# ANALYSIS OF DIVERSIFICATION AND OPTIMUM PRICING STRATEGY OF INDUSTRIAL PRODUCTS

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**ABSTRACT:**
In the article, some approaches to the diversification of industrial products at optimal prices were studied, one of the main results of industrial diversification was developed, scientific proposals and practical recommendations were developed regarding the development of diversified industrial products, processes of diversification of industrial products in production.

**Keywords:** diversification, optimal prices, manufacturing industry, product, marketing, price, industrial policy.

## INTRODUCTION

In the long-term socio-economic development of the Republic of Uzbekistan in 2017-2021 and until 2030, and in the state programs aimed at "Developing industry and increasing its competitiveness", ensuring the growth of regional industry, eliminating excessive stratification in the development of certain types of economic activity Much attention is being paid to diversification as an effective means of growth.
The strategy of optimal pricing of industrial products produced on the basis of diversification is inextricably linked with the general development strategy of the enterprise. A pricing strategy serves as the basis for deciding the selling price in each trade. Strategic pricing goals are intended for a long-term perspective, allowing to determine the size of profit and market share in the future, to have a certain financial and time reserve for long-term exposure to market conditions. Together with other factors, the pricing strategy has a decisive influence on the level of demand and sales, thereby affecting the profit margin of the small business entity and the efficiency of the entire value chain.

## ANALYSIS AND RESULTS

Excessively high prices, on the one hand, increase the profit per product unit, but on the other hand, they lead to a decrease in the number of potential buyers. Conversely, a decrease in prices leads to a decrease in profit per unit of goods sold, but due to an increase in the volume of sales, they can increase the total amount of profit and, therefore, the overall efficiency of the enterprise.

Therefore, the enterprise's price strategy for industrial products produced on the basis of diversification is its long-term policy, which consists of the following stages:

- determining the current profit, income, sales volume and market coverage based on the purpose of the price offer;
- estimation of the volume of sales at the set price level assuming that the lower the demand, the higher the price the enterprise can set;
- calculating the level of costs for all possible volumes of production, taking into account the offers of the marketing service;
- determining the final price, taking into account the influence of psychological and other elements of marketing, price policy and the impact of prices on other market subjects;
- analysis of costs, prices and offers of competitors, selection of pricing methods.

Choosing an appropriate pricing strategy is one of the most important decisions that small business entities pursuing diversification must make. Understanding complex pricing strategies and their approaches begins with a description of pricing. Pricing is one of the key drivers in the value capture phase of businesses. As mentioned above, all enterprises, including small business entities in the manufacturing sector, must offer, create and capture value - this is the activity of the enterprise in achieving certain goals.

From a practical point of view, prices can be viewed as a means of satisfying, developing and maintaining customer needs. In the economic literature, it is considered that "prices are an important part of enterprises". However, in today's modern economy, businesses follow certain rules to change market prices and capture their value. Over time, these processes have evolved into well-known models known as pricing strategies.

A pricing strategy can be viewed as a planned activity that helps small businesses achieve certain goals. They influence the development of value for enterprises and increase the speed of customer acquisition. Adhering to an optimal pricing strategy can cover short-term issues like seasonal increase in product cost, low liquidity, etc. Of course, any small business entity must find its competitive advantages in order to survive the constant market competition in such conditions. From a practical point of view, every successful enterprise shows that it has an unfair advantage by increasing the price to a high level. This can lead to an unfair advantage or a competitive advantage for an enterprise to choose the right pricing strategy.

Pricing and following an appropriate pricing strategy becomes even more important in B2B markets. As mentioned above, buyers in the B2B market make decisions based on key performance indicators, prior experience, and thorough analysis. Unlike the B2C market, it is not important to advertise the product, sell it through enterprises and change the knowledge of buyers.

Businesses operating in the B2B market must consider a large amount of confidential information about the firm's strategic goals, its cost structure, customer needs, total sales volume, competitor pricing, margin levels, and market shares to make the right pricing decision.

Choosing an appropriate pricing strategy can be tracked by understanding its impact on revenue. In practical terms, according to an analysis by McKinsey & Company based on the Global 1200 companies, a 1% improvement in prices affects 11% of revenue, and a 1% change in variable costs affects revenue by 7.3%. When sales increase by 1%, profit increases by 3.8%, and then the fixed costs that affect revenues decrease by 1%, leading to an increase of 2.8%.

Research shows that today's small business leaders focus on reducing costs and looking for ways to increase sales. These actions show how the industry can't use a pricing strategy. Finding the right price for a new product can have a huge impact on revenue. Thus, the energy and stamina of those working in the manufacturing sector must be spent on learning and finding appropriate pricing strategies and methods of adoption. In order to understand the customer's values for intangible products, it is advisable for small business entities to conduct additional research in cooperation with scientific research institutes.

In theory, there are many different tools and methods for setting prices. Since each approach is different and adapted to a specific situation, they are all based on certain models. These models become a stable basis for companies operating in B2B and B2C markets. As the cost concept prioritizes cost reduction, value-based approaches move buyers up and costs down. It should be noted that in a market economy, any enterprise should rely only on competitive market prices and dynamically change its prices to take advantage of certain situations.

We present three approaches to price and value-based pricing strategies: competition-based pricing and value-based pricing. Value-based pricing puts customers' needs and wants above all else. The price of the product can be determined according to the average price of the market or the price of its raw materials, but its basic price refers to the sale - sale, which the buyer is ready to satisfy his needs. In today's modern economy, customers expect products that are customized to meet their specific needs rather than standardized products.This in turn makes the willingness of customers to pay for a product an important factor that businesses should study before pricing goods or services from a manufacturer.

The customer's perception of the product is the key point of value-based pricing, and besides adding a profit margin over costs or worrying about competitors' prices, businesses need to understand what their customers want from them. Meeting the needs of customers helps businesses get the right price for their products. Studying and understanding the needs of

customers allows businesses to develop pricing strategies based on their customers' willingness to pay.
Attracting customers by satisfying their needs is a much more effective way to attract them in the long run at lower than average prices. Studying the needs of customers and setting prices according to their prices gives them an unfair advantage in the market as mentioned above. This is arguably the main strength of value-based pricing approaches. Dealing with customers and determining their appreciation of the company's products is a complex task, and companies need to extract the tacit knowledge from customers and calculate the attributes of research, experience or trust in their products in order to get the right information. It is worth noting that value-based pricing is not suitable for standardized products, because the value created for each customer cannot be the same. However, this model can allow businesses to control their own prices and achieve sustainable profitable growth.
Competitive pricing is also known as competitive pricing or market pricing and is another form of strategy that is widely used among businesses, especially competitive market pricing is the most commonly used method among B2C markets. This pricing strategy shows that companies adjust their prices according to the average price of the market. In this case, a price below the market average price will increase sales, while a price above the market price will decrease sales. There are different strategies for competitive pricing because product pricing can be used to achieve different goals. In order not to take into account the prices, the company sets its products below the level of demand in order to discourage new entrants to the market.
Considering the competitive pricing model as a safe approach, businesses often turn to this model to make sure they don't make mistakes. Because competitor pricing acts as a feedback loop and creates a level playing field for a business to set a price that reflects its intentions. Competitive pricing is often associated with cost-based pricing. Generally, businesses calculate their costs to justify their pricing breaks. They then analyze market prices to find a profit margin that adds to their costs to arrive at the final price.
As a result of this action, businesses prioritize competitors and their products over their customers. Competitive pricing works best in mature markets in a developing environment. However, market price analysis is a complex process and businesses find it time-consuming. Businesses often adjust their prices seasonally to keep sales up. For this, it is necessary to constantly monitor prices and take quick measures. Another fact is that performance based on competitors' estimates gives false inferences about costs because competitors may have different cost structures and may be more efficient than the company.

## CONCLUSION

While high-tech industrialized industries are pushing the technological frontier, the construction industry is currently moving toward that frontier. Imitation makes it possible to invest in non-traditional areas and apply new technologies to a wide range of economic activities. This means that skills and technology must be improved simultaneously to ensure the sustainability of productivity growth and development.

While studies examining the importance of FDI in achieving diversification may in some cases produce conflicting findings, most empirical evidence suggests that such inward investment increases growth.

There are several reasons why companies engage in foreign direct investment: to gain access to new markets or resources, to have a pool of skilled workers or to take advantage of costs and specialization, to move some of their products to more technologically advanced countries.

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