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PRICING FOR NEW PRODUCTS AND SERVICES IN NEW TECHNOLOGY-BASED VENTURES (SUMMARY)

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SUMMARY

PRICING FOR NEW PRODUCTS AND SERVICES IN NEW TECHNOLOGY-BASED VENTURES: AN EMPIRICAL INVESTIGATION ON CHARACTERISTICS, DETERMINANTS, AND EFFECTS

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Principal Topic

Due to its direct impact on profitability, pricing disposes of success or failure in every company (e.g., Gruber, 2004). In particular, pricing of new products and services has become increasingly important (Henard & Szymanski, 2001). Still, entrepreneurial managers often undervalue the great relevance of this topic since their ventures are limited in size and their focus lies on the products and services themselves (Gruber, 2003; Hills, Hultman & Miles, 2008). In addition, academic research in this area is not effective, especially regarding coverage of new ventures, methodologies, and impact on managers.

This study of new ventures’ pricing of new products and services makes three major contributions to entrepreneurship research. First, we analyze the characteristics of pricing actually applied by entrepreneurs. Second, we identify fifteen major determinants of the pricing practices, that is, value-, competition-, and cost-informed pricing. Third, we show the effects on venture performance. In answering these questions, we build on three related theoretical perspectives: Resource-Dependence Theory, Information Economics, and Principal–Agent Theory.

Method

Based on a survey within technology-intensive industries in Germany, we evaluated the behavior of 220 new ventures and 200 established businesses. We applied partial least squares (PLS) as the most accepted variance-based structural equation modeling approach.

Results and Implications

Considering the characteristics of pricing, the first contribution, our findings suggest that young businesses strive for fairness as a major pricing objective even more than established companies. They use all three relevant sources of information—value, competition, and cost—in a more balanced way. Considering the antecedents of pricing, the second contribution, our data prove that various antecedents from four areas drive an effective behavior: characteristics of venture, offer, customers, and competition. The degree of innovation is one of the central determinants. Considering the effects of pricing, the third contribution, our analyses reveal that pricing has great performance implications. It is not enough to gear prices toward value—information on cost and competition must also not be overestimated. Consequently, the study encourages researchers as well as entrepreneurs to attend to pricing more intensively—especially to the pricing–performance logics of new ventures being proven as differing from big business.

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