

# Price wars



Pricing is one of the most necessary factor a company must take into consideration upon venturing into a selected industry. This is affected by different factors such as the manufacturing costs, marketing costs, legal mandates of the state, the competition, the condition of the industry and the quality of the product. Through this a company is capable of determining their profitability which then may determine how they can generate an appropriate amount of income that will support their operation.

This may, as well, serve as a great strategic tool as this may help the many cope up with their competition through certain adjustments and employing different strategies. There are certain phenomena that may occur upon utilizing such in an industry and one of those is the price war. Price war is a market situation characterized by the cutting of prices of companies below their competitors' prices. This may mainly occur on conditions wherein there is a very heavy competition present. In such a situation, companies will do every strategy in order for them to overthrow competitors and have themselves obtain greater market share in the industry.

This, as well, is done due to the stronger bargaining power of buyers due to the presence of substitute products. Companies may prefer to lower their prices in order for consumers to choose their products over their competitors'. I think, the environmental condition which will most likely trigger a price war is when there is a recession in a country. I think, this is the condition in which companies will be most likely forced to adjust prices in order to keep up with the reduced purchasing power of their consumers.

Another condition that I think would most likely trigger such phenomena is when a many is engaged in a new market or when a good is newly turned into a commodity. As an example is the smart phone Industry. During the first years of the industry, most smart phones are priced highly as It Is considered that time as a luxury to have such but as many companies discover ways on how to venture Into the industry and have gathered enough resources to support such venture, the supply for the said product becomes greater which then had the prices go down into how is it today.

Aside from that, this, as well, have made such products a commodity which rather increased the demand for the said product. And speaking of technology, another triggering event may be the introduction of new technology that may allow a company to produce at a lower cost. This will allow the company to have their prices lower than their direct competitors but this will not result into an absolute advantage as such technology will eventually be revealed to other companies which will allow them to lower prices accordingly.

This may, as well, result into a price war. Playing around with pricing may be one useful strategy for companies to operate ore efficiently but It must also be taken Into consideration that doing such against which pricing will be low enough that smaller companies can no longer cope up with and may have them go out of business as this will allow the bigger company to grab the market share left by the said business.

An effective way to cope up with such is through determining if there really is a price war, as some only lower their prices for promotional purposes, and

if there really is be sure to have sufficient resources to suffice such strategy and know when to stop and employ different strategy such as product differentiation.