

**THE QUALITY AND THE PRICE OF THE PRODUCTS AS FACTORS FOR A COMPETITIVE ADVANTAGE IN THE COMPANIES IN THE REPUBLIC OF MACEDONIA****Jusuf ZEKIRI***SEE University, Tetovo Macedonia,**j.zekiri@seeu.edu.mk***M.Sc. Pance MANOJLOVSKI***AD MEPSO, Skopje, Macedonia,**pancem@mepso.com.mk***Abstract**

*The purpose of this study is to find out how much the price and the quality of products create a competitive advantage for a company. The results will enrich the approach of creating a price for a product by the companies, in addition to paying better attention throughout the manufacturing process of the products regarding their quality. The data for this research has been gathered through two structural questionnaires focused towards employees and managers, as well as consumers, and SPSS is used for data analysis.*

*In this study, the importance of the quality of the product, the improvement of the quality of the products; as well as the quality as a factor that creates competitiveness is analyzed. From the price's point of view, the importance of the price of the product is also analyzed in order to gain a competitive advantage through the price of the product.*

*The purpose of this study is to find correlations between the importance of the price and the quality of the products. Whether the consumers care more about the price, less about the quality; and vice versa: they care more about quality than they care about the price.*

**Key words:** *Price; Quality; Competitive advantage; Product*

**JEL Classification:** *M1; M10*

**I. INTRODUCTION**

The competition is a process of competing between the companies. It is a process which motivates the competition, and to achieve more efficient operations, that is, decreasing of the operating expenses; product quality improvement; creating low fees; and favorable supply/sale conditions. According to Barney (2002) competitiveness of a firm is when it can achieve its targets by using its capacities and these targets can be expressed in a variety of terms depending on the context used.

This study tries to determine the price and the quality of the products as factors for gaining competitive advantage on the market. In this line Porter (1980) see the competitiveness of the firm as a result of its market position. The competitive advantage on the market represents the moment when the company reaches a turnover which overcomes the average in its industry.

For a company to reach a competitive advantage, it is necessary to know how to recognize the quality as an important factor for the consumers. Certainly, the quality should be incorporated in the price, respectively; the price should be compatible depending on the market and the competition. M. Porter (1985) indicates that a firm experiences a competitive advantage when its activities create economic value in an industry and when few companies engage in similar actions. A firm can have a competitive advantage when it has the means to outperform its rivals when competing in a market for the same customers (Buffam, 2000; Christensen, 2001).

This study shall contribute towards a broader understanding of the quality and the price of the products as factors which influence the competitive advantage of the companies in the Republic of Macedonia. Namely, a research has been conducted on a larger research sample of product users, where it is assessed how much the price and the quality of the product influence the consumer's choice.

**Objective of the study**

The theoretical objective of this research serves to lead to the perceiving for the influence which the price and the quality have when reaching the competitive advantage, included in the professional literature and in the available Internet data.

The methodological purpose serves to develop structural models of the price of the product, which will include a protocol for the proper manufacturing of the product, which then will be placed on the market for an affordable price, thus making it more attractive for the consumers.

The practical purpose serves to ascertain the discovery of the consumers' needs to buy better quality products, along with the satisfaction which comes out of it through the retail prices. The price and the quality rate have been put in the focus of the selling products.

### Research questions and hypotheses

The study is trying to answer the following research questions:

1. What is the impact of the quality of the products when buying?
2. How the price influence buying a product?
3. How much the consumers are trying to find a cheap and quality product?
4. How attached are the consumers when it comes to the price?
5. How much the consumers visit the competitive stores to make a comparison of the price and the quality before buying a product?
6. How much the companies try to meet the expectations of the consumers when it comes to the quality and the price?
7. How much the companies truly try to reach a competitive advantage? Which resources do they use to reach that goal?

The study will also try to answer the following hypotheses:

**H1:** The product price decrease and quality improvement will have a positive influence on gaining competitive advantage.

**H2:** The consumers show huge interest for improving the products sale.

**H3:** Most of the consumers are capable of living without "that object" provided they are not satisfied with the sale price.

## II. LITERATURE REVIEW

There are four essential basics for competitive advantage, which include: efficiency, quality, innovation and complete understanding of the consumers' needs. The efficiency is the relationship between the output product or service, and the input resources/materials. Innovation can lead to a competitive advantage by increasing efficiency and total company performance ( Žižlavský, O., 2010).

Following this, should the company reaches an improved level of production with less resources compared to another company - then we can state that that company is more efficient. Companies in order to gain competitive advantage over its rivals, it must either perform certain activities at a lower cost or perform them in a way that leads to differentiation and a premium price (Porter, M. E., & Millar, V. E. 1985). Thus, understanding sources of sustained competitive advantage has become a major area of research for scholars and organizations (Barney, J. 1991).

The quality of the product is determined by the degree of its possibility to satisfy the needs for which is being produced in the first place. Meaning, the final judgment on the quality of the product is given by the consumer. Companies that have abilities to meet and respond to market opportunities early with high-quality products and services enjoy competitive advantage ( Ireland, R. D., & Webb, J. W., 2007).

A very important factor which determines the success of the innovations, is the time spent between the moment when the innovation ends, and the moment when the same is presented on the market. The longer the period, the bigger the possibility of other competitors to become part of the market. This is precisely why the in-between period needs to be as short as possible.

To become competitive, the company must meet the consumers' needs in the shortest time possible. The buyers do not want to wait, no matter what purchase we are looking at. Especially today, in these very dynamic life conditions, where the time is a crucial factor, which is why the company must take into consideration the speed at which is satisfying the consumers' needs. The speed is required in all the functions of the company, starting from the development, to the production, to the marketing, and the delivery (Nesic et. al., 2012).

The product represents everything that can be offered to the consumer to satisfy a need in exchange for money, no matter if that is an idea, service, or a physical product (Paten. D, 1997).

Products are divided into products with a final consumption (those products purchased to satisfy the needs of the individuals or households), and products of business consumption (those products which are purchased for operational usage of the company, or for manufacturing other products (Kottler & Cunningham, 2005).

The quality of the product is a multi-dimensional term, which incorporates: 1. Functionality; 2. Confidentiality; 3. Durability; 4. Accuracy; 5. Easy-handling; 6. Reparability; and other characteristics which determine the capability of the product to satisfy a certain consumer's need.

The deciding role to improve the quality of the product, bares two basic factors:

- The first is strategic, and is in regards to the knowledge of what the market is in a need of, and the capability of creating new (competitive) products.
- The second is operational, and is in regards to overcoming the modern-day technologies which allow economic production in the shortest time possible, with a high product quality.

Today, the term “quality” includes more than that. Following the functionally-technical characteristics of the product, the external orientation becomes more important as well, that is, the consumer’s perception of the quality. The quality is defined as a basic competitive advantage by the market, or “adjustment of the consumer’s needs in terms of the function, the price, time of delivery, safety, confidentiality, care for the environment, warranty, expenses, advising, etc. (Haist, F &Fromm H. 1989, pg. 5).

The quality as a source of advantage through the differentiation, shall allow the company to:

- Reveal a higher price over the competitor’s;
- Achieve better loyalty from the consumer, or
- Protect from seasonal, and fluctuations in the circumstances (Porter. M. 1989).

The price is one of the instruments of the marketing mix, which used individually, or in combination with the rest of the instruments shall allow the realization of the operational purposes. The price is an instrument (means), and not a purpose of the marketing activity. The price is strategic and tactical variable which influences the sales volume, and the short-term profit, as well as the invested capital in the long run. The purpose of the marketing is not the highest price for the products and the services, but the price in combination with the other instruments of the marketing mix which help achieve the short-, and long-term purposes of the operations (Milosavljevic et al., 2009).

When making decisions of the price, a high level of alertness needs to be shown, as the price is the only instrument of the marketing mix which generates profits, while the rest of the other instruments are sources of expense. The company makes the decision for the price, seeking an affordable price on one hand, while making profits on the other. The number of factors influencing the decisions for the price is theoretically unlimited. However, the expenses, the market requirements, the competition and the country’s politics are the four basic determiners which analysis cannot be set aside when deciding upon the price. Usually, the companies do not set one price only, but a whole price structure which reflects variations in the geographical requirement and the expenses; the request for a particular market segment; time; volume of purchase order; frequency of the delivery; warranty; agreed-upon conditions; and other factors. We will take a look at several price adaptation strategies: geographical price formation; discounts and financial reliefs; promotional prices; and price differentiation (Kotler &Keller, 2006).

The geographical price formation is being implemented when the company decides upon how it shall charge its products from different consumers on different locations, or different countries. The discounts and the benefits are implemented when many of the companies are adjusting their price-lists, and approve of discounts and benefits if the payments are immediately performed; if there is a huge amount at stake; or if it is an out-of-season sale (Spratt David E. et al., 2003).

The promotional prices often lead toward the “zero amount game”. If they prove successful, the competitors are copying the behavior and they lose their efficiency. And if they do not prove efficient, it means they have spent an amount of money which could have been invested in the other marketing instruments, such as strengthening the product’s image via promotion, or building its quality. The differentiation of the price means the companies adjusting their basic price in order to standardize it with the differences which already exist between the products, the consumers and the locations (Boskovic, I., 2012).

### III. METHODOLOGY

In this study a theoretical and empirical procedure is applied. The target-audience of the research are the beneficiaries of the services and the consumers of the products (disregarding the sector of operating), as well as employees in a number of companies. In the research two different categories of interviewees are included, namely: a number of 100 employees and 30 managers, as a secondary category of interviewees; and randomly chosen a number of 100 consumers.

The research applies secondary data as a process of collecting literature, and choosing the adequate literature which is discussed throughout the research writing; the analytical methods for analysis of the theoretical contents regarding the HR manager’s role with the price and the quality as a factor for establishing competitive price; a statistical method which is applied to calculate the data and the testing of the hypotheses, with the assistance of the SPSS 22 software. A quantitative method is applied to analyze the statistical absolute sizes and the review of the consumers and the employees, in regards to the creation of a competitive advantage; and a comparative method which is applied to compare the quality representation degree of the products and prices, against the consumer’s expectations. Regarding the research instruments, a questionnaires consisted of

open- and closed-ended questions is used with 15 examining questions which are seen as a valid tool to reach the insights of the employees and the managers.

**IV. DATA PRESENTATION AND ANALYSIS**

This chapter holds a systemic presentation of the data received from the research of the role and the influence of the quality and the price of the products, as factors for establishing a competitive advantage over the companies in the Republic of Macedonia.

**Descriptive analysis of the obtained results from employees and managers**

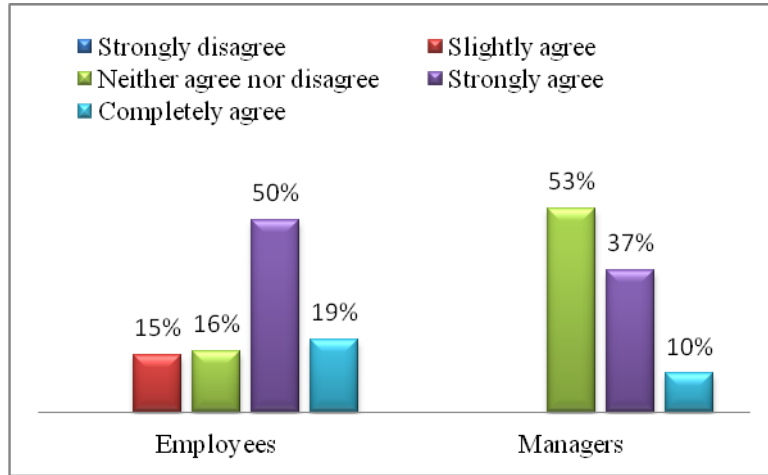
Table: 1 shows the socio-demographic characteristics, that is, the number, gender structure, age structure, education degree, years of service and the work position of the respondents from the category of employees and managers.

**Table: 1. Respondents based on their socio-demographic characteristics**

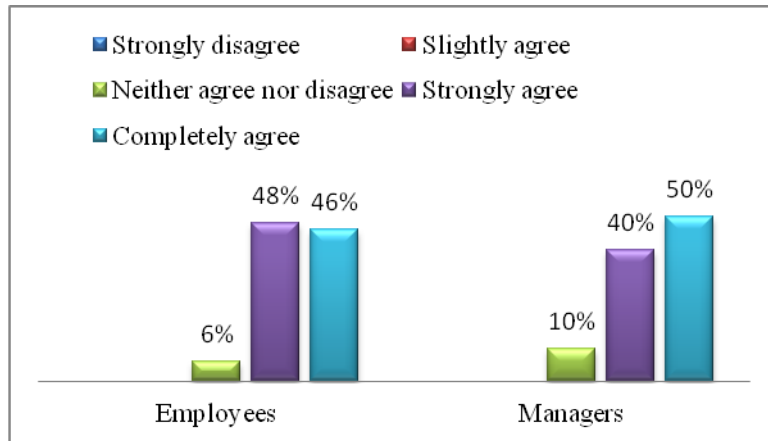
Descriptive statistics			
		Frequency	Percent
Gender structure	Male	87	66.9
	Female	43	33.1
Age structure (years)	18-25	8	6.2
	26-35	63	48.5
	36-45	33	25.4
	46-55	26	20.0
Education degree	Secondary education	12	9.2
	Higher education	10	7.7
	High education	82	63.1
	Master's degree	25	19.2
	Doctorate	1	8
Years of service	0-5	36	27.7
	6-10	36	27.7
	11-15	35	26.9
	16-20	7	5.4
	21-25	8	6.2
	Over 26	8	6.2
Work position	Employed	100	76.9
	Manager	30	23.1

The analysis and interpretation of the data in accordance with the obtained answers from the respondents from the category of employees and manager are given. The figures show the result in percentage in accordance with the respondents' category.

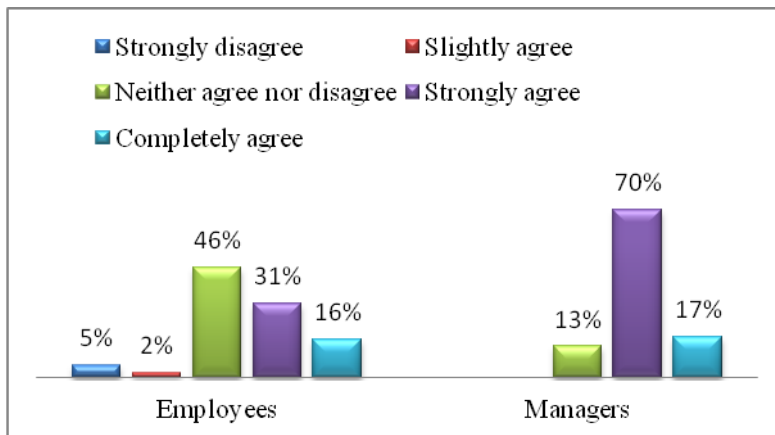
From the obtained results shown in Figure: 1 we can see that 19% of the employees and 10% of the managers completely agree that the product price decrease has an influence on gaining competitive advantage, whereas 50% of the employees and 37% of the managers strongly agree. Big part of the managers are neutral (50%), as well as 16% of the employees. Total 15% of the employees disagree with the claim.



**Figure: 1. The product price decrease has a positive influence on the company gaining competitive advantage**



**Figure: 2. The product quality improvement has a significant influence on the company gaining competitive**



**Figure: 3. The product consumers show huge interest for improving the products sale**

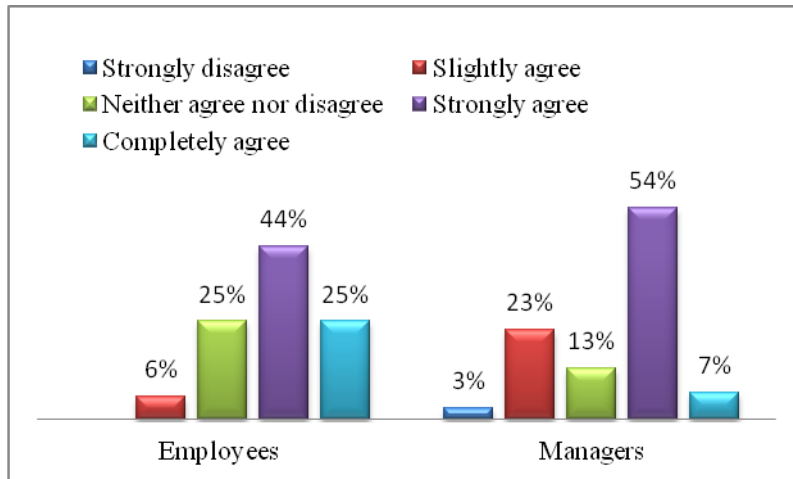


Figure: 4. Most of the consumers can live without “that object” provided they are not satisfied with the sale price

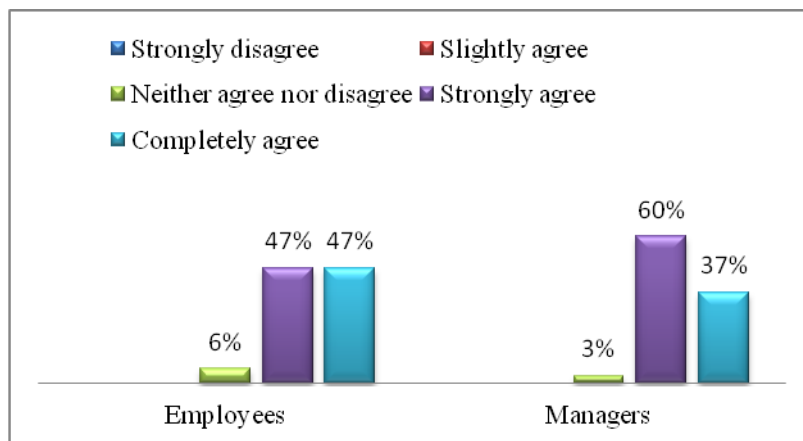


Figure: 5. Companies should work on improving the products/services quality for a higher competitive advantage

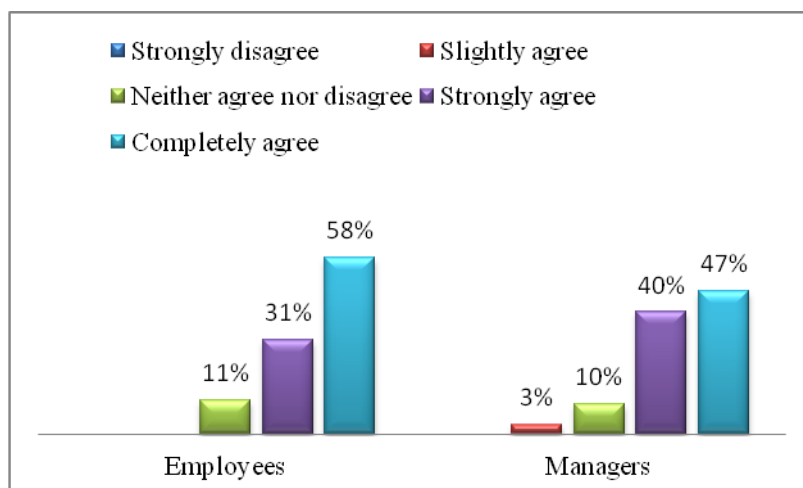
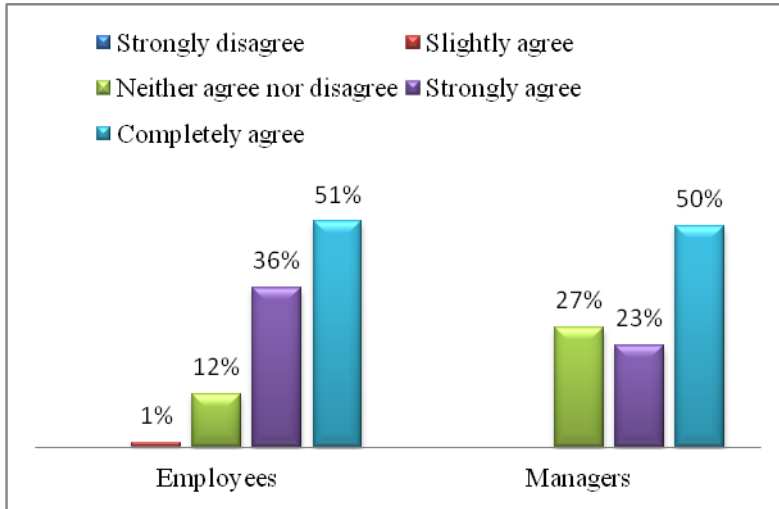


Figure: 6. Do you think that the consumers are trying to find a cheap and quality product

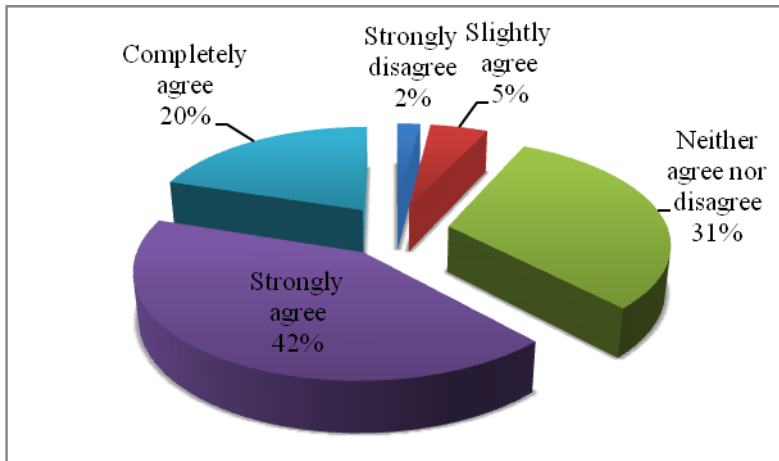


**Figure: 7. The consumers visit the competitive stores in order to compare the price and quality before deciding on a product**

From the obtained results shown in Figure: 7 we can see that 51% of the employees and 50% of the managers completely agree with the claim that the consumers always visit the competitive stores in order to compare the price and quality before buying a product, whereas 36% of the employees and 23% of the managers strongly agree. Total 12% of the employees and 27% of the managers are neutral and 1% of the managers slightly agree.

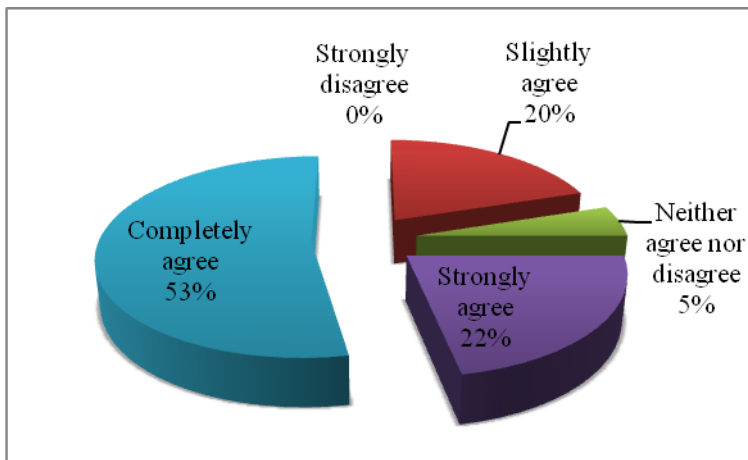
**Descriptive analysis of the obtained results from consumers**

The following figures are responses collected from consumers as participants in this survey.



**Figure: 8. Price as the most important factor when buying**

From the obtained data shown in Figure: 8 we can see that 20% of the respondents completely agree that the price has the highest influence when buying a product, whereas 42% of the respondents strongly agree, 31% are neutral, 5% slightly agree, and 2% strongly disagree.



**Figure: 9. When choosing a product, I always strive to find a cheap and the same time quality product**

From the obtained data shown in Figure: 9 we can see that 53% of the respondents completely agree that when choosing a product the consumers always want to find a cheap and at the same time quality product, whereas 22% of the respondents strongly agree, 5% are neutral and 20% slightly agree.

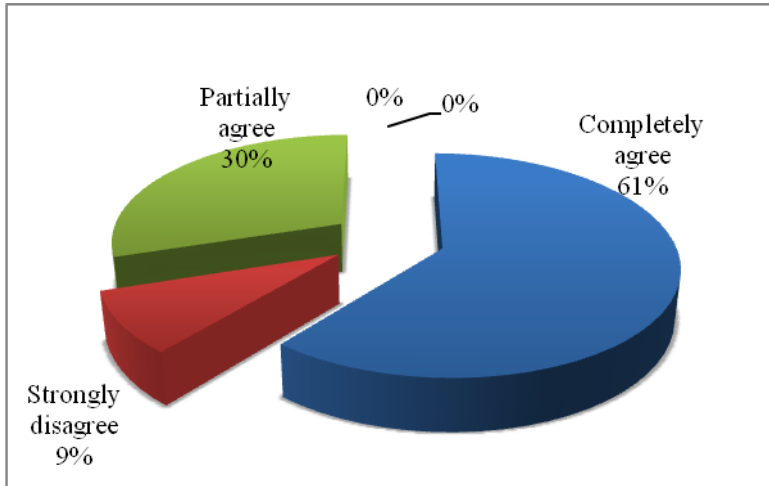


Figure 10. I find the price is highly significant when buying a product

From the obtained data shown in Figure: 10 we can see that 61% of the respondents completely agree that when buying a product the consumers consider the price highly significant, 30% partially agree and 9% strongly disagree.

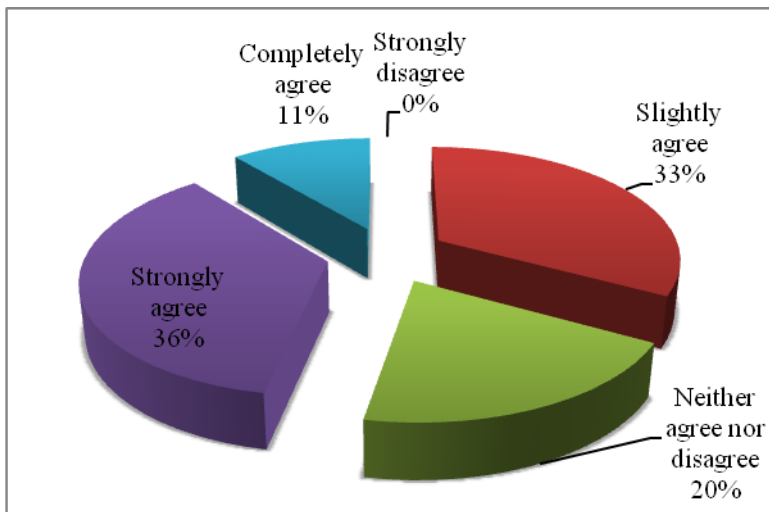


Figure 11. I always buy cheap products

From the obtained data shown in Figure: 11 we can see that 11% of the respondents completely agree that they always buy cheap products, 36% strongly agree, 20% are neutral and 33% slightly agree.

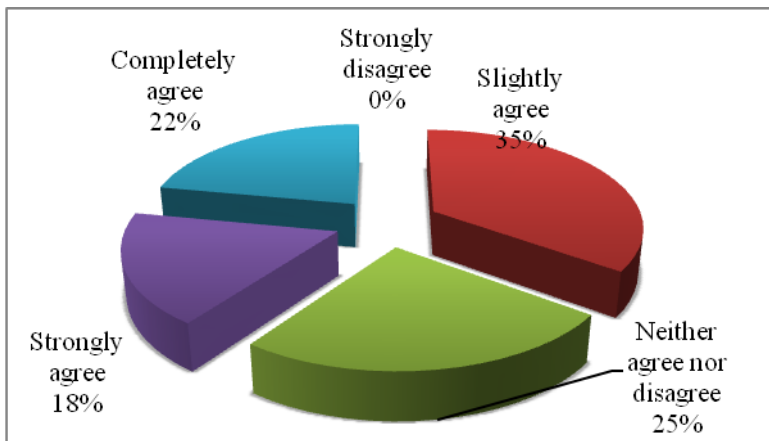
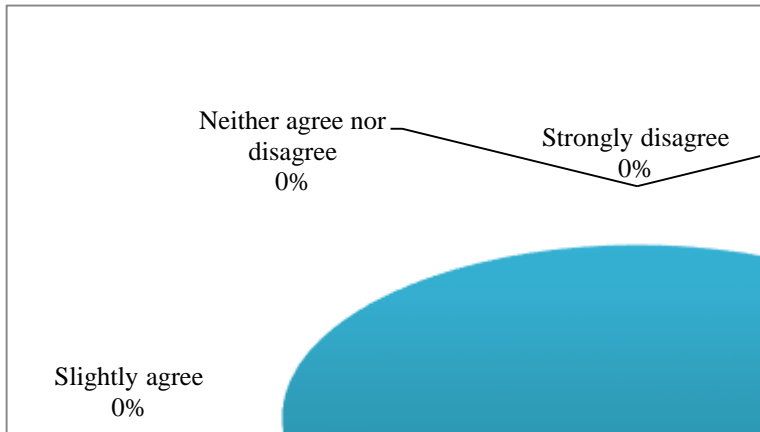


Figure 12. I always buy products with higher quality

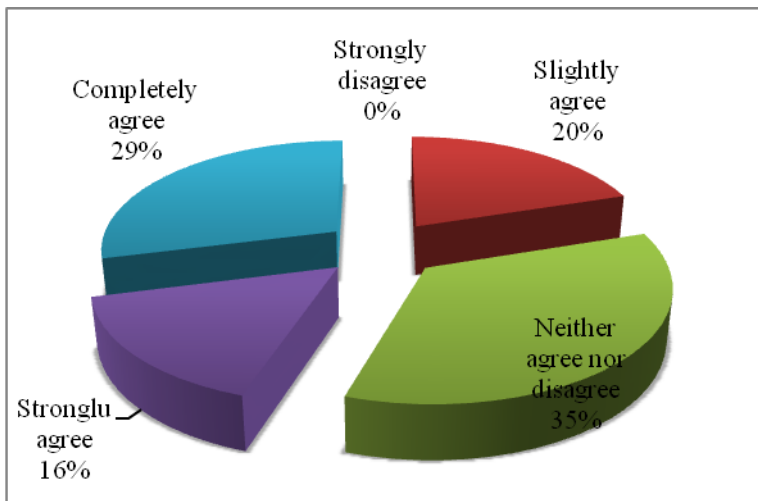
From the obtained data shown in Figure 12: we can see that 22% of the respondents completely agree that they always buy products with higher quality, 18% strongly agree, 25% are neutral and 35% slightly agree.





From the obtained results shown in Figure: 13 we can see that 100% of the respondents think that the companies should constantly strive to improve and upgrade their products.

Figure: 13. I think that the companies should constantly try to improve and upgrade their products



From the obtained results shown in Figure: 14 we can see that 29% of the respondents completely agree with the fact that they will not buy a product because the price does not suit them, 16% strongly agree, 35% are neutral and 20% slightly agree.

Figure: 14. I can accept the fact that I will not buy a certain product because of the price

**Hypotheses testing**

This part of the study shows testing of the hypotheses with t-tests of arithmetic means.

**H:1 - The product price decrease and quality improvement will have a positive influence on gaining competitive advantage.**

So, in table:2 the first hypothesis consumers' point of view is tested using a paired samples test.

Table: 2. Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	X1Π - X1Πo	-.04000	1.76909	.17691	-.39103	.31103	-.226	99	.822

The value of the t-test amounts to -2.226 for df=99 which, on the critical values table, at 0.05 level of significance amounts to 1.98, two-way t-test, which actually indicates that  $t < t_{\alpha}$  and the hypothesis is not accepted, from consumers' point of view. Therefore, from consumers' point of view both a product price decrease and quality improvement will not have a positive influence on gaining competitive advantage.

**Table: 3 tests the hypothesis 1 from point of view of employees and managers**

**Table:3. Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 X1B - X1BP	-.70769	1.11679	.09795	-.90149	-.51390	-7.225	129	.000

The value of the t-test amounts to -7.225 for df=129 which, on the critical values table, at 0.05 level of significance amounts to 1.9785, two-way t-test, which actually indicates that  $t > t_{\alpha}$  and the hypothesis is accepted.

Therefore, regarding hypothesis 1, from consumers, employees and managers point of view can be determined as partially accepted hypothesis.

**H:2 - The consumers show huge interest for improving the products sale**

Table: 4 does a comparative testing of hypothesis 2 in accordance with the obtained results from employees and consumers

**Table:4. Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 X2B - X2Π	-1.49000	.95869	.09587	-1.68023	-1.29977	-15.542	99	.000

The value of the t-test amounts to -15.542 for df=99 which, on the critical values table, at 0.05 level of significance amounts to 1.9842, two-way t-test, which actually indicates that  $t > t_{\alpha}$  and the hypothesis is accepted. Thus, consumers show huge interest for improving the products sale.

**H: 3 - Most of the consumers are capable of living without "that object" provided they are not satisfied with the sale price**

Table: 5 does a comparative testing of hypothesis 3 in accordance with the obtained results from employees and consumers.

**Table:5. Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 X3B - X3Πo	.31000	1.41917	.14192	.02841	.59159	2.184	99	.031

The value of the t-test amounts to 2.184 for df=99 which, on the critical values table, at 0.05 level of significance amounts to 1.98, two-way t-test, which actually indicates that  $t > t_{\alpha}$  and the hypothesis is accepted. Thus, most of the consumers are capable of living without "that object" provided they are not satisfied with the sale price.

## V. CONCLUSIONS

Quality as a new term has been neglected and has been in the background of manufacturing for a long time. Every company strives to survive and be competitive on the Macedonian and on the foreign market as well. But in order to succeed the company needs really affordable prices, as well as honesty and decency in its work.

The competitive advantage plays a big role for the company, but for its users as well. Any person who plans on buying a certain product will always look at the price first, provided the price is affordable, and the product looks excellent and qualitative, i.e., it is the real thing. But low price does not always mean low quality, or vice versa. Therefore, in order to study the opinion of the consumers in the Republic of Macedonia, measuring instruments were prepared and implemented on the market whereas the study was implemented on 100 employees and 30 managers, as well as on 100 random consumers.

In accordance with the implemented study we can conclude that when buying a product the consumers often consider its price as a priority factor for buying. That does not mean they would not decide to buy a product with higher price, but that would happen rarely and they would not become loyal consumers of the company with high prices.

Provided the company strives to gain consumers of higher class which can afford expensive products, the high quality, not the low price, should be its priority. But provided the company would like to have an extensive mass of consumers it should offer an affordable price.

This empirical study proved that it is outstandingly important for every company to keep an account of the product prices and their quality, since they have a huge significance for the competitive advantage. Often, the price signifies quality and vice versa, a low price is of no effect if there is no acceptable quality level, just like there is no best high quality and exclusively low price.

According to the consumers, they rarely find a product with low price and high quality. All of this is possible and available provided the company decides to reduce its profit in order to achieve higher number of sales.

The companies which aim to gain huge competitive advantage should constantly upgrade their products, offer affordable or lower prices, as well as make surveys regarding the consumers' satisfaction, which should be the basis for their future products, that is, to have an insight in the consumers' expectations.

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