	0.000	0.005	0.000	0.004	0.000

Table3. Correlation coefficient matrix between pricing strategies and variables marketing capabilities

percent of marketing capabilities variance is due to selected pricing strategy. For this value neglects degree of freedom we use adjusted coefficient of determination which in this test equals to 35 percent. Regarding that Durbin-Watson statistic is greater than standard value of 1.5 we can conclude independence of residuals. Considering mentioned indicators, model is enough efficient.

Table 4 pertains to regression model. It is observed that correlation between Independent and dependent variables equals to 0.614, coefficient of determination is 0.377 and this value shows that 38

Correlation coefficient	Coefficient of determination	Adjusted coefficient of determination	Error standard deviation	Watson's Location
0.614	0.377	0.353	0.34061	2.009

Table4. Regression model the main variables

In Table 5 significance of Regression is calculated by F test. It is about effect of pricing strategy on marketing capabilities. Regarding the following table calculated significance level for this statistic is 0.000 and this means regression significance at 99 percent confidence. Therefore, estimated linear regression model is acceptable.

Model	Total squares	Degrees of freedom	The mean sum of squares	F statistic	Sig.
Regression	7.237	4	1.809	15.596	0.000
Remaining	11.949	103	0.116		
Total	19.187	107			

Dependent variable: marketing capabilities

Table5. Regression analysis of pricing strategies on marketing capabilities

In table 6, linear regression coefficients for aspects of pricing strategies on marketing capabilities have been shown. In this table all aspects are significant then for judgment about effect size of each pricing strategy on marketing capabilities we look at standardized coefficients column in the model. It can be seen that competition-based with a standardized coefficient of 0.245 has the greatest effect, and

consequently is in the first priority. Then cost-based with the coefficient of 0.218 is in the second priority, financial with the coefficient of 0.211 in the third priority. It is observed that demand-based with the coefficient of 0.186 is at the last priority and compare to three other variables has the least effect on marketing capabilities.

Model	Non-standard coefficient		Standardized coefficient	T	Sig.
	B	Std. Error	Beta		
Competition-based	0.627	0.233	0.245	2.648	0.008
Demand-based	0.443	0.203	0.186	2.178	0.032
Cost-based	0.412	0.178	0.218	2.410	0.108
Financial	0.461	0.192	0.211	2.397	0.018
Dependent variable: marketing capabilities					

Table6. Linear regression coefficients between pricing strategies and marketing capabilities

In table 7, linear regression coefficients for pricing strategies on aspects of marketing capabilities are presented. In this table all aspects are significant then for judgment about effect size of each marketing capabilities aspect on pricing strategies we look at standardized coefficients column in the model. It can be seen that distribution network with a standardized coefficient of 0.452 has the greatest effect, and consequently is in the first priority. Then customer

relationship management with the coefficient of 0.433 is in the second priority, effectiveness of promotion activities with the coefficient of 0.411 in the third priority, differentiate products with the coefficient of 0.360 is in the fourth priority, marketing researches with the coefficient of 0.271 is in the fifth priority. It is observed that Customers service with the coefficient of 0.267 is at the last priority and compare to five other variables has the least effect on pricing strategies.

Index Variable	B	Beta (standardized coefficient)	T	Sig.
Customer Relationship Management (CRM)	1.461	0.433	4.953	0.000
Differentiate Products	1.058	0.360	3.968	0.000
Customer service	0.874	0.267	2.856	0.005
Effectiveness of promotion	1.079	0.411	4.646	0.000
Marketing Research	0.722	0.271	2.904	0.004
Distribution Networks	1.655	0.452	5.218	0.000

Table7. Linear regression coefficients between Pricing strategies and Dimensions of marketing capabilities

#### Structural Equations Model

Structural Equations Model is a comprehensive Statistical approach for testing hypotheses about relationships between observed variables and latent variables. Via this approach we can test acceptability of theoretical models in a particular population with correlation analysis data non-empirically.

In Structural Equations Model, in one hand, the rate of correspondence between research data and

conceptual model is examined and in the other hand, significance of relationships in this fitted model is tested. Indices include  $2x$ , goodness of fit index (GFI) and adjusted goodness of fit index (AGFI). A model is good fitted that its  $2x$  is lower than 3 and closer the GFI and AGFI to one, better fitted the model. Table 10 illustrates the range of index and goodness of fit.



Acceptable fit	Good fit	Fitness index
$0.05 \leq P \leq 0.1$	$P < 0.05$	<b>P-value</b>
$2 \leq \chi^2/df \leq 3$	$0 \leq \chi^2/df \leq 2$	
$0.05 \leq \text{RMSEA} \leq 0.08$	$0 \leq \text{RMSEA} \leq 0.05$	<b>RMSEA</b>
$0.9 \leq \text{GFI} \leq 0.95$	$0.95 \leq \text{GFI} \leq 1$	<b>GFI</b>
$0.85 \leq \text{AGFI} \leq 0.9$	$0.9 \leq \text{AGFI} \leq 1$	<b>AGFI</b>

Table10. Range of index and goodness of fit

### Confirmatory Factor Analysis

In this section, results of confirmatory factor analysis in Structural Equations Model are presented for each research variable separately. It should be mentioned in order to reduce number of variables and considering them as a latent variable resulted factor loading should be greater than 0.3. In examination of each model, the essential question is whether this measuring model is a proper one?

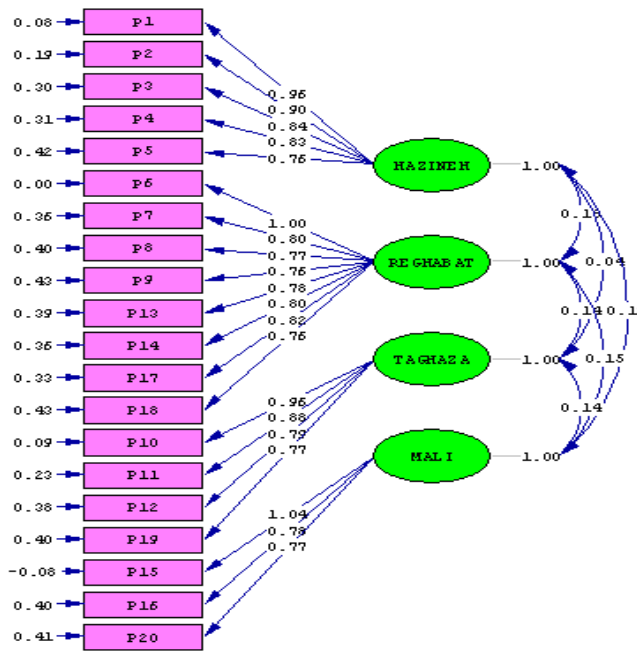
To answer this question,  $2x$  (chi-square) and other indices for goodness of fit should be examined. So a model is good fitted that have following optimal conditions. Less Chi-square test is better; because this test shows difference between data and the model. Less RMSEA test is better; because this value shows the average of squared errors of the model.

In brief, in confirmatory factor analysis a model in which experimental data are calculated or describe based on several parameters, is built. This model is based on previous information about data structure, a structure that has been resulted from previous studies

(same exploratory factor analysis) in the form of a theory, hypothesis or knowledge.

#### 4.4.1. Measurement model of pricing strategies aspects in standard estimation mode

Figure 3 shows the measurement model of pricing strategies aspects in standard estimation mode. Looking at the LISREL output, calculated chi-square is 171.08. Because this index is low, there is little difference between conceptual model and research observed data. Moreover, value of RMSEA is 0.020 which indicates the goodness of fit. Allowed value of RMSEA is 0.08; it can be seen that this value is lower than allowed value and this shows goodness of fit again. Less this value, better fit the model has. Index of fitness of model, is indices of GFI and AGFI which are a measure of relative value of variances and co-variances and are justified by the model in common. Closer this value to one, better the data fitted. These indices do not depend on sample size. These values in this research are 0.93 and 0.91 and are proper and effective.



Chi-Square=171.08, df=164, P-value=0.00642, RMSEA=0.020

Figure3- Measurement model of pricing strategies aspects in standard estimation mode

Factor	CHI-SQUARE	DF	P-VALUE	RMSEA	GFI	AGFI
Pricing Strategy	171.08	164	0.00462	0.020	0.93	0.91

Table11. Measurement of pricing strategies aspects in standard estimation mode

Measurement model of marketing capabilities aspects in standard estimation mode

Figure4 shows the measurement model of marketing capabilities aspects in standard estimation mode. Looking at the LISREL output, calculated chi-square is 687.79. Because this index is low, there is little difference between conceptual model and research observed data. Moreover, value of RMSEA is 0.046

which indicates the goodness of fit. Allowed value of RMSEA is 0.08; it can be seen that this value is lower than allowed value and this shows goodness of fit again. Less this value, better fit the model has. Index of fitness of model, is indices of GFI and AGFI which are a measure of relative value of variances and co-variances and are justified by the model in common. Closer this value to one, better the data fitted. These indices do not depend on sample size. These values in this research are 0.93 and 0.91 and are proper and effective.

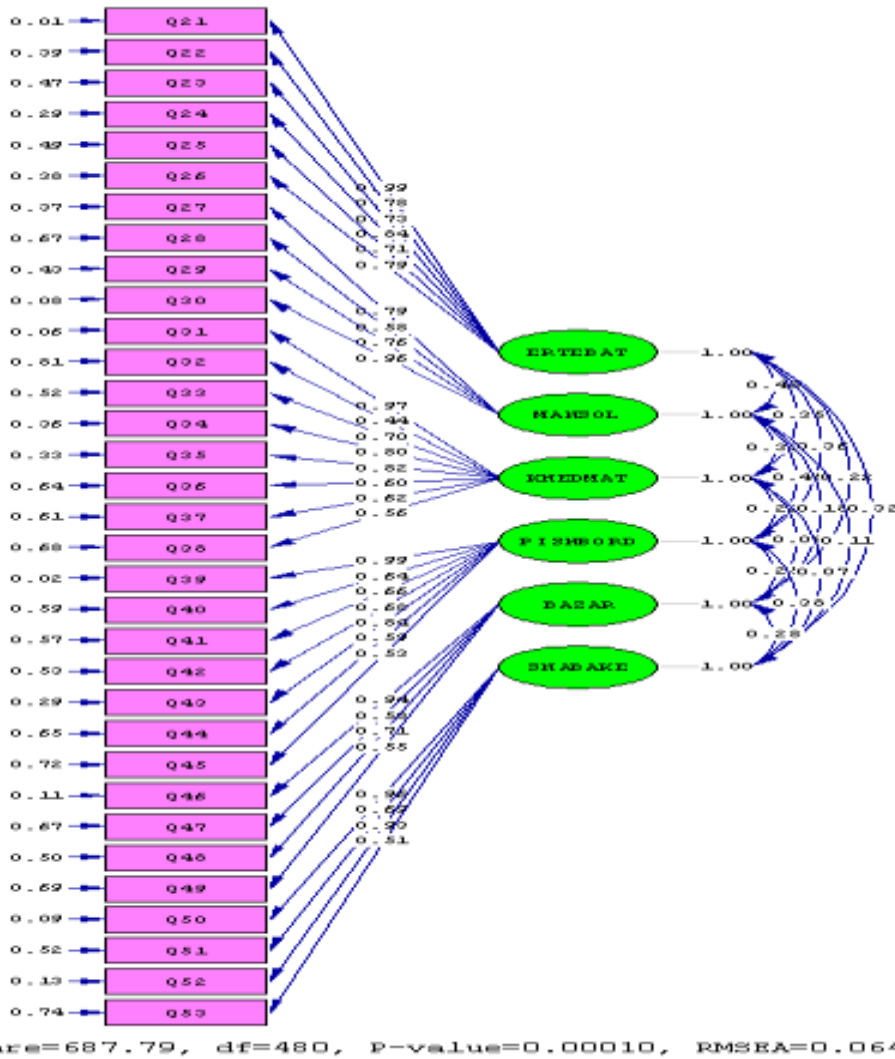


Figure4- Measurement model of marketing capabilities aspects in standard estimation mode

Factor	CHI-SQUARE	DF	P-VALUE	RMSEA	GFI	AGFI
Marketing capabilities	678.79	480	0.00010	0.640	0.93	0.91

Table12. Measurement of marketing capabilities aspects in standard estimation mode

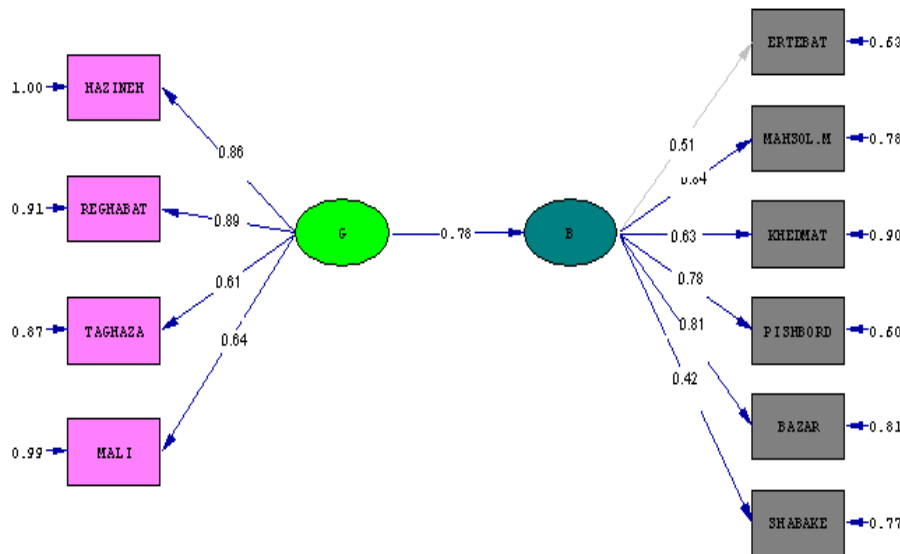
Measurement model of pricing strategies and marketing capabilities in standard estimation mode

Figure5 shows the measurement model of pricing strategies and marketing capabilities in standard estimation mode. Looking at the LISREL output,

calculated chi-square is 56.53. Because this index is low, there is little difference between conceptual model and research observed data. Moreover, value of RMSEA is 0.0079 which indicates the goodness of fit. Allowed value of RMSEA is 0.08. It can be seen that this value is lower than allowed value and this

shows goodness of fit again. Less this value, better fit the model has. Index of fitness of model, is indices of GFI and AGFI which are a measure of relative value of variances and co-variances and are justified by the

model in common. Closer this value to one, better the data fitted. These indices do not depend on sample size. These values in this research are 0.92 and 0.90 and are proper and effective.



Chi-Square=56.53, df=34, P-value=0.00896, RMSEA=0.0079

Figure5- Measurement model of pricing strategies and marketing capabilities in standard estimation mode

CHI-SQUARE	DF	P-VALUE	RMSEA	GFI	AGFI
56.53	34	0.00896	0.0079	0.92	0.90

Table13- Measurement of pricing strategies and marketing capabilities in standard estimation mode

**CONCLUSION**

Preceding and present studies show that pricing is an important aspect of market and is a crucial element for industry's success or failure and many industries because of neglecting pricing importance have failed. Pricing as a competitive advantage and a success factor in organizations has been examined from several aspects. Marketing researchers introduce pricing as a behavior, culture, information stream,

decision-making and strategic planning and believe that customer satisfaction, customer loyalty, attraction of new customers, a desired level of growth in market portion and organizational functionality can be achieved through proper price determination. Evidences show that pricing leads to positive functionality for organizations.

Furthermore, marketing capability helps an industry to establish a strong relationship between

customers and other members. Marketing literature states that industries use their capabilities to convert resources to output and return and are related to the function of industry. Therefore, marketing capability is defined as an integrated process through that industry using its tangible and intangible resources, perceives some particular needs of consumers and reaches a product distinct from other competitors' and meets stock holders' rights with a superior brand name. The main hypothesis of this research is that pricing strategies play an important role in improvement of marketing capabilities and through using price determination, individual and collaborative efforts to create superior value for customers can be coordinated better than competitors and the desired functionality can be achieved.

According to data analysis, results show that pricing strategies has a significant effect on marketing capabilities aspects, i.e. there is significant relationship between pricing strategies and marketing capabilities aspects (customer relationship management, differentiate products, customers service, effectiveness of promotion activities, marketing researches and distribution network). Standard coefficients for causal relationship between pricing strategies and marketing capabilities aspects are as follows. For customer relationship management is 0.433, for differentiate products is 0.391, for customers service is 0.267, for effectiveness of promotion activities is 0.411, for marketing researches is 0.271 and at last correlation coefficient for distribution network is 0.452. This shows that pricing strategies has a positive effect on marketing capabilities aspects and confirms the research hypotheses stated as effect of pricing strategies on marketing capabilities aspects. At last we conclude to accept the relationship between pricing strategies and marketing capabilities aspects.

Limitations and future research:

In spite of efforts to do the research perfectly, this research has some limitations. So, based on research findings, industries can improve their marketing capabilities considering following items.

- Elimination of weakness related to marketing research in field of marketing capabilities through knowing more about customer needs and desires.

- Recognition of weak and strong points of industry and of competitors too, optimization of marketing and sale activities.

- Eliminating weaknesses in distribution network in the field of marketing capabilities through improvement of sale conditions for sale agents, development different dimensions of sale (Telephone, Internet,), development of distribution channels and promotion of their desirability, building strong distribution network via quick and reliable transportation, doing orders in agreed time.

- Elimination of weaknesses related to effectiveness of promotion activities in the field of marketing capabilities via improving public relations, active sale agency, distinguish for industry.

- Emphasize on customer relationship management through regular verification of customer satisfaction, increasing advantages of customers and reducing their costs, recognition of resent and future needs of customers and commitment to customers, service providing for customers through individual notice to customers, being the personnel friendly with customers.

For future researches it is recommended that limitations of research in sampling of statistical assumptions and more applicable models in context of pricing strategies should be considered. Prior to doing any research about pricing strategies for getting better results it is a good idea to illuminate pricing concept in industry environments. Usually in these researches data is aggregated in a period of time if aggregated data are time series, better results will be achieved. Although present research has confirmed the relationship of marketing capabilities as dependent variable with pricing strategies, however, it is recommended that attention be paid to it. Research model has been tested on manufacturing and service industries; it can be tested in other types of industries, too. In future researches independent variables such as market-orientation culture, competitive strategies, market intelligence can be investigated. Also, other approaches to pricing strategies or marketing capabilities can be used and applied.

## REFERENCES

1. Alexandre Dolgui, Jean-Marie Proth (2010). Pricing strategies and models, journal homepage: [www.elsevier.com/locate/arcontrol](http://www.elsevier.com/locate/arcontrol), Annual Reviews in Control 34, 101–110.
2. Atsuo Utaka (2008). Pricing strategy, quality signaling, and entry deterrence, International Journal of Industrial Organization 26, 878–888.
3. Avlonitis, J. George and Kostis A. Indounas (2005). Pricing objectives and pricing methods in the services sector, Journal of Services Marketing 19/1, 47–57.
4. Che, Z. H. (2009). Pricing strategy and reserved capacity plan based on product life cycle and production function on LCD TV manufacturer, Expert Systems with Applications, Volume 36, Issue 2, Part 1, March, 2048-2061.
5. Christensen, C.M. (1997). The innovator's dilemma: When new technologies cause great firms to fail, Boston, MA: Harvard Business School Press.
6. Day George S. (1994). The capabilities of market driven organizations, Journal of marketing, Vol. 57, 37-52.
7. Esmailpur, Hassan (2008). International marketing management, 2th Edition, Tehran, Negahe Danesh.
8. Guenzi, Paolo & Troilo, Gabriele (2006). Developing marketing capabilities for customer value creation through Marketing–Sales integration, Industrial Marketing Management 35 (2006) 974–988.
9. Hunt, S. D. and Morgan, R. M. (1995). The comparative advantage theory of competition, Journal of Marketing, 59(April), 1–15.
10. Jobber, David (2007). Principles and Practice of Marketing (5th Ed), London: McGraw - Hill.
11. Kotler, P., Armstrong, G., (2008). Principles of Marketing, 5th European Edition, Prentice-Hall.
12. M. Billur Akdeniz, Tracy Gonzalez - Padron, Roger J. Calantone (2010). An integrated marketing capability benchmark approach to dealer performance through parametric and nonparametric analyses, Industrial Marketing Management 39, 150–160.
13. Matthew B. Myers (2004). Implications of pricing strategy–venture strategy congruence: an application using optimal models in an international context, Journal of Business Research 57, 591– 600.
14. Minagawa, Y. (1998). Price policy on rice, wheat and barley, Chapter 4 of Agricultural price policy in Asia and the Pacific, APO.
15. Oxenfeldt, A. R. (1983). Pricing decisions: how they are made and how they are influenced, Management Review, November, 23-5.
16. Prithwiraj Nath, Subramanian Nachiappan, Ramakrishnan Ramanathan (2010). The impact of marketing capability, operations capability and diversification strategy on performance: A resource-based view, Industrial Marketing Management 39, 317–329.
17. Ramaswami Sridher N., Rajendra Srivastava & Mukesh Bhargava (2006). Market-based assets and capabilities business processes and financial performance, Zyman Institute of Brand Science.
18. Ravi K. Jain, Andrew O. Martyniuk, Melinda M. Harris, Rachel E. Niemann and Karin Woldmann (2003). Evaluation the commercial potential of emerging technologies, Int. J. Technology Transfer and Commercialization, Vol. 2, No. 1, 32-50.
19. Rezaie Dolat Abady H., Khef Alahi A. A. (2006). A model to measure the impact of market orientation on business performance regarding to the marketing capabilities in chemical industries, Modarres Human Sciences, spring, 10 (1(Tome 44)), 131- 160
20. Shipley, D. D. & Jobber, D. (2001), Integrative pricing via the pricing wheel, Industrial Marketing Management, Vol. 30 No. 3, 301-14.
21. Srivastava Rajendra K., Tasadduq A. Shervani and Liam Fahey (1999). Marketing, Business processes and shareholder value: An organizationally embedded view of marketing activities, Journal of Marketing, 167-79.
22. Vorhies Douglas W. (1998). An investigation of the factors leading to the development of marketing capabilities and organizational effectiveness, Journal of strategic marketing, 3-23.



23. Vorhies Douglas W., Michael Harker & Rao, C. P. (1999). The capabilities and performance advantages of market-driven firms, *European Journal of Marketing*, Vol. 33, No. 11/12, 1171-1202.
24. Vorhies, D. W., & Morgan, N. A. (2005). Benchmarking marketing capabilities for sustainable competitive advantage. *Journal of Marketing*, 69(1), 80–94.
25. Weerawardena, Jay (2003). The Role of Marketing Capability in Innovation –Based Competitive Strategy, *Journal of Strategic Marketing*–, No11, 15-35.
26. Zeithaml, V. A. and Bitner, M. J. (1996). *Services Marketing*, McGraw-Hill, Singapore.