Pricing strategy for products in the healthy fast food sector in Stockholm

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Abstract

The demand of fast food is increasing in current food market worldwide. But fast food, as one of the unhealthy food types, cannot deny its impact as one of the causes of leading death in populations of most high income countries. Healthy fast food is called by governments, health organizations and societies, and desired by customers especially in Sweden because it is affordable, easy accessible, and most immortally, healthy. Companies are emerging based on the current fast food demand to provide healthy one in its unique style and format to meet the needs of healthy food in Sweden market. This research focuses on pricing approach and strategy that is suitable for products of healthy fast food based on literature research and interviews of fast food business owners in Stockholm. According to both literature information and interview results, value based pricing strategy was indicating as a better solution in health fast food business especially in start-up business. The application of value based pricing strategy requires discipline and practice with barrier overcome solutions, and factors with impact on pricing decision making need to be considered to ensure maximum profitability. Furthermore, healthy fast food is a new and promising business trend with developable future, and environmental friendly packaging fits to its business style and customer need.

Key words: Pricing strategy, value based pricing, cost based pricing, food, beverages, enterprise, marketing, Stockholm, nutritious, healthy, organic, fast food, trend.
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Chapter 1. Introduction and Background

1.1 Research Background

In high income countries, unhealthy diet is a known risk factor of leading cause of death (Ezzati et al., 2002), and governments and organizations are seeking solutions to improve fast food nutrition because it is considered as one of the important sources of unhealthy food. In New Zealand, 40% of annual death derived from joint effects of inadequate fruit and vegetable intake, high cholesterol, high blood pressure and obesity; and these nutrition related causes are responsible for 70% or higher of mortality from stroke and heart disorders, and 80% of diabetic death (Stefanogiannis, 2005).

Healthy fast food is on call since it is an excellent replacement of fast food that offers a popular option of convenient diets globally, and the introduction of healthy concept into fast food chains is a potentially powerful strategy to improve population health (Barcellos et al., 2015). It is important because the improvement of population health has impact on finance and economy of countries in the world especially those countries with popularity of fast food. But the current situation is that, when compared to food consumed at home, fast food is often calorie dense and saturated fat rich (Rosenheck, 2008); and those eating fast food more than two times weekly tend to be overweight than those eating it occasionally (Harnack et al., 2008). Accordingly, the search for healthy fast food from different populations and countries is on-going especially in those countries with economic growth (Barcellos et al., 2015).

Recent success of “Food Trucks” in Stockholm demonstrates the immense need for healthy fast food suppliers in potential customers (Ganga, 2013). In a health aware and sustainable country such as Sweden, the food truck and other healthy juice and salad bars attract consumers nationwide. This seems a good chance for companies to accept and introduce healthy concept to fast food chains to benefit customers and businesses themselves.

Companies carrying healthy fast food with systems of food delivery as a sustainable and environmental friendly innovation will have better environmental impact and economic future. The fact that they do not leave any carbon footprint behind makes them eco friendlier, and their smaller sizes more flexible and mobile than those competitors on four wheels or in fixed physical locations.
Food and beverages that are of organic and biologic origin are trends in recent years, and the populations and society are aware of what, when and where they eat. In particular, populations in Stockholm are very sport active compared to other places (City of Stockholm, 2013), and it can be seen anywhere that people take good care of themselves and are aware of the importance of good and nutritious diets. In a previous research, I found that 65% of the inhabitants of Stockholm are sport active for 30 minutes on average per day or more.

Figure 1 illustrates that Sweden is a perfect place to undertake this research, because other than Netherlands, Sweden is the country in Europe that ranks a top position in this statistic. As the capital of Sweden and Scandinavia, Stockholm is known for innovation and setting new trends in its environment and businesses, and thus Swedish people living in Stockholm are a perfect target audience for healthy fast food marketing research.

1.2 Healthy Fast Food and Existing Business Models

Current food and health situation indicates an urgent need for healthy food, especially healthy fast food because it is one of the most welcome foods in the market (Barcellos et al., 2015). The immediate question is: What is healthy fast food? In the present, there is no clear definition of healthy fast food, and its concept should be fast food that is healthy. A report from Sharkey et al. (2011) gives examples of healthier fast food as grilled meat, chicken, fish, or other cooked meats; 100% whole wheat or whole grain bun, pizza crust, tortilla, or wrap; lean cuts of other cooked meats, cold cuts, or meat salads; low-fat cheese; and low-fat or fat-free dressing or sauce. This may not be completely accurate, but it gives an approximate concept of what healthy fast food should be. Accordingly, healthy fast food should be a type of food that is easily accessible, affordable and healthy.

Figure 1. Unhealthy lifestyle composite score (World Health Organization).
Since healthy fast food is a new concept in the market, its business models are relatively rare. Among these few businesses, Sweden’s Eggs Inc. is a brand new healthy fast food chain which announces that it serves the fastest and healthiest breakfast with tasty low carb food (FundedByMe, 2015). Eggs Inc. provides diets of GI, Atkins and LCHF (low carb high fat) to help people cut down on carbohydrates to lose weight and feel better. The food chain company has its fund raising web page on fundedbyme.com, and raised successfully 476,000 SEK from 82 investors until the end of April, 2015, which occupied 4.7% of its shares.

Another model is Panera Bread, which is ranked as number one healthy fast food chain in the United States (Minkin and Renaud, 2015). It is a bakery and café based restaurant chain that offers comprehensive menu of healthy choices from every meal on their menu, such as grilled organic cheese, organic yogurt and whole grain bread. One of the diet examples is nutrient packed combos of one half turkey artichoke on focaccia bread together with a bowl of garden vegetable soup or black bean. Up to 2015, Panera Bread has over 1,230 restaurants located in the United States and Canada.

The third model is Chipotle, and it is ranked as number sixth healthy fast food chain in the United States (Minkin and Renaud, 2015). It belongs to a buffet type of restaurant which gives each of its customers a complete control over taco, burrito or salad. Customers can build their diet with fresh and local ingredients like organic and hormone- and antibiotic-free meats, fajita veggies, and green tomatillo salsa with low sodium. Its food sources are from local suppliers which is a revolutionary feature as such a big fast food chain. Thus far, it has more than 800 restaurant locations nationwide in the United States.

The fourth model is NutriGo AB that has the ambition to build environmental friendly bicycle pop-up shops at subways and train stations in major European cities (NutriGo, 2015). The current business target is Stockholm city to sell nutritious and energizing foods and beverages wrapped up in biodegradable packaging. The fact that they do not leave any carbon footprint behind makes them eco friendlier, and their smaller sizes are more flexible and mobile than those competitors on four wheels or in fixed physical locations. NutriGo AB aims at enabling their customers to be faster, stronger and more efficient in their daily lives and offers them an alternative to healthy fast food – Nutrition on the Go!

Based on current information, fast food in Sweden is expected to increase with differ in quality, price and availability, and with increasing demand for healthy and proper fast food (Country
This trend is due to the fact that Swedes have less time and interest in cooking at home, and thus seek continuously for healthy food with easy accesses. As consequence, it is time to develop a healthy fast food chain that have much higher competition compared to a healthy restaurant chain or an existing fast food chain with modified healthy options.

1.3 Target Audience of Healthy Fast Food

In this research, it is important to understand who the target audience is since the pricing strategy is aimed and customized to its specific customer groups of the overall market. The Stockholm market is considered as target business area to this thesis to collect interview data and to research, and thus it takes only residents and tourists of the Stockholm municipality into account as target audience.

Stockholm’s population is sportive and active, and people are further aware of the importance of good nutritious diets. In a previous research, I found that 65% of the inhabitants of Stockholm are sportive and active for 30 minutes on average or more per day. Taking the 65% of the Stockholm population aged 26-64 into account, it leads to 758,862 individuals totally as potential target audience.

1.4 Research Population

Since the research topic is pricing strategy of healthy fast food venture, the best population that has the knowledge and capability to decide and practically use pricing strategy is healthy fast food business owner. Accordingly, healthy fast food business owners are set as research population in this research. An interview questionnaire is set up to be conducted on the research population as healthy fast food business owners in the city of Stockholm.

1.5 Research Limitation

There are several limits existing in this research as literature research limit, research population limit and, as set up by the research topic, research question limit.

Literature Research Limit

It is evident that, due to the nature of this research, literature background information is limited. Particularly since healthy and nutritious fast food business is a relatively new concept starting a limited amount of time ago, and fewer theoretical models are created that analyse, conduct or provide templates for a successful pricing strategy. Therefore, this research was finished mostly based on literature review.
Research Population Limit
Accessibility and sample size of the research population is one of the limits due to time constraint, which means that only a certain number of the population was approached and interviewed. And a limited number of the population was actually interviewed due to the fact that most of the approached business owners refused to accept interview and answer the questionnaire. However, it was ensured that the questioned population was as representative as possible. The focus population participated and responded to the interview questionnaire based on their previous experience and knowledge, which may create limitations for the research in terms of competitor strength and subjectivity.

Research Question Limit
In order to answer the main research questions, research objectives and interview questionnaire were defined to limit and focus on scope of this research and made it as specific as possible. These are described in chapter 4 of Methodology.
Chapter 2. Theoretical Framework and Research Question

This chapter explains how pricing strategy works theoretically in a healthy fast food business with marketing especially for star-ups, and how this theoretical frame work is applied to selecting research objectives and to answer research question.

2.1 Theoretical Framework

This section presents the theories and its background in the form of a research pyramid, which goes from the area via the field to the topic.

![Research pyramid](image)

**Area: Marketing**
This research is set within the area of marketing. While it is generally believed that marketing means advertising and sales, it actually includes much more (Kotler et al, 2012). The common goal of marketing is to match a company's products and services to customers who need and want them to ensure profitability. In this thesis, we used data information from literature research together with interview of pricing strategies that underline the overall marketing area of fast food business.

**Field: Pricing Strategies**
From literature research, the importance of pricing decisions is significant for company profitability and long-term survival. If effective product development, promotion and distribution are combined with effective pricing, it indicates an overall success of the business.
Although effective pricing can never compensate for poor execution of the first three elements, ineffective pricing can surely prevent those efforts from resulting in financial success (Nagle & Holden, 1995).

Pricing is the only element of the marketing mix (4P) that has impact on produce income in a firm while all other elements of the marketing mix have impact on costs. Diamantopoulos (1991) argues that price is the most flexible element of marketing strategy in which pricing decisions can be implemented relatively quickly in comparison with other elements of marketing strategy.

Fast food company tends to consider business in a sustainable and ethical way, and thus they have a high aim on charging fair and affordable prices that result in satisfaction and please from farmers to end consumers in the supply chain. A literature research combined with interviewing healthy fast food business experts to analyse competitors of analogy businesses with their pricing strategies was a great way to define an economically sustainable and effective pricing strategy.

**Topic: Price sensitivity for similar products in similar businesses**
Price sensitivity is the degree to which the price of a certain product affects the end consumers buying behaviour. With the identification of appropriate pricing strategies and approaches, price sensitivity can be obtained from business owners to see how they decide on their pricing strategies and what the consequence is.

### 2.2 Research Question and Research objectives

Research question and interview questionnaire are attached as Appendix 1 and Appendix 2, respectively.

**Research Question**
Based on the background in healthy fast food business and theoretical framework, pricing approach and strategy are one of the most important one that is critical for a business to survive and to profit. The research question is as follows:

**Which pricing strategy is suitable for products in healthy fast food sector in Stockholm?**

The research will be conducted with the aim of suggesting appropriate pricing strategy for new ventures in fast food industry.
Research Objectives

Based on the research question, theoretical framework and research background, we set up research objectives to be achieved in this research as follows:

Research objectives for literature research
1. What is the history of pricing strategy?
2. What are the current pricing strategies in marketing?
3. What is the comparison of different pricing strategies?
4. Which pricing strategy is better and the rationale?
5. What are barriers when applying pricing strategy on pricing decision making and how to overcome them in marketing?
6. What are factors that influence pricing strategy and solutions that improve pricing strategy?

Research objectives for interview research
1. What is the pricing strategy at start up and the one current?
2. What are the factors influence pricing decision making?
3. How do customers’ feedbacks impact pricing?
4. What are trends in pricing for health fast food?
5. How important it is of environmental friendly packaging?
6. Is brand value increased in fast food business?

The research methods of practical processes in collecting and analyzing information and data of the two sets of research objectives are described in chapter 3 of research methodology. The first set of research objectives will be achieved in chapter 4 of literature review, and the second set of research objective will be achieved in chapter 5 of interview data analysis. Both sets of research objectives will be combined and discussed in chapter 6 of discussion, and in chapter 7 of conclusion.
Chapter 3. Literature Research

3.1 Introduction

In this chapter, I discussed literature relevant to the research objectives, and explained related theories based on authors about what pricing is suitable and which strategies can potentially be applied to healthy fast food ventures.

Pricing, as a subject, is receiving little academic attention and investigation especially value-based pricing, even though there is a surge of interests recently (Hinterhuber, 2004). It is an important tool in marketing since a 5% price increase leads to a 22% improvement in profit of businesses compared with increases of 12% and 10% in turnover and reduction of costs of goods sold respectively, which means small increases in price on profitability exceeding impact from other levels of operational management. Given the obvious impact of price, the reasons of price attracting little interest in management are, firstly, business owners believe that pricing is a zero-sum game and hard to win; secondly, owners do not have confidence that they have ability to modify pricing structure significantly.

As an active entrepreneur, I fully understand the importance of pricing and its high impact on profitability and future of a business, and it is significantly important especially when a business, like NutriGo AB, is in its beginning stage. Price can have many meanings depending on specific context, and Merriam-Webster Dictionary defines price as “the amount of money given or set as consideration for the sale of a specified thing”. Price means a fair return or equivalent in goods, services, or money for something exchanged, monetary worth or value of something (Mish 1995). Simply, it is the amount of money that customers have to pay for a product or service (Grewal et al. 1998). As mentioned in the theoretical framework, price is one of the key components of the four Ps: “product, price, place, and promotion”. Price has a special importance for marketers due to its flexibility and close association to company profitability. On the other hand, marketing mix is defined as a set of controllable marketing variables that marketers employ to obtain desired responses from their target markets (Kotler and Armstrong 1991).

There are many pricing strategies in the market including conventional pricing and modern pricing methods. Conventional pricing methods are cost based pricing, competition based pricing, market based pricing and historical pricing (Sarokolaee et al., 2004; Macdivitt, 2013), in
which cost based pricing is still in use popularly until today. Its beginning can be tracked as early as the last century at the company Ford in the U.S., and at Volkswagen Beetle in Germany in the 1930s (Feil et al., 2004). But a fully-fledged cost-based pricing was not practical until Americans created it and was called “value engineering” to maximize desirable product attributes while minimizing product cost, and Japanese businesses adapted and developed further to fit to their business needs.

Under business development, there are gradually bigger differences between the American and Japanese cost based pricing especially in the way that market information gathering and converting to actual product (Sarokolaee et al., 2004). Business practice confirmed that the Japanese pricing method is highly beneficial, because it actively controls costs during product development instead of the traditional way to wait to the end of a product’s life cycle where the cost may be fixed and difficult to be changed. The Japanese way helps business to change and control costs effectively to avoid limits and defects of fixed costs and fixed development model in a business.

Since cost based pricing is not perfect but has its pros and cons (refer to next section: Pricing Methods), new and advanced pricing methods emerged over time (Griffiths & Wall, 2004; Sloman J.H., 2007; Goolsbee et al., 2012), which include limit pricing focusing on limiting short-term profits to prevent new competitors; price discrimination focusing on pricing based on its market power and customer demands; price bundling to bundle different products together to form a competitive product bundle; peak-load pricing depending on demand quantity and times demanded; inter-temporal pricing depending on elasticity of demand; as well as many others such as two-part tariff, full-range pricing, product-line pricing, life-cycle strategies, etc.

According to literature, one of the best pricing methods is value based pricing or say value optimized pricing, in which price is set primarily but not exclusively based on perceived value to customers, but neither cost of product, market price, competitor price nor historical price (Sarokolaee et al., 2012). The advanced difference of value based pricing is that it aligns price with value delivered to individual customer to reflect the specific value related. For example, it can be decided based on annual transactions and value per transaction, number of users and value per user, size and impact on revenues, or other measures. Value based pricing is intentionally making companies more competitive and profitable than conventional pricing. Most importantly, it can be applied and adjusted in stages of product development and management to maximize value for individual customer.
A good and practical pricing strategy requires discipline and needs to be congruent with other marketing strategies of a firm. Commoditization of offer and buyer power may drive pricing toward cost based or competition based pricing leading to below target profitability (Ingenbleek, 2003; Hinterhuber and Liozu, 2012) which need to be avoided. On the other hand, the original value based pricing has its limit. Based on business research and practice, it is known that it complicates pricing and creates obstacles for marketers because it uses customer perceived value as a pricing reference. And thus it is not surprising to find that only 17% of all investigated pricing approaches was value based across industries (Hinterhuber, 2008).

As consequence, it is necessary to discipline value based pricing in B2B relationships to overcome barriers, which are the need to understand and influence customer desired value, the method of quantifying and communicating between buyer and seller to influence customer perceived value, and challenges in value capture process (Töytäri et al., 2015). To overcome these three barriers, marketers need to identify and influence customer desired value, and to capture a share of the value generated in the exchange.

This chapter focuses on practical methods of implementing value based pricing strategies in healthy fast food venture to show influences and antecedents to value based pricing from a healthy fast food enterprise’s perspective, and to present impediments, challenges and solutions in this research.

### 3.2 Pricing Methods

Based on the current pricing methods used popularly in fast food market, cost and value based pricing methods are the main focuses in the literature research and compared in this section. Cost based pricing is one of the most popular pricing methods, but there are pros and cons in this conventional pricing method, and thus value based pricing, as an advanced pricing method, is describe to compare and discuss for their uses in healthy fast food enterprise.

**Cost based pricing method**

![Figure 1. Cost based pricing method (Nagle&Holden 2002).](image-url)
Cost based pricing means pricing on the basis of what it costs the company to make the product, which is the most popular method in history because it relies on readily available information (MIT, 2010). Requirements of deciding cost based pricing are that the cost has to be known for a product, it is a function of sales and in turn a function of prices, and it is easily misplaced in businesses when high fixed costs and near zero marginal costs exist. When costs function in sales and prices, it makes the calculation circular, which means that, when a product is sold less, its costs will go up and vice versa. The exceptional is that, for small scale businesses, it is not often for them to see costs going down when they sell more.

While traditional cost based pricing may result in complication, mark-up pricing method is the simplest and most elementary pricing method, and a company adds a certain return to the unit costs (Kotler & Keller, 2006). In addition, target-return pricing sets price according to a target-return on investment. Because demand volume cannot be determined with absolute accuracy, companies need to know when they are break-even, which is when companies make no profit or loss. It is important to note that a small change in margin can have a tremendous effect on break-even volume and it should be placed under well control (Hisrich, 2000) to avoid burden.

The pros of cost based pricing is that it is simple and easy to use, but the cons is that, after adding certain profit to the cost of a product or service to price it, a company has to persuade consumers that its price is appropriate. In the case of the price is perceived to be high, the company will not be able to gain profit. Since cost-based pricing method has its limit in current market, other advanced pricing methods such as value-based pricing are popular in decision making of product pricing (Sarokolaee et al., 2012).

**Value based pricing method**

![Value based pricing method](image)

*Figure 2. Value based pricing method (Nagle&Holden 2002).*

Value based pricing encourages customers to perceive that the price charged for the product or service is lower than the perceived quality (Balster, 2002). It is decided according to customer perceived value which is the difference between perceived net benefits and price paid (Töytäri et al, 2015). Since customer perceived value is not fixed but a moving value, it leads to different
value evaluation in different situations and times of a company, and thus it is subjective, differing and difficult to predict. This feature results in several obstacles when implementing value based pricing such as the need to understand and influence customer desired value, the method of quantifying and communicating between buyer and seller to influence customer perceived value, and challenges in value capture process. These obstacles need to be overcome to benefit from value based pricing as follows.

**Overcoming barriers of understanding and influencing customer desired value.** The following factors are considered as barriers in this step, and solutions are given accordingly (Töytäri et al, 2015):

1. No access to influence customer desired value. It happens often due to outdated industrial beliefs, and requires early access to educate and communicate with customers to power;
2. Limited receptivity. Company process that allocates incentives produces sub optimal goals leading to comparative ignorance about value relative to price which needs to be avoided;
3. A goal conflict between decision makers and company. Sometimes procurement is rewarded for price saving but may actually hurt business performance because it increases total cost, and thus decision makers need to stay closely with company’s goal;
4. Engaging with suppliers too late in buying process to influence. Suppliers are needed to be contacted earlier and to be engaged in buying process to have on time influence.

Overcoming these four factors will facilitate influencing customer desired value successfully, and effective solutions may include customer value audits, analyses and research. Most importantly, we need to influence customer buying value in early stage of buying process.

**Overcoming barriers of capturing value.** A value of a product is needed to be agreed upon, created and quantified, and the major barrier is how to determine it (Töytäri et al, 2015). The following solutions may be helpful in product value determination.

1. Establishing cost based pricing to provide convincing proof of a value. A cost based value is easily considered as a right one for buyers, and thus can be used to initiate repetitive buying, competitive alternative and high buying power.
2. Value determination can last over a longer period of time and thus creates risk. It can be overcome by reference customers and pilot programs in reducing ambiguity, and manage risks in mutual value creation process.
3. Bargaining power can be used to influence value sharing from a position of strength, but aggressive bargaining needs to be avoided to maintain long term relationship with suppliers and buyers to achieve long term benefits.
4. Alternatives such as competition based pricing and cost based pricing need to be excluded to avoid benefit reduction.

Other solutions
Perceived-value pricing differentiates itself from the methods discussed above by expressing how a customer sees the value of a product or service. Therefore, this approach focuses on the value seen by customers rather than on the cost incurred by seller. Because a perceived value can change over time, adjustments to and re-evaluations of perceived value should be occasionally conducted (Baily et al., 2005) to ensure good understanding from customers and long term business attraction.

Since it is challenging to determine a value, a methodology tool can help enterprise to evaluate and access the real value of a product. Before determining a value, it is important to know how your customers actually calculate the value of a product. A tool called the value decoder (Mohammed, 2005), as a decoder that breaks done a value of a product into various components of substitutes, competitors, income, demand and environment, are always determining product value in customers’ minds and can be used to better understand the way that customers are thinking. Once the value components are realized, an enterprise can use them to work on increasing product value and translating it to pricing. We need to keep in mind that product value is a fluctuating factor and is always changing, and keeping up with the changes in customers’ minds will maximize the profitability of the enterprise.

![Figure 3 The Value Decoder (Mohammed, 2005).]
This section describes current pricing methods and their uses in product pricing determination in a healthy fast food enterprise. Based on current trends in healthy food business, value based pricing method is higher recommended by this thesis because of its flexibility, practicality and most importantly, profitability. Cost based pricing is an easy but not an ideal pricing method, but can be applied to conquest barrier in value capturing in an early stage of value pricing process, especially in a newly founded fast food enterprise. Other solutions like perceived-value pricing and the value decoder can be used to assist product value determination with ease.

### 3.3 Price and Income Elasticity of Demand

Some pricing relevant factors, such as price elasticity of demand and income elasticity of demand, have impact on company pricing decision, because it measures changes in demand as changes in price and income (Mankiw, 2011). Elasticity of different product varies and in turn influents pricing decision making. Customers tend to demand more of a product when its price is lower or when buyers’ incomes are higher. The concept of elasticity is used to measure demand responding to changes in price, income, and other factors such as cross-price, supply, etc.; and computation can be used to compute different type of elasticity of demand, calculate percentage changes and elasticity, and draw demand curves to show relationship between demand curves and total revenue to assist better understanding of the concepts (Mankiw, 2011). But due to the volume limit of this thesis, this section only discusses the price and income elasticity of demands in a brief way related to pricing decision making.

**Price Elasticity of Demand.** A fall in product price raises demand quantity as stated by the law of demand, and price elasticity of demand measures demand quantity and its change according to its price change. There are some general rules that determine price elasticity of demand as elastic or inelastic demand, and rule #1 is necessities versus luxuries (Mankiw, 2011). Necessity demand tends to be inelastic, and luxury demand is elastic. For example, as necessity demand, when the price of meal rises, people will not change the number of time that they eat meal dramatically even though they may go to other restaurants more often; but as luxury demand, when the price of a bicycle rises, its demand quantity falls substantially.

Price elasticity of demand is also dependent on substitute goods available. If there are more substitute goods available, the demand tends to be more elastic (Mankiw & Taylor, 2006). Other rules like market definition and time horizon may also change elasticity of demand, since narrowly defined markets have more elastic demand than broadly defined markets, and products have more elastic demand when it is measured over a longer period of time.
Income Elasticity of Demand. It is used to measure the impact of customer income changes on quantity demand, and is calculated using the percentage change in demand quantity divided by the percentage change in income (Mankiw, 2011). Goods or products can be separated as normal or inferior (including luxury) goods and most of goods are normal ones. Quantity demand of normal goods rises when responding to higher income because they both move toward the same direction, but quantity demand of inferior goods falls when responding to higher income because they move in the opposite direction; and thus inferior goods tend to have negative income elasticity.

On the other hand, it is imperative to consider the necessity of a product; since in general, luxury goods have a high income elasticity of demand (Sloman, 2005). It is assumed that healthy foods and beverages of organic origin from a trendy brand are taken as a luxury product. Therefore, it should be taken into account for pricing determination in healthy fast food products and enterprises.

### 3.4 Cost and Competition

Costs need to be considered during pricing process, and cost structure should be shared with peers. Furthermore, supply chain should be evaluated according to costs regularly (Barnes et al., 2005). Costs incurred by a product play an essential role in pricing process. For simplification, costs can be placed into two categories: fixed and variable costs. Regarding cost structure of an industry, two main distinctions are made: volume intensive and price sensitive. In a price-sensitive industry, a price change leads to a fairly big change in earnings while in a volume-intensive industry, this happens to a lower degree because of the high level of fixed costs (Jain, 1985). Economies of scale have the effect of reducing long-term average costs per unit when production increases.

On the other hand, competitive companies need to know its market conditions to determine correct pricing strategy. As a rule of thumb, the greater the competition in a market is, the lower the level of autonomy for the company will be in determining prices for relevant product or service (Brassington & Pettitt, 2006). Observing relative prices of competitors in the market is essential, as the results of such observations can be used to develop historical patterns of pricing. Moreover, in-house price strategies can be set against the benchmark of those of competitors (Hiebing & Cooper, 1994).
As summary, there are many pricing strategies available for a firm to choose, such as traditional pricing including cost, competition, market and historical based pricing; and modern pricing including limit pricing, price discrimination, bundling pricing, peak-load pricing, inter-temporal pricing, etc. Based on the popular pricing in fast food market, this literature research was focusing on cost and value based pricing strategies to review current trends of product pricing and to identify better pricing strategy for healthy fast food firms. As results, it seems that value based pricing fits to the requirements of the market, but factors affecting value pricing need to be paid attention to, and practice as well as discipline are recommended for the implementation of value based pricing. The findings derived from literature research need to be tested and confirmed by interview research to determine if these findings are practical in healthy fast food ventures and their pricing practice.
Chapter 4. Methodology

4.1 Research Design

In this research, both deductive and inductive approaches were used. The deductive approach was a literature research as shown in chapter 3, which was highly applicable and suitable since there is a significant amount of research that is done in the field of pricing strategies according to the first set of Research Objectives. In addition, the inductive approach was an interview to business owner to answer a questionnaire according to the second set of Research Objectives. Data analysis was performed by analysing interview data collected during interviews in chapter 5, and discussion and conclusion were written based on literature information and data analysis in chapter 6 and 7 to give answers to the Research Question.

In the inductive approach, an interview with questionnaire to related business owners was conducted according to the second set of Research Objectives and Questionnaire. As the questionnaire was used to address the Research Objectives, it was divided into two sections including background questions and pricing strategy questions. Responses from participants were analysed based on information collected in literature research as data analysis in chapter 5.

4.2 Literature Information Collection Method

As this research was mostly based on literature research due to the difficulty of interview data collection, it was crucial to present research information in a theoretical context. In order to achieve this, research objectives (refer to chapter 2) related to the Research Question were searched and collected from multiple literature search engines as described in chapter 4. Reliable and valuable sources of business pricing strategies were collected to establish the core opinion, suitable pricing methods and solutions, and conclusion. The collected literature information was used to combine with data collected from interviews of related business owners in the discussion and conclusion chapters.

4.3 Interview Data Collection Method

For the interview and questionnaire part of this research, enterprisers as healthy fast food business owners were set as research population because they represent the population that determine mostly product pricing strategies and methods, and monitor and modify the pricing process whenever necessary. And thus they are the population that this research targets to obtain
data regarding current pricing strategies and methods used practically in healthy fast food business.

In depth interviews with owners was performed to obtain high qualitative data that was reliable and relevant to the second set of Research Objectives, and to obtain quantitative data that can be efficiently used for the case and definition of an efficient pricing strategy in the given industry currently. The interview investigated different pricing theories on different products and categories, which provided the participants with a framework of the topic in order to focus their answers to the research questionnaire.

The interview research was set up as ethical research based on the voluntarily participation willing of interview population. For the ethical concerns of this research study, prior approval from the enterprise management was received for interview conduction. It was ensured to the enterprises that the information collected was used for research purposes only and personal information of participants was kept confidentially.

4.4 Interview Data Analysis Method

Data collected from interviews were analysed based on literature research information in chapter 4, and interview data analysis results were shown in chapter 5.

4.5 Discussion and Conclusion Deduction

Discussion and conclusion of this research was conducted based on information and data collected from literature review as in chapter 4 and chapter 5 respectively. Information and data from the two research parts as literature research and interview research were combined to yield the discussion and conclusion as chapter 6 and chapter 7 respectively.
Chapter 5. Interview Data Analysis

Interviews were conducted in the region of Stockholm city. From the local healthy fast food enterprises, 12 business owners were selected for interview process. But due to practical difficulties, only three of the 12 business owners were responded and willing to accept the interviews. In-depth questionnaire was designed and conducted in interviews to collect related and useful data for pricing strategy in current healthy fast food enterprises in Stockholm city limit, and all verbal answers were recorded and then transcribed to text to ensure interview data accuracy. Due to the requirements of ethical research, all interviewees’ and companies’ names are kept confidential and removed from all contents of this thesis.

5.1 Research Population Background Information

For personal information, the three interviewees were all owners of healthy fast food business, and two of the three were business founders (Table 1). The average age of the three businesses was 6.7 years (2, 6 and 12 years), which is long enough for the trustability and reliability of collected data. The business background of the three interviewees were all business, in which interviewee 1 was film theater business, interviewee 2 was enterpriser, and interviewee 3 was sale business indicating that they have rich business running experience but not newbies.

Table 1. Background information of interviewees

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business owner</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Business age</td>
<td>2</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Background Business</td>
<td>Business</td>
<td>Business</td>
<td>Business</td>
</tr>
<tr>
<td>Businesses</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Business type</td>
<td>Health bar</td>
<td>Organic &amp; ecological</td>
<td>Organic &amp; ecological</td>
</tr>
<tr>
<td>Expansion future</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Competitor aware</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

For business information, the business of interviewee 1 was a single health bar; the one of interviewee 2 was selling organic and ecological food; and the one of interviewee 3 was selling
organic and ecological products indicating that they were 100% qualified as healthy fast food business owners as required by the definition of this thesis. For business expansion plan, interviewee 1 wanted to open two more shops in Stockholm this year; interviewee 2 wanted to grow continuously; and interviewee 3 had no plan at all indicating that two out of three (67%) of the interviewees saw better future for healthy fast food business. In addition, two out of three (67%) of the interviewees were clearly aware of their competitors (Table 1).

5.2 Pricing Strategy at Star-up and Current

Interviewee 1 initially had no idea about pricing and supposed to decide pricing based on assumption; when the business was launching, cheaper pricing was used to attract customers but confirmed failure because customers did not trust cheaper products; and currently using value based pricing strategy. Interviewee 2 initially had the idea of competition based pricing; when the business was launching, there was no special pricing strategy used; but is currently using a combination of pricing strategy involving in partially cost and market based pricing, and mostly compassionate and social pricing strategy. In addition, interviewee 3 initially had the idea of cost based pricing; when the business was launching, there was no special pricing strategy used; but is currently using cost based pricing strategy combined with market based pricing strategy (Table 2).

Results indicate that pricing strategy can be changed based on business and profiting situation, and practicing and disciplining of pricing are necessary and helpful for better pricing strategy to be modified and improved. Results also indicate that the newer business used or tried to use newer and better pricing strategy than the older ones, for example, interviewee 1 used value based pricing with a business of 2 years old; interviewee 2 used a combination strategy of cost and competition based pricing with a business of 6 years old; and interviewee 3 used a combination strategy of cost and market based strategy with a business of 12 years old.

5.3 Factors Influence Pricing Decision Making

Interviewee 1 considered that factors like product innovation, quality, brand, packaging, price and location influenced pricing decision making mostly; interviewee 2 considered that adding a percentage in the value chain to calculate the final price influenced pricing decision making the most; interviewee 3 considered that raw and organic materials and human labour influenced pricing decision making the most (Table 2). Results indicate that different businesses considered pricing decision influencing factors differently, and all of them noticed about the most important factors that have critical impact on pricing in each specific fast food business.
Table 2. Questions and Answers from Interviewees

<table>
<thead>
<tr>
<th>Pricing Strategy</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Strategy</td>
<td>None</td>
<td>Cost based</td>
<td>Competition based</td>
</tr>
<tr>
<td>Start-up Strategy</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Current Strategy</td>
<td>Value based</td>
<td>Combination</td>
<td>Combination</td>
</tr>
<tr>
<td>Influence Factors</td>
<td>Innovation, quality, brand, packaging, location, price</td>
<td>Percentage of value chain</td>
<td>Raw organic materials, human labour</td>
</tr>
<tr>
<td>Customer Feedback</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Trends in Pricing</td>
<td>Value based</td>
<td>Value based</td>
<td>None</td>
</tr>
<tr>
<td>Eco-friendly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Brand Value</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

5.4 Impact of Customer Feedbacks on Pricing

Interviewee 1 thought that the customers were upper class who connected higher prices with better qualities, and customer feedbacks were received regularly with impact on pricing; interviewee 2 said that there were constant dialogues between suppliers, customers and the business, which will be continued and adopted for the business pricing; interviewee 3 did not seek for customer feedback and received them sometimes (Table 2). Results indicate that two out of three (67%) of the interviewees considered it important to allow the impact of customers’ feedbacks on pricing decision making.

5.5 Trends in Pricing of Health Fast Food

With regarding trends in pricing for healthy fast food, all three interviewees saw a current trend of organic, healthy and eco-friendly fast food which can be sold for a higher price. And with regarding current trends in pricing strategy, interviewee 1 thought that value based pricing was more applicable in the business category and location and the trend of healthy products; interviewee 2 thought that value based pricing strategy can be applied to businesses with healthy, organic, raw, and gluten and lactose free products; interviewee 3 thought that there was no trend in current pricing strategy (Table 2). Results indicate that 100% of the interviewees agreed that organic, healthy and eco-friendly fast food can be sold for a higher price; and two out of three
(67%) of the interviewees thought that value based pricing strategy is suitable and applicable in healthy fast food business.

5.6 Importance of Environmental Friendly Packaging

Interviewee 1 said customers responded and asked for eco-friendly packaging which fit to the business concept and customer group and added value to products; interviewee 2 said eco-friendly packaging worked the best for the business; interviewee 2 said eco-friendly packaging is important as standard in the business (Table 2). Results indicate that 100% of the interviewees agreed that environmental friendly packaging is practical and important in attracting customers in healthy fast food businesses.

5.7 Brand Value in Healthy Fast Food Business

Interviewee 1 responded positively that, as a healthy and organic brand, brand value was increased and reflected in pricing of the business; interviewee 2 responded positively that the business can influence the achieved brand value to have impact on product pricing; interviewee 3 responded negatively that no brand value was seen but increased customer loyalty was seen (Table 2). Results indicate that two out of three (67%) of the interviewees considered that brand value is increased in healthy fast food business and reflected in product pricing.
Chapter 6. Discussion

This chapter discusses pricing strategy mainly based on literature review results from chapter 4, and partially based on results from interview questionnaire because of the limited number of research population. The research question of this thesis of “Which pricing strategy is suitable for products in healthy fast food sector in Stockholm” will be discussed in this chapter, and will be answered in chapter 7 of conclusion.

6.1 History of Pricing Strategy

Better understanding of pricing history helps enterprisers handle pricing strategy in healthy fast food business to meet current and practical business challenges and adjust pricing direction to fit to marketing. Conventional pricing strategies, such as cost based pricing, competition based pricing and market based pricing have their pros and cons, even though some of them especially cost based pricing are still in use in business environment worldwide. Invented and applied by the U.S. businesses and modified by the Japan businesses (Feil et al., 2004; Sarokolaee et al., 2004), conventional pricing strategies reached the peak time of business practice and showed the advantages of the Japanese conventional pricing strategies.

The main features of the Japanese pricing strategy especially of its cost based pricing distinguished it from most of other pricing strategy around the world, which was because of its highly beneficial property in business practice (Sarokolaee et al., 2004). The Japanese cost based pricing features with its active cost control during business development to monitor and modify pricing constantly and actively, which avoid efficiently one of the defects of conventional pricing strategies of no-change-made until the end of product cycle and the difficulty of changing a fixed cost.

The Japanese cost pricing strategy will not only maintain a smart and profiting pricing of business, but also keep the cost and price of business active and modifiable as well as the development model active and flexible to fit to customers’ needs and business environmental changes. This feature should be considered when business and star-up are choosing their pricing strategies like value based pricing nowadays because it will help establish a sustainable and effective pricing system.

6.2 Current Pricing Strategies in Marketing
The currently in use pricing strategies are mostly cost based pricing and value based pricing, and each one of them comes with different methods and fits to different business models and environments. Cost based pricing belongs to one of the conventional pricing methods with a feature of product cost based, and thus survives in various business environments until today (MIT, 2010). Because of its product cost based feature, it convinces customers easily with strong evidence and history power, and thus can be considered as one factor of initial pricing of start-up to attract new customers before product value established in the mind of new customers, even though other pricing strategies like value based pricing is practically in use.

For a business with large scale of product, it need to be considered that cost based pricing functions according to the size of product sale, because when product sale goes up, its cost will go down to appear as lower price; and when sale goes down, its cost will go up and thus affect its price as well, which is so called pricing “circular”. But for a smaller business and a start-up, this feature will not be seen due to the smaller scale of business with smaller changes in product cost and price.

Other than cost based pricing, another popular and advanced strategy is value based pricing, which is decided based on customer perceived value as the difference between perceived net benefit and price paid (Töytäri et al, 2015). It features with a constant moving and changing value based on the market supplement and the customers’ needs, for example, the ratio of the number of current available healthy fast food suppliers and the number of customers consuming the food may change the value of the food. As consequence, value based pricing is subjective, differing and difficult to predict, and a continued and constant communication between customers and business is required and necessary for good management of value based pricing to maintain maximum profitability.

Technically, value based pricing encourages customers to consider the price charged as lower than the perceived quality. But to keep in mind, it should not be misunderstood as using lower pricing for customer attraction purpose and it will not work as confirmed by the results from interviewee 1, in which the business had to give up the lower pricing strategy.

6.3 Comparison of Different Pricing Strategies

As one of the conventional pricing strategies, cost based pricing is still popular because of its features of simplicity and ease in use. Results from the interview questionnaire showed that two out of three healthy fast food businesses were still using cost based pricing to combine with other
pricing methods to decide their product price. But when compared to advanced pricing methods, cost based pricing has its cons. For example, in the case that consumers perceive the price to be higher than it should be, the company will not be able to gain profit or sell more products, because this pricing method is not related to customers’ perception of product value. As consequence, conventional pricing strategies like cost based or competition based pricing leading to below target profitability (Hinterhuber and Liozu, 2012).

On the other hand, value based pricing is considered with its limit, because it complicates pricing process and create obstacles for enterprisers when they try to obtain customer perceived value that is not always handy. As revealed by the interview results, only one out of three interviewees used value based pricing in their healthy fast food businesses. This is corresponding to literature report that only 17% of investigated pricing strategies used value based pricing among different industries (Hinterhuber, 2008).

6.4 Better Pricing Strategies and Rationale

Both literature information and interview questionnaire showed that value based pricing has its advanced features and should be considered by newly founded start-up especially in healthy fast food field. As shown by literature, a better and practical pricing strategy should be able to work with other marketing strategies of a business. As also called “value optimized pricing,” value based pricing is set primarily but not exclusively based on customer perceived value. It is flexible and individual customer specific (Sarokolaee et al., 2012).

As shown by the interview results, even though only one out of three healthy fast food business used value based pricing strategy, but the business using value based pricing represented the youngest business among all three with a better business development plan and a better marketing future. Details of the interview results are discussed in the last section of this chapter.

Value based pricing gives the business hopeful marketing future because of its advanced flexibility; for example, it can be decided using number of users and value per user, annual transactions and value per transaction, or size of product with its impact on business revenue. In addition, it can be adjusted in different stages of product development to maximize product value for individual customer and profitability for business; in the meantime, to help business avoid the fixed and hard to be changed defects from cost based pricing.

6.5 Barriers and Solutions when Applying Pricing Strategy
According to the interview results, even though two out of three interviewees agreed that value based pricing is the trend of current pricing strategy, only one of them was using it practically in healthy fast food business. As a sensitive and flexible pricing strategy, it is necessary to practice and discipline value based pricing method in communication between business and suppliers, and business and customers; and it is important to practice to overcome multiple barriers on the way to the best pricing strategy for a specific company.

Some identified barriers may block healthy food business owners from adopting value based pricing in their strategies, and force them to take other strategies like cost or competition based pricing that may result in lower or less than optimized profitability. Business owners need to be familiar with those barriers and related solutions, such as the need to understand and influence customer desired value, the method of quantifying and communicating between buyer and seller to influence customer perceived value, and challenges in value capture process (Töytäri et al., 2015; refer to chapter 4), to assist themselves to handle and overcome these obstacles on their way to the application of value based pricing successfully.

In addition, some online tools are available for business owners to use to determine a product value efficiently. One of the tools is called value decoder (Mohammed, 2005), which breaks down a value into various components of substitutes, competitors, income, demand and environment, and can be used to better determine what customers are thinking and demanding in their mind. Most importantly, enterprises can use the determined value to increase product value and translate it to pricing to ensure maximum profiting in their businesses.

6.6 Factors Influencing Pricing Strategy and Improvement

Several important factors have their impact on pricing decision making activities which include price elasticity of demand, income elasticity of demand, cost and competition. Notification of these factors may help business owners manage value based pricing strategy effectively and efficiently. With regarding the factor of price elasticity of demand, business owners need to pay attention to luxury demand since healthy fast food has its luxury quality in the market and is elastic (Mankiw, 2011). It means that when price of healthy fast food is raised, its demand will fall principally.

For income elasticity of demand, business owners need to know that as a luxury product, healthy fast food belongs to a high income elasticity of demand (Sloman, 2005). It means that when consumers get richer, they can afford to consume more healthy food products; and this demand
rises rapidly as income rises. Alternatively, it is expected that if healthy fast food business is founded near a rich area, it may have a better chance to apply value based pricing successfully and to profit efficiently.

When considering the factors of cost and competition on value based pricing, it is different from cost or competition based pricing that is not applicable here. What it means is that when we are applying value based pricing strategy, cost is still an important factor to be considered because cost structure and supply chain need to be evaluated regularly to keep up with current changes. As another factor, competition needs to be considered when applying value based pricing to observe and monitor market prices of competitors, because the autonomy level of pricing determination is lower when competition is higher.

6.7 Pricing Strategies in Business Practice in Stockholm

Even though only three out of 12 business owners from healthy fast food companies accepted the interviews and answered the questionnaire, they were standing out and representative of those businesses that were predominant in fast food field with good confidence and profitability. And thus the interview results are representing fast food businesses in good shape with appropriate and successful pricing and management strategies.

Other than those results discussed above in this chapter, interview results indicate that different businesses considered factors affecting pricing decision differently, and most of them belonged to the categories of price elasticity of demand, cost and competition, which confirmed that the pricing decision influencing factors described in chapter 4 are practical and important for healthy fast food business in development.

In addition, despite the fact that only one out of three business were using value based pricing strategy, results indicate that two out of three (67%) of the interviewees considered it important to allow the impact of customers’ feedbacks on pricing decision making. This is an indication that customer feedbacks are critical for correct pricing decision making, and it confirms from a different aspect that value based pricing is better because it considers customers’ feedback and perceived value.

Furthermore, as a new and advanced business style, healthy fast food is emerging with lots of business uncertainties and new trends which require current and future marketing research and practice to give answers and accumulate business experience. But the good news come from the
interview results that 100% of the interviewees agreed that organic, healthy and eco-friendly fast food can be sold for a higher price, which means that the business direction is correct and fits to current customers and market needs with developable future.

Since the customer groups attracted to healthy food have their perspective of eco-friendly concept, it is not a surprise that they expect eco-friendly packaging. As indicated, 100% of the interviewees agreed that environmental friendly packaging is practical and important in attracting customers, which should be considered by most of healthy fast food businesses as one of the strategies to attract their customers effectively.

As summary, it is confirmed by both literature research and interview research that value based pricing is a better strategy for healthy fast food business, and a combination pricing strategy should be considered as an effective and efficient option for business owners. It is assumed that this research of pricing strategy in healthy fast food business with its target city and audience can be applied to similar start-ups of healthy food business in other cities and countries in Western Europe.
Chapter 7. Conclusion

Data results from literature research and interview research conducted in this project are described in chapter 4 and chapter 5, and discussed in chapter 6. Based on the reviewed literature information, interview data analysis, and discussion, several conclusions are drawn in this chapter as follows.

1. Value Based Pricing is a Better Strategy
A better pricing strategy for healthy fast food business is suggested as value based pricing by both literature research and interview research, and it is flexible and actively changing to promote business to gain better profitability. As a new business trend, healthy food companies need to pay more attention to newer pricing strategies such as value based pricing to fit to the needs of customers and to allow business to increase development possibilities.

2 Value Based Pricing Requires Discipline and Practice
Since value based pricing is a flexible and active pricing method, discipline and practice are required for star-up businesses to learn and accumulate experience and knowledge of better using and handling of the strategy. Discipline and practice will also assist business owners to solve problems and improve pricing strategy to guarantee maximum profitability. Online tools are available to assist enterpriser for better handling of pricing and product value.

3. Combination Pricing Strategy is a Practical Trend
An effective and efficient pricing strategy should be a value based combination pricing that considers other pricing factors such as price elasticity of demand, income elasticity of demand, cost and competition. Cost based pricing can be used as an initial pricing to attract new customers and to overcome value based pricing challenge in establishing new product value in star-up business.

4. Customer Feedback Is Important Regardless of Pricing Strategy
Customer feedback is worth collecting and important for any pricing strategies but not just for value based pricing, and it plays its roles in pricing correction and promotion for better profitability as well as in preventing business hazards.

5. Environmental Friendly Packaging is Customer Attractive
Healthy fast food customers are eco-friendly packaging attracted which can be applied to new products in start-up to attract new customers efficiently.

6. Healthy Fast Food is a New and Practical Trend with a Promising Future
Healthy fast food is welcome by customers with healthy living concept which is an ongoing growing group of consumer population, and its business has a bright and promising future. Brand value, as a new concept in healthy fast food area, is increased in its business and reflected in product pricing.

7. Future Study and Direction
This study concludes that healthy fast food is a new trend with a promising future, and combination pricing strategy based on value based pricing should be used in determination of product pricing in a healthy fast food chain. The future study plan should focus on a suitable valued based combination pricing strategy that is practical and specific for product pricing in health fast food business, together with its similarities and differences compared to current pricing strategy in the same business and its applicability in other food chain markets.
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Appendix 1. Research Question and Objectives

1. Research Question

Which pricing strategy is suitable for products in healthy fast food sector in Stockholm?

2. Research Objectives

Research objectives for literature research
1. What is the history of pricing strategy?
2. What are the current pricing strategies in marketing?
3. What is the comparison of different pricing strategies?
4. Which pricing strategy is better and the rationale?
5. What are barriers when applying pricing strategy on pricing decision making and how to overcome them in marketing?
6. What are factors that influence pricing strategy and solutions that improve pricing strategy?

Research objectives for interview research
1. What is the pricing strategy at start up and the one current?
2. What are the factors influence pricing decision making?
3. How do customers’ feedbacks impact pricing?
4. What are trends in pricing for health fast food?
5. How important it is of environmental friendly packaging?
6. Is brand value increased in fast food business?
Appendix 2. Questionnaire Used in Interview

1. Background questions

1) Interviewee name
2) Company name
3) Current job position
4) Age of company
5) What field is your background in?
6) What is your business model of current company?
7) What are your expansion plans?
8) Would you give me the names of the startups / competitors that you learned / got inspired the most from?

2. Pricing strategy questions

1) Initial idea of pricing: What was your initial idea regarding pricing / pricing strategy?
   Did you research before pricing?
   Value based pricing?
   Cost based pricing?
   Market introduction pricing?
   Mixed pricing?
   Other pricing strategies?

2) What influences your pricing the most?
   Raw Material?
   Cost of production?
   Margin?
   Value?
   Brand?
   Others?

3) How do you receive feedback from your customers on pricing?

4) Pricing during launch period:
   Did you use the low – high pricing strategy?
   If yes, for which products?
   Why did you do that?
   Was it successful?
   Did you change it after you placed your company on the market?

5) What is the pricing strategy now?
   Has it changed since the beginning?
   If so, how much did the changes cost you?
   How was the customer acceptance of price changes?
   Why did you have the prices changed?

6) Can you mention any trends that you can see in pricing for health fast food?
   Examples – willingness to pay more for organic and ecologic products?
9) How important it is of environmental friendly packaging?

10) Did you see increased brand value in your business?

11) Did you see any current trends in pricing strategy?