TOWARDS A PRICING EVOLUTION MODEL: A MULTI-METHOD APPROACH TO IDENTIFY DEVELOPMENT PATHS FOR NEW VENTURES' PRICING OF NEW PRODUCTS AND SERVICES (SUMMARY)

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SUMMARY

TOWARDS A PRICING EVOLUTION MODEL: A MULTI-METHOD APPROACH TO IDENTIFY DEVELOPMENT PATHS FOR NEW VENTURES' PRICING OF NEW PRODUCTS AND SERVICES

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Principal Topic

Pricing is a key success driver of every business due to its direct impact on profitability (e.g., Gruber, 2004; Marn & Rosiello, 1992). It is regarded as an organizational capability that is not automatically inherent in new ventures, but that needs to be developed over time (Bitar & Hafsi, 2007; Dutta et al., 2002; Zou, Fang & Zhao, 2003). Nevertheless, especially entrepreneurs often fail to attach sufficient importance to this topic (Gruber, 2003; Hills, Hultman & Miles, 2008). Research findings indicate that pricing differs significantly between different organizational development stages or ages of new ventures. Many small and medium-sized enterprises (SMEs) deal with activities of marketing planning – including pricing – at a very late stage (Gruber, 2005). Surprisingly, no models on marketing or especially pricing evolution have appeared in major journals during the past decade (Gruber, 2004). Most models of organizational development of new ventures stem from the 1980ies (e.g., Tyebjee, Bruno & McIntyre, 1983; Carson, 1985; Boag, 1987).

Method

To examine this topic, we employ a multi-method approach, consisting of an empirical survey and selected guided interviews. The authors employ structural equation modeling (SEM) and, specifically, partial least squares (PLS) analysis and a cluster analysis to examine data from 220 technology-based new ventures. The described quantitative analysis is followed by illustrative case studies. The integration of the two described methodologies will be effective in attaining a deeper and more comprehensive understanding of the research topic.

Results and Implications

Our analyses demonstrate that new ventures' strategic pricing evolves as they grow older. For example, young new ventures attach a lower importance to pricing as a marketing mix element than older new ventures do. Compared to older new ventures, young new ventures use penetration pricing more often and competition-matching pricing less often. Considering pricing objectives, young new ventures attach more importance to price fair to customers and less importance to market share maximization. In addition, our results indicate that the age of new ventures significantly impacts the performance effects of strategic pricing decisions. Our study reveals the most promising pricing configurations per age group with regard to firm performance.

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