

Formation and realization of a competitive pricing strategy of construction companies in a dynamic economic environment

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Abstract. Construction companies are in a highly competitive and rapidly changing market environment. In such conditions, it is especially important that they have a stable pricing strategy. The goal we set in this article is based on a derived and updated concept of pricing strategy of a construction company, to make an analysis based on data from a survey and to propose a model for pricing of these companies. Theoretical analysis of basic concepts of pricing and pricing strategy in construction has been performed. A survey is conducted among construction companies in Bulgaria in the period February 2022 – April 2022. The scope of the study includes 101 construction companies from all over Bulgaria, engaged in various types of construction activities. Issues related to the pricing strategies and pricing methods used by the surveyed enterprises are analyzed. Based on the results obtained from the construction companies participating in the survey, possible factors influencing the choice of pricing strategy are considered. A proposal is made for a new pricing model based on market approach and the value of prices in construction. The results of the study and the proposed model are useful for construction companies that seek to improve their pricing processes, increase their competitiveness and profits. The construction investment market it is constantly changing. Through the proposed model, construction companies can: differentiate their prices according to their customers; combine the advantages of a cost-based and market-based pricing approach; easier to monitor their competition; anticipate unforeseen events, such as competitive threats and technological change. The dynamic processes are dictated by the great competition, the multitude of consumers, the technological changes, global policies and economic environment. Under these conditions, the pricing of construction products cannot be oriented only to cost, quality and efficiency at work. To be easily adaptable, construction companies need to orient themselves towards creating values for their customers and to use new pricing models based on this.

Key words: pricing, pricing strategy, value, factors, pricing model, construction companies

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1. Introduction

Pricing processes are an integral part and directly dependent on the overall management of the construction company. In every management activity, including in the field of pricing, pricing policies, strategies and tactics are formed (Fig.1), which are part of the general economic policy and are related to the marketing activities of the enterprise. To achieve successful and profitable management, pricing strategies are developed that define and systematize the elements of prices and pricing.

The aim of this article is based on a derived and updated concept of pricing strategy of the construction companies, to make an analysis based on data from a survey and to propose a model for pricing of these companies.

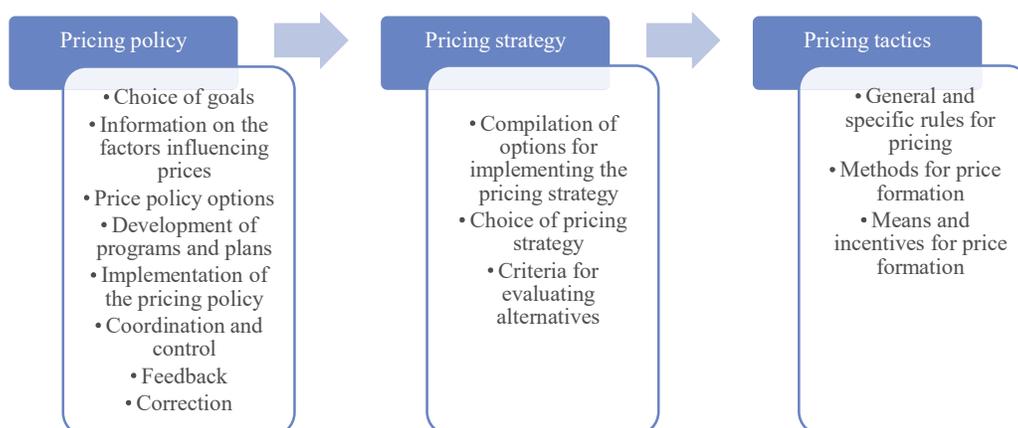


Figure 1. Pricing technology in construction companies
Source: Own elaboration

2. Theoretical review of basic concepts in pricing

Pricing policy is one of the strongest tools of construction companies through which they influence the construction investment market. The pricing policy determines the most optimal price level of the construction product. The highest possible income for the company is provided during the entire life cycle (from design and construction to its commissioning). With a focus on the construction sector, we perceive pricing policy as a "coordinated set of actions to create and maintain an optimal price structure and dynamics for price changes over time, investment goods and markets to achieve certain prices" (Monev, 2018).

Pricing policy directly affects the scale of current activities, the formation of demand for the company's products by consumers, the level of financial stability and its competitive position in the commodity market (Guseva, 2014). The pricing policy is the basis of the pricing strategy, which is implemented with the help of appropriate tools. One of the most important qualities of the pricing policy is that it transmits and concretizes the general company policies and set goals and thus determines the main pricing goals. These goals are achieved through the price, which in its essence is a concentrated expression of the overall policy of the construction company. The most important condition for price targets is that they be achievable. Given that market conditions are constantly changing, price targets also change over time and according to circumstances.

In this regard, it can be said that the pricing policy is an instrument of the construction company to achieve its strategic goals through prices and pricing. The pricing policy is concretized through the pricing strategy, which in turn is at the center of the pricing process and is a natural continuation of the ideas set in the pricing policy.

The essence of the pricing strategy is considered by a number of authors. The more important definitions are:

- "Pricing strategy is a system of basic decisions and actions in the field of pricing, based on covered market-price and firm-price analyzes" (Blagoev et al., 2003).
- "The pricing strategy answers the question – how to act in order to achieve the goals in the field of prices, in the form of management decisions. It characterizes the way in which according to management logic and understanding one has to act to achieve the set goals through the use of prices" (Micheva, 1993).
- "The pricing strategy is a means of resolving issues that are essential for the functioning of the pricing system. It is decomposed into many aspects of strategies that involve decisions and actions to achieve price targets" (Klasova, 2011).
- "Pricing strategy is a reasonable choice of several pricing options aimed at achieving maximum (desired) profit for the company in the market within the planning period" (Vasyukhin, 2010).
- "A set of goals and methods by which it is possible to achieve the desired changes in prices in the future, to implement the pricing policy of the company and to achieve their established main goal of the activity" (Lysova & Cherneva, 2006).
- "Pricing strategy is a means of determining relative price levels by taking into account the factors that influence it, through which certain business goals are achieved in a particular situation" (Kienzler & Kowalkowski, 2017).

Based on these definitions of pricing strategy, the following clarifications can be made regarding this concept:

1. System of basic decisions and actions based on price ratios and analyzes.
2. Management decisions to achieve the overall and price goals of the company.
3. A tool for resolving issues related to prices and pricing.
4. Choice of method and model of pricing to achieve a certain goal, the main of which is maximum profit.
5. A set of principles leading to certain decisions.
6. A set of goals and methods, a tool for conducting pricing policy.

Based on the above and taking into account the specifics of the construction market and the products offered on it, the following definition of pricing strategy in construction companies can be given: a set of principles and solutions to implement pricing policy in practice, by taking into account the possible factors that affect the prices and pricing of construction products.

In the process of formulating strategic goals, it is necessary to consider and evaluate both internal and external possible factors that influence the choice of pricing strategy.

When choosing a pricing strategy, the construction company should be guided by basic principles, the main of which are (Monev, 2018):

- the pricing strategy to be developed in such a way as to ensure the achievement of the larger, economic goal of the construction company;
- any strategic decision in the field of prices and pricing is consistent with competitors;
- the pricing strategy to provide options in case of changes in market conditions – the company should maintain alternatives to be used as soon as necessary;
- if necessary, apply a system of rebates so that the price can be better accepted by consumers;
- if possible, instead of reducing the price, to advertise;
- the optimal price is the one that leaves the consumer (the assignor) with the feeling that he is winning from the deal.

The various pricing strategies help managers direct their attention to the most appropriate objectives for the structure they manage and thus to make the best decision, based on the available information. There are many types of pricing strategies in the economic and market environment, depending on the specifics of the sector and market conditions. Some authors (Best, 2013) divide strategies, resp. the pricing methods into two more general groups – cost-oriented and market-oriented. These include the main types of pricing strategies that are successfully used in the construction sector: cost-based pricing strategy, demand-based pricing strategy, and competition-based pricing strategy. The cost approach logically refers to the cost-based strategy (respectively the calculation method), and the market approach – to the demand-based strategy and the competition-based strategy (respectively, the methods related to the quality of the construction product, related to supply and demand and others).

In a strategy based on the costs, prices and pricing of construction products are determined on the basis of the costs of creating the construction product, adding the costs of organization and management, additional specific costs and at the end desired profit is added. This type of pricing generally determines the lower limit of prices of construction products below which construction companies will suffer losses. Construction companies in Bulgaria basically use this type of strategy since as they have difficulties adapting to market economy. Despite its widespread use, this type of strategy and methods linked to it have a number of shortcomings, the main of which are the following:

1. The prices formed in this way do not always meet the needs of consumers.
2. The price is not analyzed and reviewed enough often so that it can be up-to-date and, above all, relevant to the market changes that in recent years are becoming more common.
3. The price determined by the calculation methods does not always correspond to the different market segments and types of assignors.
4. The volume of production is reported, but not the demand for such.
5. It does not guarantee the permanent presence on the market, ignoring two other very important factors – demand, in the face of consumers who are willing to pay a certain price for the respective construction product and competition. This one deficiency is observed in housing construction, in cases where the biggest possible profit and shorter payback period are required, but the needs and requirements of future users and their demand for quality and usefulness are neglected.
6. At the bidding stage, the construction process has not yet really begun and construction is not carried out. In the same time, prices should reflect as accurately as possible the conditions of production and sale of construction products. This one disadvantage holds a very high risk – if you do not realize the original the calculated quantities of construction and installation works, the foreseen profit may not be achieved.
7. Possibility to distort the price in case of errors in the calculation of the initial (basic) costs and the subsequent accrual of additional costs and costs of organization and management.

Demand-based strategy requires detailed research, analysis and knowledge of consumer needs. In the

foreign economic literature (Nagle & Holden, 2003), this type of pricing is also found as pricing based on customer value (value-based). This strategy requires construction companies to have well-trained specialists in the field of pricing and marketing. This is of particular importance when necessary to determine correctly the price ranges upon negotiations and conclusion of contracts with assignors.

The strategy based on competition is used by construction companies, which are positioned in a highly competitive market in which the companies participating in it perform similar types of construction products. The key information that is most needed in this strategy is the level of competitors' prices, as well as their behavior. On this basis, the construction company determines its prices, and they can be at, below or above the level of competitors. The disadvantage of this pricing strategy is that it does not take into account the demand, as well as too much focus on competitors, which in turn leads to price wars.

Since both types of strategies – based on demand and based on competition are market-oriented, their profit is formed after deducting the cost of production and sale of construction products from the price formed according to market conditions.

3. Analysis of data obtained from a survey conducted among construction companies in Bulgaria

In order to determine what pricing strategy is used by the construction companies in Bulgaria and how they assess the possible factors that influence her choice, as well as on the prices and pricing, a survey is conducted by the author in the period February 2022 – April 2022. The study is addressed to the managers of construction companies, heads of supply departments and specialists in pricing in construction. For this purpose, a survey is compiled and implemented in electronic form (computer assisted web interview). The study is done by a simple random method, by sending random emails to existing construction companies from the register of The Bulgarian Construction Chamber (BCC) and other, registered under the Commercial Law and operating construction companies. The response rate is 21%. The questions from the survey are answered by a total of 101 construction companies from all over the country, of which micro (29), small (36), medium (28) and large (8), carrying out various types of construction. The data are analyzed by deriving average statistical values. Some of the questions respondents rated possible answers on a scale.

The study is not limited to companies engaged in only one type of construction. The aim is a broader analysis of the state of the construction market in Bulgaria and in particular – the company policies and the state of pricing in construction companies. For this reason, the surveyed companies have a different type of construction activity (Table 1).

Table 1.
Distribution of the surveyed construction enterprises according to the main type of construction activity they perform

Type of construction activity	Number	Percentage
Housing construction	46	45,54%
Industrial construction	14	13,86%
Transport construction	7	6,93%
Hydrotechnical construction	4	3,96%
Agricultural construction	1	0,99%
Repair and reconstruction	16	15,84%
Finishing works	10	9,90%
Installation/repair of undercrane tracks	1	0,99%
Heating and gasification	2	1,98%
Total	101	100%

Source: Own calculations based on a survey

The largest percentage of respondents (45,54%) are engaged in housing construction, which is the predominant type of construction in the country in recent years. It is followed by companies with main activity repair and reconstruction (15,84%), industrial construction (13,86%) and finishing works (9,9%). The least of the responding construction companies carry out activities such as: transport construction (6,93%), hydrotechnical construction (3,96%), heating and gasification (1,98%), agricultural construction and installation/repair of undercrane tracks – 0,99% for each type. These results show the main type of construction activity performed by

the surveyed enterprises, but it should be borne in mind that many companies in practice are not only engaged in this type of construction. Many construction companies are positioned in more than one investment market.

In order to more realistically assess the capabilities of construction companies regarding the pricing process, an issue related to their availability with specialists in this field is considered. Like any management activity, decisions about the pricing strategy are made by the company's management. However, for its effective implementation it is of particular importance to have pricing specialists or independent bidding departments. We believe that the possibility of having such staff depends mostly on the size of the construction company (Table 2).

Table 2.

Distribution of responsibility for the implementation of the pricing process in construction companies according to their size (%)

Company size \ Unit, dealing with pricing	Management of the enterprise (manager)	With independent department (offer)	With a pricing specialist	Marketing department	In an external company	Total (by rows)
Micro	72,4%	3,5%	24,1%	0%	0%	100%
Small	72,2%	8,3%	19,5%	0%	0%	100%
Medium	14,3%	57,1%	21,4%	3,6%	3,6%	100%
Large	0%	100%	0%	0%	0%	100%
Total	50,5%	27,7%	19,8%	1%	1%	100%

Source: Own calculations based on a survey

The cells with the highest percentage are marked regarding the responsibility for the implementation of the pricing process in construction companies according to their size. The data in Table 2 show that in micro enterprises the pricing is done mostly by the manager of the company (72,4%), then by a pricing specialist (24,1%) and only 3,5% indicated that they have a supply department. The distribution is similar in small enterprises. In medium-sized construction enterprises, there is an increase in those with a separate bidding department compared to micro and small enterprises. Most medium-sized enterprises indicate that they perform their pricing through an independent offer department (57%), followed by a pricing specialist – 21% and the manager of the company – 14%. Small parts of these companies outsource the work of pricing to their marketing departments (4%) or to external companies (4%). Large enterprises have independent supply or production and technical departments. We can say that micro and small enterprises, for the most part, cannot afford to hire pricing specialists or form supply departments due to their low turnover and insufficient financial resources to invest in human resources. Medium-sized enterprises are the most flexible in outsourcing pricing, with most of them having separate bidding departments. This type of business also has a better potential to use demand-based pricing strategies.

In order to gain a clearer idea of the pricing strategies used in construction companies, the survey included two questions related to the methods and strategies of pricing. As possible alternatives of pricing strategies, the three types of pricing strategies described above are given – cost-based, demand-based, competition-based, or a combination of the three (Figure 2).

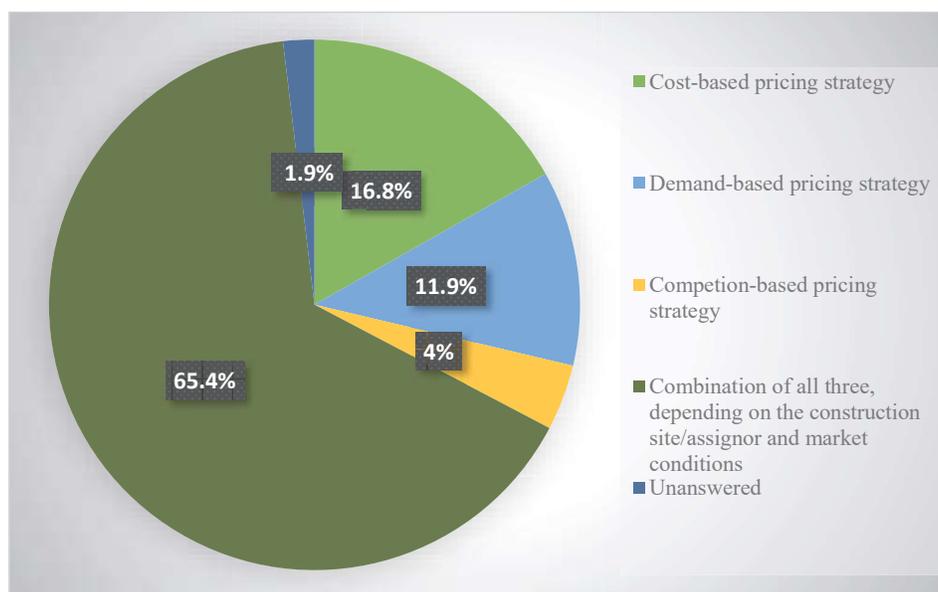


Figure 2. Price strategy used by the surveyed construction companies
 Source: Own calculations based on a survey

The companies with the largest share (65,4%) use a combination of the three main types of pricing strategies. Of those who indicated only one strategy, 16,8% use a cost-based pricing strategy, 11,9% use a demand-based strategy and 4% use a competition-based pricing strategy, 1,9% did not answer. This result shows that construction companies do not use only one pricing strategy in their activities. Basically, they combine different pricing strategies and adjust them depending on market conditions, the site for which they set prices and the assignor to which they will present their bids. It can be said that construction companies strive to combine pricing strategies, which is the right approach to more efficient and competitive pricing.

Despite the large percentage using a combination of all three pricing strategies, when asked which pricing method they use, the largest percentage gets the cost method. Of the companies that participated in the survey, 70,3% indicated that they use the calculation method of pricing alone or in combination with other methods. Less often, companies use methods that link price with the quality of the construction product (50,5%) and methods oriented to supply and demand (16,8%). Only 2% of enterprises indicated that they use mathematical-parametric methods and none statistical pricing methods. The results of the table show that construction pricing is still largely cost-oriented and much less market-based pricing methods (To this question, respondents can give more than one answer) (Table 3).

Table 3.

Methods of pricing	Answers	
	Number	Percentage
Costing method	71	70,3%
A method of linking price to the quality of the construction product	51	50,5%
Supply and demand oriented method	17	16,8%
Statistical methods	0	0%
Mathematical-parametric methods	2	2%

* The respondents have marked more than one method.

Source: Own calculations based on a survey

Having keep in mind above specified disadvantages of cost-oriented pricing strategies and methods, it may be concluded that in their unilateral application may lead to calculating too low a cost of construction products. Thus, the enterprise misses higher levels of profitability. Another existing risk is non-compliance (formation of a lower or higher price) with the prices of competitors who have comparable to the enterprise quality of construction product and similar image.

Despite the shortcomings, the application of costs pricing methods lead to avoidance of price wars and conflicts between construction companies and the formation of similar prices in the construction sector. Determining prices based on costs is much easier, does not require special analytical skills, and leads to quick solutions. With this method, additional data is not required and so no costs for information provision are involved.

Following market, social and economic trends, as well as the shortcomings of cost-based strategies, construction companies should be oriented more to market-oriented pricing strategies. Due to the specifics of construction market – high competition, development of techniques and technologies, increasing demand for construction products, etc., construction companies need to be able to combine relevant pricing strategies.

As it is mentioned above one of the main goals of the market-based pricing strategies is to form a price that corresponds to the value of the customer in terms of real economic value for the corresponding consumer (assignor), as well as the perceived benefit. It follows from this statement that it is most appropriately to developed different market options-oriented pricing strategies, according to the different needs of the contractors of construction and installation works. These requirements of the assignors lead to different sensitivity. Some will be sensitive to the price and will seek the lowest bid, regardless of the additional benefits that the contractor can offer. Other assignors will be sensitive to quality and that will be leading in the choice of contractor of construction and installation works. These assignors who are sensitive to quality, in most cases are willing to pay a higher price to get the extra benefits that they want. Thus, market-oriented pricing can accept different forms in different segments of an investment market.

Along with the main problem with pricing in construction companies in Bulgaria, namely that it is still too oriented to costs, it can be said that the price of construction products is not set as an inherent element of the market-oriented strategy. Also, often a common phenomenon in practice is that the prices of construction products do not meet the different needs of the assignors, the types projects, terrain conditions, quantity, manual or mechanized work to be done, the presence of its own equipment and mechanization, etc.

Pricing strategies need to be well balanced and coordinated, so that the enterprise can balance its own interests and the market conditions in which it finds itself. The prices of construction products are formed in the conditions of a highly competitive market. Because of this, whatever the prices are and for whatever purposes they are created – for auction, for public order or prices that are offered to private assignor as an offer, they should combine cost-oriented and market-oriented pricing approaches. Using only one pricing strategy and method leads to a higher risk of obtaining unrealistic prices. The use of a combination of pricing strategies and pricing methods is based on the multidimensional theoretical characteristic of the price.

To choose the most appropriate pricing strategy, the construction company should determine which are the appropriate options regarding the level, dynamics, limits of price movements, as well as the methods of pricing of construction products. Having performed an internal company analysis of possible pricing factors and deciding which pricing strategy is most appropriate, management should decide which pricing strategy could be actually implemented in the enterprise. The feasibility of a pricing strategy is based on the question of whether it can be completed within a specified period, with the necessary resources and, last but not least, to determine if and to what extent it is flexible.

In construction each project is unique in its own way and there is no ready price to be applied. Due to this, time and effort are needed on the side of pricing specialists and construction managers to determine the exact price of each construction object. In this process of calculating costs and forming a price, it is paramount to know the possible factors that influence prices and pricing, the choice of pricing strategy, and the decision whether to draw up an offer or to participate in the public market orders with price offer.

A feature of pricing strategies is the ability to ensure successful implementation of competitive advantages of construction companies. It mostly depends on the characteristics of specific possible factors that we divide into external and internal. To avoid the problems and shortcomings of pricing strategies outlined above, construction companies must form price strategy reflecting external and internal possible factors in combination.

Through the survey carried out, construction companies assess on a scale from 1 (insignificant) to 6 (very high) the extent they believe that both – internal and external possible factors influence their choice of pricing strategy.

The possible factors proposed for evaluation by the respondents on both issues (Table 3 and Table 4) are considered by a number of authors in the field of pricing (Zeiler, 1991; Klasova, 2001; Vladimirova, 2010; Labzunov, 2013; Monev, 2018 et al). The measurement of the strength and influence of possible factors on the pricing strategies of construction companies is found in the answers of the respondents in the present study.

As possible external factors (those that the enterprise cannot influence or can but to a very small extent) the following are proposed for evaluation: consumers, competition, the business environment, the economic situation, political conditions and legal norms, equipment and technologies The data are presented in Table 4 and

illustrated in Figure 3. In the table are marked the cells with the highest percentage of the given assessment, which in this case is “High” and “Very high”.

Table 4.
Assessments of possible external factors influencing the choice of pricing strategy of the surveyed construction companies

Possible external factors	Answers (%); n=101				Total (by rows)
	High and very high impact	Medium impact	Low/very low/insignificant impact	No answer	
Consumers	72,3%	16,8%	8,9%	2%	100%
Competition	48,5%	37,6%	12,9%	1%	100%
Business enviroment and inflation	74,2%	17,8%	5%	3%	100%
Economic situation	84,2%	11,8%	2%	2%	100%
Political conditions and legal norms	42,6%	24,7%	28,7%	4%	100%
Equipment and technologies	62,4%	25,7%	9,9%	2%	100%

Source: Own calculations based on a survey

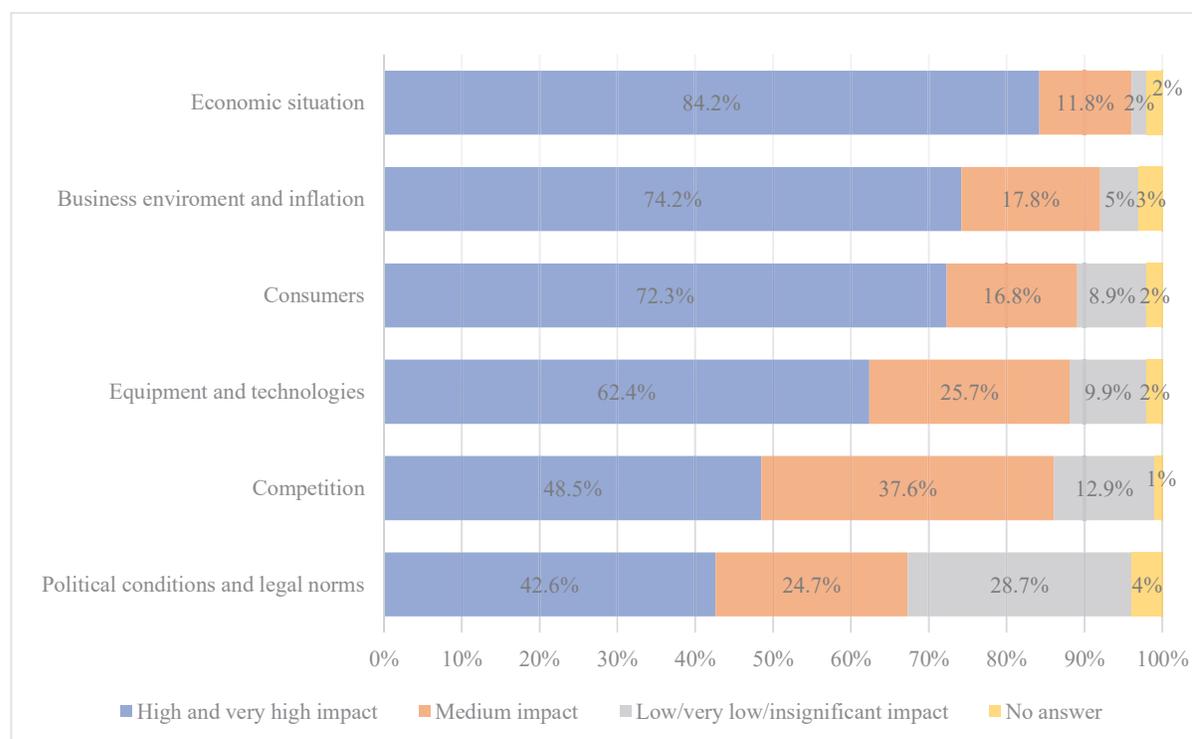


Figure 3. Assessments of possible external factors influencing the choice of pricing strategy of the surveyed construction companies

Source: Own calculations based on a survey

According to the surveyed construction companies, the economic situation has the greatest impact on the choice of pricing strategy – 84,2%, the business environment and inflation – 74,2% and the consumers – 72,3% of the respondents rated "High" and "Very high impact". The high assessments of the economic situation and the business environment and inflation are dictated mainly by the period of economic instability in which companies find themselves during the survey. For this reason, consumers (contracting authorities) are also a possible factor to be taken into account.

The possible factor “consumers” includes the characteristics of the assignors who at a given stage is actually the consumer of the construction product. These features include mainly financial information about their solvency and image i.e. relations with the authorities on which the commissioning of the site depends. Any related design teams or project management companies are viewed in the same way. Depending on the type of the assignor – public or private, they evaluate the bids differently and choose a contractor. Usually, public contracting authorities (state, municipality) are strongly limited by the requirements of the regulatory framework in which they apply in advance the established ways of evaluating the offers submitted to them. In this case (in public orders), construction companies, most often and justifiably use price strategy oriented to costs. As in their effort to win order, companies in most cases are forced to work at lower prices, there is a risk of reduced profits. In this way, they earn much more orders for execution, but at the risk of minimal profit. One of the problems that leads to this situation is the slow process and the long period for making a decision for public orders and determination of the forecast value of the order, respectively unit prices of construction and installation works and opening of the tender procedure, application and consideration of proposals. In a situation of quickly changing prices, uncertain and dynamically developing economic environment, it is possible that at some point the forecast value of the specific public order may be up to date and even force companies to work on too low prices.

On the other hand, private assignors have much more freedom in choosing a contractor and, depending on their personality, will use different methods to evaluate the offers provided.

The competition as a possible factor that affects pricing strategy is assessed by the largest percentage (37,6%) of surveyed companies to have an “medium” impact rating. This assessment shows that construction companies neglect competition to some extent or do not have the opportunity to study it. The characteristics of competitors may include the information about the offers and the projects for which are compiled, financial condition, projects on which work currently, business expansion plans, etc.

Internal possible factors (indicators) proposed for evaluation by the surveyed construction companies are the following: the economic and marketing policy of the enterprise, the choice of target market, the choice of methodology for price formation, organization of the pricing process, incl. use of specialized software, price control and pricing in the enterprise and application of the concept “price – quality – benefits”. The data are presented in Table 5 and illustrated in Figure 4. In the table are marked the cells with the highest percentage of the given assessment, which in this case is “High” and “Very high”.

Table 5.

Assessments of possible internal factors influencing the choice of pricing strategy of the surveyed construction companies

Possible internal factors	Answers (%); n=101				Total (by rows)
	High and very high impact	Medium impact	Low/very low/insignificant impact	No answer	
The economic and marketing policy of the enterprise	62,4%	26,7%	8,9%	2%	100%
The choice of target market	51,5%	31,7%	14,8%	2%	100%
The choice of methodology for price formation	40,6%	37,7%	15,8%	5,9%	100%
Organization of the pricing process, incl. use of specialized software	35,6%	34,7%	26,7%	3%	100%
Price control and pricing in the enterprise	57,4%	21,8%	14,9%	5,9%	100%
Application of the concept “price – quality – benefits”	78,2%	15,8%	2%	4%	100%

Source: Own calculations based on a survey

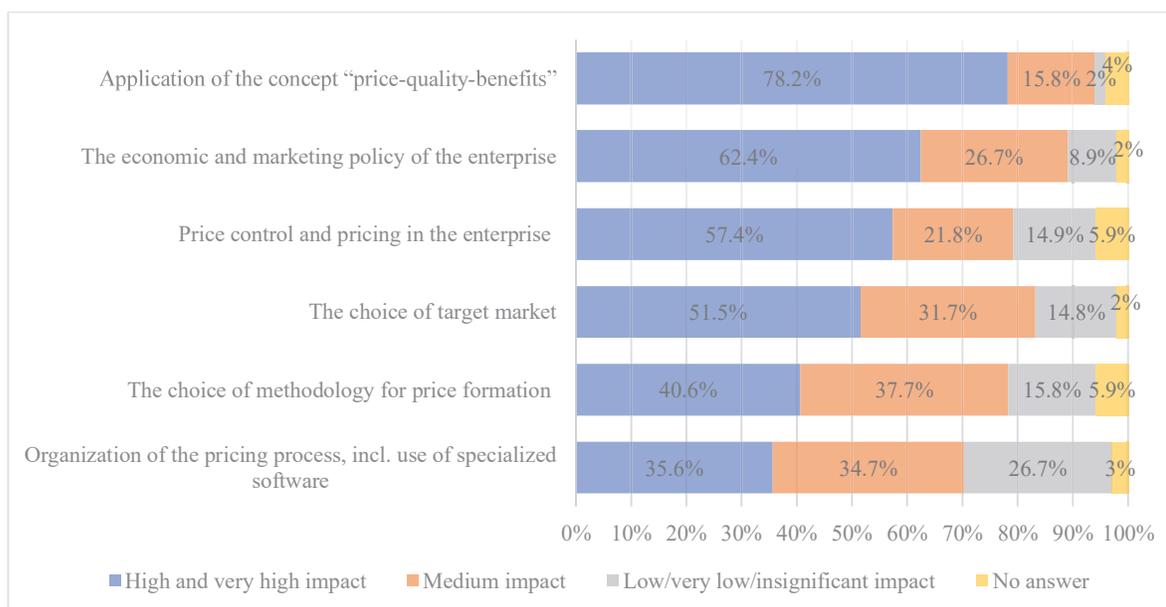


Figure 4. Assessments of possible internal factors influencing the choice of pricing strategy of the surveyed construction companies

Source: Own calculations based on a survey

The application of the concept of "price – quality – benefits" for construction companies is rated the highest, with a "high" and "very high" impact (78,2%) of those who rated this possible factor), compared to other indicators for which fewer respondents gave the same assessment. The other two possible factors that are also highly rated by the respondents are the economic and marketing policy of the company – 62,4% and the control of prices and pricing in the company – 57,4%. From the assessments received by the surveyed construction companies, it is concluded that when compiling their prices, the respondents take into account the needs of their customers and the benefit (value) they are looking for.

On the opposite side, i.e. with insignificant and very low influence is "the organization of the pricing process, incl. the use of specialized software" – in total, 26,7% of the respondents noted a small, very small and insignificant impact. In general, this indicator is underestimated by construction companies. Some of them, especially those who have many years of experience in construction market base its pricing and take pricing decisions based on the intuition of the company's managers or pricing specialists. This intuition usually comes from the accumulated experience and the inner feeling, but in this way they fail to take into account competition and pricing decisions can be wrong. To improve this process, the enterprise it must have up-to-date information on market conditions, characteristics of contracting authorities, competitors and demand. Specialized pricing software is also designed for the more successful implementation of these activities. They contain databases with market prices and can perform price analysis and can be used to control the costs.

The possible factor "economic and marketing policy of the enterprise" also receives very high marks from respondents for "large" and "very large" (62,4% in total) influence on their choice of pricing strategy. It is important to note that the larger are the marketing opportunities of the construction company, the more oriented the pricing strategy is to the market.

From the survey and analysis of the theory in the field of pricing strategies in the construction sector, we come to the conclusion that in many construction companies it is necessary to change the adopted pricing strategy and pricing model. This is also shown by the answers of the surveyed construction companies, regarding the question whether they think that the pricing strategy and pricing model adopted by them needs to be changed. Not a small part (27,7%) of the surveyed companies answered positively to this question, 36,6% answered "I can not judge", 34,7% indicated that they did not need to change the strategy and 1% did not respond. With this distribution of answers, taking into account the total number of respondents who answered positively and with "I can not judge" (64,3%), we assume that the surveyed construction companies are more inclined or need to change the pricing strategy and methods. (Figure 5)

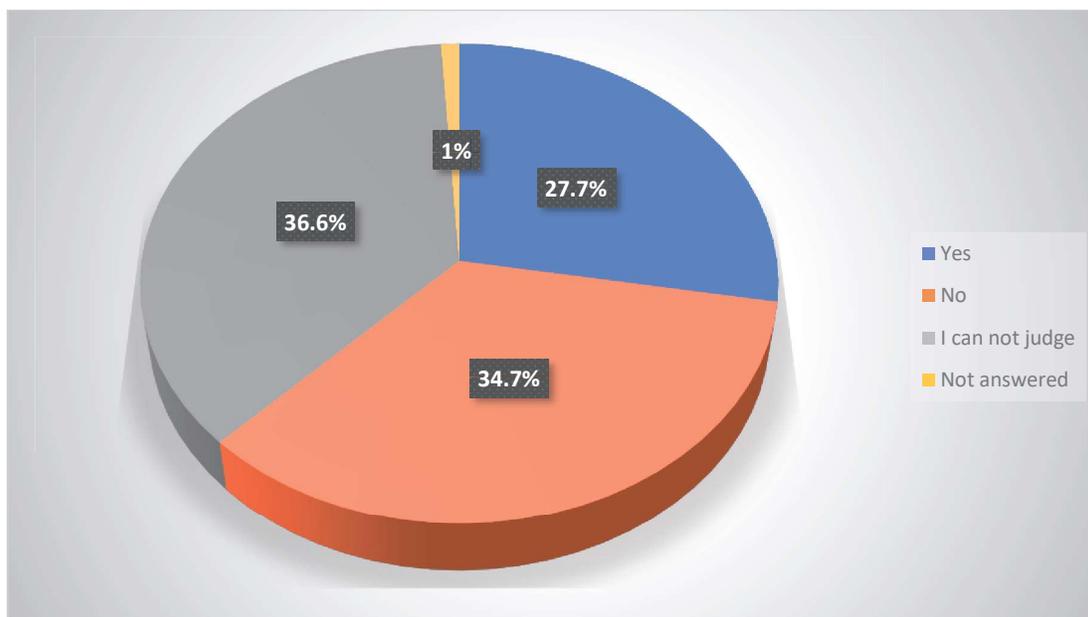


Figure 5. The need to change the pricing strategy and pricing methods according to the surveyed construction companies

Source: Own calculations based on a survey

The construction investment market it is constantly changing. The dynamic processes are dictated by the great competition, the multitude of consumers, the technological changes, global policies and economic environment. Under these conditions, the pricing of construction products cannot be oriented only to cost, quality and efficiency at work. To be easily adaptable, construction companies need to orient themselves towards creating values for their customers and to use new pricing models based on this.

4. Pricing model based on market approach

We accept Nagel, Hogan and Zale (2011) thesis on a pricing approach that is based on a pricing strategy that uses price-oriented, proactive and profitable sources. Along with that statement, we do not reject, and even we assume that such a strategy that is oriented to value in order to be successfully integrated and applied in practice must be combined with cost and market-oriented pricing approach.

On this basis, we offer a pricing model that includes known stages of pricing in construction companies (Fig. 6), but along with them, we include new stages that will help companies much more effectively determine their prices. The value is created at the design stage. It is recommended that builders, as far as possible, participate with their experience at the design stage. Through this model, construction companies will differentiate their prices according to their clients.

The advantages of this model are the following:

- It combines the advantages of a cost-based and market-based pricing approach.
- It is easy to use with pricing software products.
- Combines with market methods and allows you to monitor competition.
- Allows the company to anticipate unforeseen events, such as competitive threats and technological change.
- It makes it possible to offer construction products of greater value and to take into account the requirements of consumers (contracting authorities).

The managers of the construction companies, as well as the specialists in pricing are faced with the challenge to be able to develop and determine the prices of the construction products as accurately as possible. This is a complex process, as they need to understand how their consumers perceive prices, how to develop their perceived value, what their inherent costs are, and determine the company's pricing goals and its competitive position in the market.

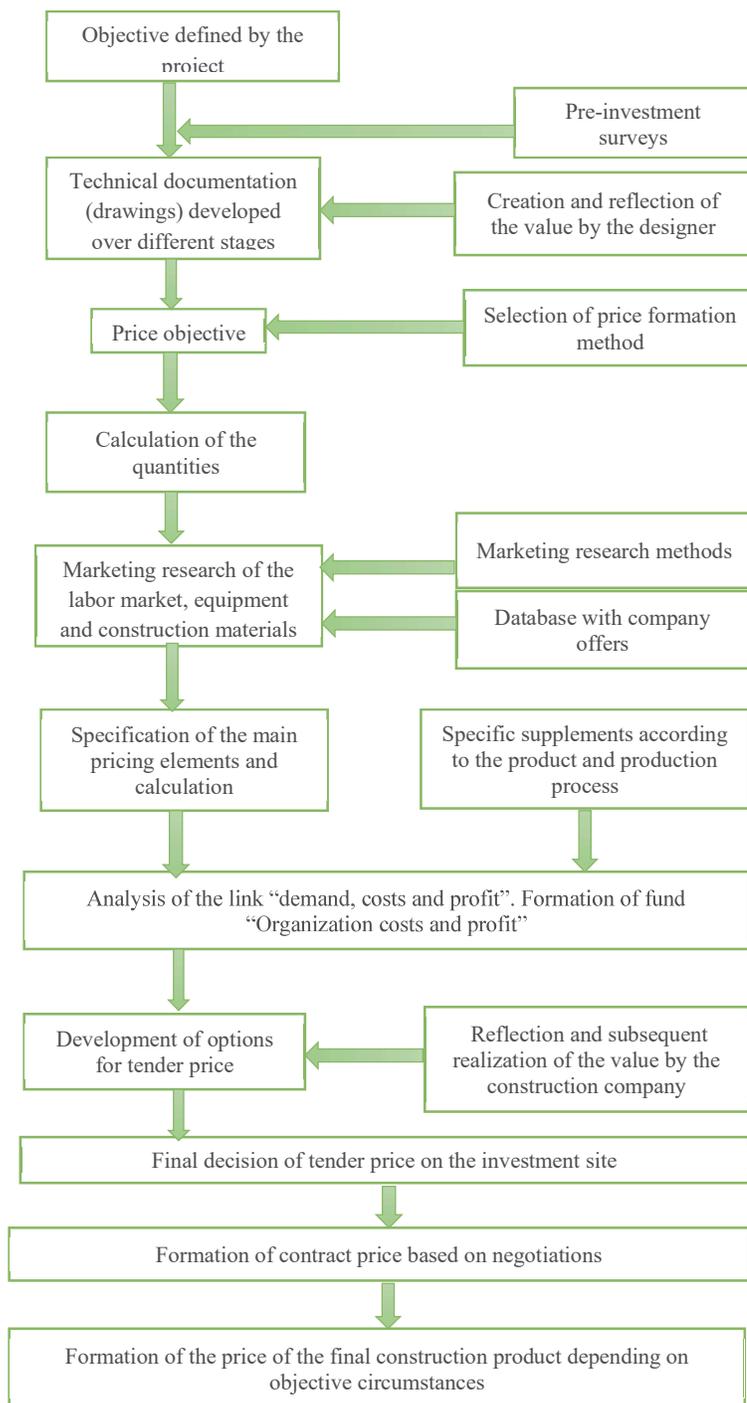


Figure 6. A new pricing model for construction companies
 Source: Own development

5. Conclusion

Construction companies are in a highly competitive and rapidly changing market environment. In such conditions, it is especially important that they have a stable pricing strategy. This will facilitate the creation of value for consumers of construction products, and will optimally structure pricing solutions, which in turn will maximize profits.

Several main conclusions can be drawn from the survey:

- The construction companies have a wide range of construction activities, the predominant type being housing construction, which is dictated mainly by the demand for such products in recent years.
- In micro and small construction companies the manager is the unit responsible for pricing, while in medium and large companies there is a separate bidding department.
- Most construction companies use a combination of basic pricing strategies – cost-based pricing strategy, demand-based pricing strategy and competitive pricing strategy.
- Many of the construction companies participating in the survey still use the cost-based pricing method and much less the market-oriented ones (related to supply and demand).
- Not a small number of companies give a high rating for the indicator "consumers" as an external possible factor in their choice of pricing strategy, which shows that they seek to adjust their prices according to the requirements of consumers (contracting authorities).
- The most appreciated of the internal possible factors influencing the choice of pricing strategy is the application of the concept of "price – quality – benefits", which shows a desire to align prices with the quality of construction products and reflect the value and benefit to consumers.
- There is a propensity of the surveyed construction companies to change their pricing strategy and methods.

Construction companies that do not manage their prices lose control over them. The desire of consumers of construction products to pay a certain price, profitable only to them, which not only depends on the value they perceive, but also on the prices set by the leading competitors can lead to large losses for the company if it fails to anticipate these events. It is therefore very important that pricing strategies be chosen correctly as they can be used to increase the amount of information available, and thus give an advantage in the negotiation process.

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