



## Pricing for Innovative Products

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**Abstract:** Society is always moving towards a strong thought in development, to put it more correctly - evolution, creating conditions and products, primarily to eliminate shortcomings or problems that increase the degree of imperfection of plans. It was taking these points into account that humanity introduced into the world a new concept of “Innovative Product” and its distinctive price, formed taking into account the demand of the population. The article presents theoretical and practical knowledge of the need to form prices for new products, how they can fit demand, selecting elasticity for their formation, and why they are even necessary these days.

**Key words:** pricing, necessity, evolution of pricing.

Pricing has always been and will be an important part in the market and in human life, also regarding the innovative system for developing new products. Every country knows that new concepts are vital for further development; the discoveries of recent decades have clearly served as an example of this. The problem in this concept is not expressed by the perception of some concepts, both new and old, and the lack of definitions. In general terms, innovation is necessary in any case for the global transformation of the economy. There is also an unusual complementarity - the cost and price of an innovation have no direct connection with the labor invested in its production, nor with the time within which this labor was expended.

The very concept of “innovation” was introduced by the Austrian economist J. Schumpeter in the first half of the twentieth century and was considered as an effective means of overcoming crises. The term “innovation” itself began to be used by J. Schumpeter in the 30s of the twentieth century, while the innovative product was coined by the famous economist Peter Drucker, the father of Management - identifying areas of failure, that is, those areas in which innovative and entrepreneurial activities do not bring the desired results results, and the first approaches to determining the essential characteristics of value formation were noted in the works of ancient thinkers, philosophers of China and India. The theoretical foundations of the concepts of “value” and “price” play a significant role in understanding the entire system of economic relations, as well as its individual blocks. Price is a fundamental economic category that provides the necessary value to a product. Let's consider the theories of three outstanding scientists on the construction of pricing:

- W. Petty (1623-1687) - The value of a product differs based on the amount of labor required for its production,
- A. Smith (1723-1790) - The cost of a product is determined by labor costs and income from this product,
- D.Riccardo (1772-1823) - Unlike the theory of Smith and Petty, not only labor costs should be included, but also the costs of capital used in production.

D.S. Mill introduced the interpretation of “The concept of price as a monetary expression of value” in 1853, since then the product has its own refined value, which maneuvers the foundation throughout the market, having an important status.

The purpose of pricing innovative products is to introduce a new product to the market, developing a strategic volume for pricing according to consumer demand, experiencing a number of pricing factors, of which the following:

- ✓ Accounting for supply and demand. The higher the demand for new products, the higher the price. The demand price is the highest
- ✓ Types of sales market. The market is characterized by types of oligopoly and monopoly,
- ✓ Taking into account the strategic direction of the functioning of an innovative enterprise. If we are talking about the survival of an enterprise, then a policy of low prices is in effect, reducing them to a minimum,
- ✓ Accounting for the costs of production and sales of an innovative product. It is always important that implementation costs are also reimbursed,
- ✓ Accounting for profit as part of the price. The relative form of the price should be compiled as the profitability for it,
- ✓ Accounting for direct and indirect forms of government regulation. There are a number of state norms and rules that limit the formation of prices in a spontaneous manner,
- ✓ Accounting for the legal terms of the purchase and sale agreement for an innovative product.

All parties involved in the process must have equal rights,

- ✓ Taking into account the specific terms of the transaction. For the urgency of the work.

For each innovative product, an individual negotiated price is established, and there are also processes where the price is first specified in stages: firm price, cost-reimbursable price, price with guaranteed maximum payments and fixed prices with periodic payment rates.

The object of pricing for innovative products is the consumer. You cannot set or even note a price without knowing the buyer's demand in the market. This division already includes psychological forms of identifying needs and pricing procedures. Most consumers are interested in the cost of the product rather than its quality, but an innovative product is always superior, given that its cost can rise both at the beginning and at the end, if especially in the market the demand for it grows. If we approach this using psychological methods, then here rises the pyramid of needs according to Abraham Maslow - The theory explains what motivates certain actions of a person based on his needs, subdividing into 5 stages of formulation. Using the hierarchical theory of needs allows a person to analyze how satisfied he is with his job at this stage of life, correctly prioritize tasks and make plans for the next few years. This tool will help you increase productivity and find the best ways to motivate yourself and your subordinates. This is an excellent applied tool for personal and career growth. Using Maslow's pyramid, it is easy to monitor changes in the market and the needs of the target audience of the product or service that the company offers. The hierarchical theory of needs allows you to predict demand and prepare a competent strategy for promoting a new product or product, and analyze the labor market. Despite this, there are certain requirements for pricing any type of product, such as:

- the effect of using an innovation is expressed in the formation of additional profit created when it is used in production;
- the period of use of an innovation, on which the mass of the effect depends, is determined by the obsolescence of the innovation;
- the effect of an innovation cannot be fully appropriated by the innovative organization (seller), since this makes its purchase and use in production pointless for an entrepreneur.

From a political point of view, the field integrates the concept of competition with several methods - Whose price is better and more pleasing to the buyer on the market, including other indicators of the new product. The general understanding of the price system, as well as the direct process of pricing for any product, characterizes the concept of pricing. The procedure or method of price formation is usually called the pricing method. To maintain a competent pricing policy, there are a large number of different pricing methods. It is necessary to select among them the one that will be the most effective and accurate among other methods of determining the price. The goal of a suitable method is not only to cover all costs associated with the production process, but also to make a profit, as well as satisfy the expected needs of the consumer. Pricing methods are applied at all stages of the product life cycle. Despite the wide range of methods for determining prices, they are conventionally divided into three main groups. The first group includes cost-based pricing methods, the second group includes market methods, and the third group includes parametric methods. Most authors believe that the cost-based pricing method is the most developed and universal. The main advantage of these methods is their simplicity, as well as the ability to set a lower price limit. The disadvantages of the cost method are, firstly, the focus solely on production without taking into account market demand, and secondly, the inability to identify reserves for reducing costs and take into account all factors influencing the price. It is also worth noting the low price mobility: if necessary, reduce the price, an enterprise can either reduce the cost of goods (which requires certain resources) or increase sales volume (which requires additional advertising costs). The market method of consumer valuation is used to set prices for interchangeable products. This method is conventionally divided into determining prices based on the capabilities of the consumer and determining prices relative to competitors. Most often, the main factor in determining the cost of a product is competition in the market. In this case, if the company has sufficient market power, then the calculated price for the product can be increased based on customer loyalty to the products of this brand.

Based on the foregoing, in conclusion we can conclude that all these clear explanations lead to the fact that the pricing of a new product, prudently for the market, its educational conditions, consumers or random individual indicators, is necessary and must be worked out necessarily, since, a new product cannot emerge as an individual on the market if it has not been thought through in detail during development.

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