

Preliminary communication
(accepted October 11, 2019)

MEETING HALFWAY — COMPARISON BETWEEN COST-BASED AND DEMAND-BASED PRICING METHODS

Maja Vujcic¹
Brankica Vujcic-Tomic
Mia Klaric

Abstract

The research analyses two perspectives of pricing methods — the accounting and the marketing one. The research purpose is to analyse both ways and find out how reasonable price is formed — meaning fairly for both the company and the customer. The literature is analysed and the most important is to stress understanding the power of consumers and their possibility to influence price formation. The analysis was conducted in a part of services, precisely, in focus of the analysis were language schools and courses that they are offering. The field research included three parts: survey method, interview with the owner of one of the language schools in the Republic of Croatia and analysis of language schools' web-pages for the purpose of making a price calculation. The results have shown that for the same offer (class type and number of teaching hours), following the cost-based pricing method, the price is much higher than following the value-based pricing method. The importance of this study is demonstrated in opposites between perspectives and stressing that for survival on market it is crucial to be focused on market research, finding out customers' perspectives and adapting to it.

Keywords: value for customer, service marketing, language course, cost accounting.

Jel Classification: M31; M41

INTRODUCTION

Motivation for the research derived from the difference between perspectives — the accounting and the marketing one. In other words, the one which is company driven and the other which is customer driven. In focus of research is the main question: what defines perception of fairly price. In that regard, fairly price will be analysed from

¹ **Maja Vujcic**, PhD, Assistant Professor; **Brankica Vujcic-Tomic**, MBA, Assistant, Faculty of Economics and Business, University of Rijeka; **Mia Klaric**, MEcon, Professional Associate at EU Projects, Sensum Ltd., Rijeka, Croatia.

companies' and customers' perspective. Keeping that in mind the previous research on price formation is examined and the focus is aimed at two methods of price formation: cost-based and demand-based.

Firstly, the analysis was conducted from the accounting perspective, and then from the market perspective among potential customers — survey participants. The focus of research is aimed at service sector and the main contribution of the paper is divided in two parts, again from accounting and marketing point of view. As to the first one, the sellers' perception was analysed and the second part analysed the customers' perception.

The paper is structured as follows. After introduction in which are represented the problem of the research, main research question and the purpose of the research, following is theoretical background in which main research terms are analysed. Next is field research with described methodology and result analysis. Following are the discussion and the conclusion.

1. THEORETICAL BACKGROUND

The main research question is how the price, in the field of services, is formed and what is the degree of inequality of the formed price from the sellers' and buyers' point of view. Previous research analysis reveals that price could be analysed through various approaches. Literature differentiate three main pricing methods (Grbac 2014, 173): cost-based, demand-based and competitor-based. This paper refers to cost-based and demand-based pricing methods, meaning that the comparing with competitors will be less considered, since it is not in the core of the research.

Kotler et al. (2013, 306) describe these two (cost and demand based) pricing methods in two opposite ways. Cost-based starts with designing a product/service and then the product costs are determined. Following is setting the price based on product cost and at the end management role is to convince buyers to product/service value. Contrary to the above mentioned, value-based pricing suggests that customers' needs and value perceptions should be assessed firstly. Then, the target price, corresponding to customers' perceived value, should be set. Following is determining the incurred costs. The last step refers to designing the product/service which will deliver desired value at target price.

The analysis of the above explained business approach and philosophy represents the core issue of this research. The questions are built around: (1) fairness of market prices (for both — sellers and buyers), (2) accounting and marketing approach among decision makers involved in price defining in business subjects and (3) target market perception of price in differently represented scenarios and frames.

As Avlonitis and Indounas (2005) stated: “a clear implication for managers responsible for pricing decisions within their firms is to move away from these simplistic cost-plus formulas and treat pricing from a customer's point of view in all the steps of their pricing process. Within this context, they should always have their customers in mind and to go a step further and endeavour to adapt the cost to their customers' needs.” It is hard to do in practice and as Calabrese and De Francesco (2014) stated: “this approach is difficult to implement operationally.” All becomes more complex in service environment and that is why the same authors (Calabrese and De Francesco 2014)

suggest to use service blueprint “as a tool of demand-based pricing”. It should not be neglected that customers are very price-sensitive and are not separated from their environment. Thus, price defining process becomes even more complicated under influence of social interactions, meaning that some “pricing policies may not be effective when customers’ purchase decisions are influenced by social interactions” (Yuan and Hwang 2016). Furthermore, it is important to state that in focus of this research is “free market” meaning that some special market structures such as monopoly or state regulation involvement in price formation are not examined (Arrigo and Di Foggia 2013).

Price can be defined as a measure of value expressed in money (Grbac 2014, 155) and can represent a key determinant of customer satisfaction (Blut, Teller, and Floh 2018). A deeper analysis of price in service segment differentiates so called economic and psychological point of view. From economic point of view price defines companies’ revenue and profit. On the other side, psychologically, price influences customers’ perceiving of service value. The price, for customer, can be an indicator of product/service quality and can have important role in building and keeping firm’s image (Ozretic Dosen 2010, 150).

Having customers in mind Alinezhad Sarokolae, Taghizadeh, and Ebrati (2012) analyse an “aggregate model based on customers’ expectations” in which they are combining value-based pricing method with target costing. Value-based could be seen as demand-based approach and target costing could be seen as a kind of its operationalization. Target costing deals with optimization of production (Kadarova et al. 2015). Having its origin in Japanese firms (Feil, Yook, and Il-Woon 2004) target costing presents philosophy on which modern cost management is based. Firstly, based on market research, customer needs in connection with product characteristics (quality and price) are analysed. Consumer preferences, for each product characteristic, are quantified and mirrored in cost planning. The comparison is made, for each product characteristic, between firm planned costs and costs derived from production planning based on customers’ preferences. The main point is finding a maximum target price which market is willing to pay and defining a target profit, based on which maximum production costs of each production phase are defined (Kadarova et al. 2015). Thus, each responsibility centre and/or project stage of delivering product/service must provide desired quality and functionality but within its own cost limitations.

Aladwan, Alsinglawi, and Alhawatmeh (2018) stated that target costing is a technique by which costs can be successfully reduced, even in services, while maintaining quality. Its usefulness derives from eliminating costs which do not provide an added value. However, depending on service nature, it has to be pointed out that in some services salaries participate significantly in total costs.

On the other hand, value analysis becomes more complicated due to the fact that value is not a unidimensional concept, but rather it includes various dimensions in itself. As Sheth, Newman, and Gross (1991) explains, the concept of value can be divided in: *functional* (referring to functional and physical characteristics), *social* (referring to interactions with social groups), *emotional* (referring to eliciting specific feelings or affective states), *epistemic* (referring to arousing curiosity and finding out novelty) and conditional value (referring to utility based on and derived from some specific occasions). On the opposite side are also those values which customer has to give in

order to possess some goods or service and these values are *money* and *time* (Zeithaml 1988; Ledden, Kalafatis, and Mathioudakis 2011).

Usually high price is perceived as a higher quality product/service and vice versa. But, services also have their particularities. Because of their intangibility, inseparability, perishability and heterogeneity (Avlonitis and Indounas 2005), the elements such as precisely organized process (Kotler et al. 2006, 637) or designed special solutions aiming to enhance physical environment (Bitner 1992; Brigada 2019) are the elements that form customers' perception which is a key point of differentiation. Customers' perception can play a key role in defining value-based price. Therefore, the two concepts, both of them having roots in behavioural economics, will be added to the analysis and should be helpful in shedding light on finding out consumers' value perception.

The first concept is so called framing effect and the second one is endowment effect. In analysis of companies' offer the way how product/service is presented to the customer could have influence on perception. The framing effect refers to the fact that a way in which some kind of e.g. message is represented, can elicit different reactions, depending on message presentation manner and accompanying information (Ariely 2009, 134; Kahneman 2013, 397; Thaler and Sunstein 2009, 49; Barden 2013, 19; Deppe et al. 2007). Different frames will result in different perceptions of the same thing. In the context of this research it means that it will be analysed whether different description of specific service offer will result in different perception of service value (price).

The following effect of research interest is so called endowment effect. This is the effect that could influence individuals' perception of value. It is based on the fact that individuals require more money to give up an object than they are willing to spend to get it (Thaler 1980). In other words, individuals require a higher price, if they are selling some goods which are in their ownership in comparison with what they are ready to give, if this is not the case. Willingness to pay and willingness to accept are different based on the position from which decision is being made. As Ariely, Huber, and Wertenbroch (2005) stated, different roles can influence different information processing because sellers and buyers are following different aims. As Nayakankuppam and Mishra (2005) emphasized, buyers are focused on negative aspect while sellers are focused on positive aspect of some product. Based on previous research the effect should be stronger for hedonic products in comparison with utilitarian products (Chan, 2015; Cramer and Antonides 2011). Furthermore, culture or religion could also have influence on endowment effect analysis (Shtudiner et al. 2019), but as the research is conducted in the same market — the Republic of Croatia, they are not in the focus of analysis. Following is the field research.

2. FIELD RESEARCH

The field research was aimed at analysing service sector. As regards the decision what kind of service would be analysed, the criteria were that it would be a service relatively common to everyone (heterogeneous group), equally useful to different age groups, regardless of gender and that participants are familiar with this kind of service, so that

they can express their opinion. Based on the above mentioned, the service which is used in further empirical analysis was the language course in a language school.

2.1. Research Methodology

Field research is divided in three main parts. The first part, regarding cost-based pricing method analysis, included derivation of average price of defined service based on available on-line price lists of language schools. Research was conducted in September 2019.

Secondly, for the purpose of value-based pricing method analysis, a survey method was conducted. The questionnaire was made in Google Forms and distributed by snowball method in May and September 2019. The first one (in May), was a kind of preliminary research based on which the final survey was created. The survey was formed based on previous research, especially inspired with Chan (2015) study. The main survey question for participants was aimed at defining the price of the described course.

Regarding framing and endowment effect the four different surveys with four different scenarios were made. Also, the question for participants was formed in two different ways. Participants were divided into two groups. For the first group, the presented course price question was formed from, so called, “neutral” standpoint and for the second group, from so called “owners” standpoint. “Owners” were put in a position as they had won the language course.

Based on the previous research, the course was also described in two different ways. The first description emphasized more the attributes in connection with utility characteristics of described language course and the second description emphasized more the attributes in connection with its hedonic characteristics. The descriptions of those two slightly different scenarios can be seen in the Table 1. The text in survey was written as a whole, but because of a clearer overview the text in the table is fragmented in five subsections.

Table 1. Different course descriptions

Utility	Hedonic
The aim of the foreign language course is to train attendants to successfully cope with everyday situations and to improve their communication skills in concrete situations (e.g. at work).	The aim of the foreign language course is to provide attendants with their ability to speak and write a foreign language and to strengthen their confidence in everyday as well as in concrete situations (e.g. at work).
Teaching is held in small groups and is based on a simulation of real life situations instead of the traditional school grammar-translation approach.	Teaching is based on working in a relaxed atmosphere within a small group in which communication is encouraged.
Additional materials and additional consultations with professors are available, as well as informal gatherings with other participants (e.g. organized events).	An additional offer of the course includes also possible socializing with professors and other attendants at organized events and similar informal gatherings (e.g. visits to the cinema).
The course enables downloading additional packages of free e-mail exercises, and an additional utility includes the possibility of solving an online test that immediately shows what level of language course to enrol.	The course enables downloading additional packages of free e-mail exercises, and an additional satisfaction is provided by the possibility to solve the online test from the comfort of your own home, which immediately shows what level of language learning to enrol.

Table 1. (continued)

Utility	Hedonic
At the very end of the course, another utility includes the certificate of foreign language proficiency that may be enclosed to the CV or scholarship application documents (e.g. Erasmus).	At the very end of the course, a foreign language proficiency certificate is obtained and, except satisfaction with the achieved results, it may serve as an enclosure to the CV or scholarship application documents (e.g. Erasmus).

Before the course description, the scale of 1 to 10 was given to the participant to rate their perception of perceived utility of language course in one scenario and the perceived satisfaction that the language course can provide them in another scenario. The last part of survey included socio-demographic questions.

The third part of research refers to conducting an interview with the expert in this field — the owner of one of the language schools in the Republic of Croatia. The interview was conducted on 1st October 2019. Owing to confidentiality of data, the identity of the owner and the name of the language school will not be disclosed.

2.2. Research results

The research results are also presented in three parts. Firstly, cost-based pricing method is analysed. Based on the online price lists analysis the prices of the language course in the Republic of Croatia, which are similar to the above described course used in survey method, range from HRK 3,250.00 to HRK 3,990.00. Table 2 shows average prices of various types of courses (the analysis has been made based on English language course for the purpose of having the same criteria for comparison). The courses differed by customer categories (different age groups and interests) and by the level of personalization — possibilities of choosing individual learning goals and consulting with teachers. The courses differed with regard to possibilities of getting online approach to lessons and obtaining certificates based on different EU qualifications as well as with regard to the number of attendants, the number of teaching hours and payment methods.

The last course, type 11, is the one which analysis is aimed at. That is the course type with similar description as the one given to participants in the survey. For this type of course, language schools define price amounting to HRK 73.85 per teaching hour. If HRK 73.85 per teaching hour is multiplied by 72 hours (the number of hours in the course described in the survey) its full price would amount to HRK 5,317.20. Based on certain assumptions in Table 3 the costs at monthly and annual level for language school are presented.

Table 2. Average prices of course types

Course type	Average price (in HRK)	Number of teaching hours	Price per hour	Minimum number of participants	Maximum number of participants
1	2,220.00	52	42.69	5	10
2	3,085.00	68	45.37	5	10
3	2,220.00	45	49.33	5	10

Table 2. Average prices of course types

Course type	Average price (in HRK)	Number of teaching hours	Price per hour	Minimum number of participants	Maximum number of participants
4	2,090.00	45	46.44	5	10
5	1,750.00	26	67.31	5	8
6	1,650.00	30	55.00	3	10
7	3,070.00	45	68.22	3	10
8	2,070.00	10	207.00	1	1
9	1,110.00	10	111.00	1	1
10	2,800.00	45	62.22	5	8
11	3,840.00	52	73.85	3	4

Source: research results based on available on-line pricelists.

Assumptions are based on expert opinion given the fact that the real costs vary depending on geographic location, its capabilities and cost managing. Table 3 includes cost estimation and costs types according to location on which the research is conducted.

Table 3. Types of costs for a certain language school on monthly and annual levels

Estimated costs (in HRK)	Monthly amount	Annual amount
Office & classroom rent	1,450.00	17,400.00
Utilities (heat, light, etc.)	701.81	8,221.72
Bank rate & fee	110.00	1,320.00
Bookkeeping services	500.00	6,000.00
Teacher salaries	10,000.00	120,000.00
Training of teacher	1,100.00	13,200.00
Membership fee	75.00	900.00
Professional & scholarly literature	100.00	1,200.00
Classroom costs (equipment depreciation)	500.00	6,000.00
Others	1,000.00	12,000.00
Marketing costs	200.00	2,400.00
Total cost	15,736.81	188,641.72

Source: research results based on data provided by the expert (owner and manager of a language school)

It has to be pointed out that gross salary refers to only one school teacher and that it is highly estimated considering real salaries in this sector. It is important to perceive the whole analysis from the perspective of running a language school with one teacher only (as it was actually the case with the expert interviewed for this research). Teaching quota is defined per teacher, based on which she/he holds not only one course, but a few ones. Five courses were taken for the purpose of this analysis. Legal form of school and tax calculation were not considered.

The profit which school wants to make is not specified, but the focus is on the costs and on getting the answer is it possible to cover costs by offering the course at the price level established by participants in survey (an approximate analysed price amounts to HRK 3,500.00, a detailed explanation is stated below within the analysis results). As Table 3 shows the total estimated costs on monthly basis amount to HRK 15,736.81, while annual costs total HRK 188,641.72.

By comparing these costs with the potential revenue amounting to HRK 52,500.00 (achieved based on the price that target market is willing to pay and minimum number

of 3 attendants per each of 5 courses) the loss is obvious. Based on the data analysis, 5 courses per 72 teaching hours result in 360 teaching hours, what covers only nine months of business. Language schools have their particularities that refer to working hours of teachers but also to their preparation for lessons, hours of administrative work, personal education and advancement. If the number of attendants exceeds 7 attendants, the revenue will reach HRK 122,500.00 and again it is not enough for covering current expenses.

Following is calculation of minimum price per one teaching hour that could cover total costs. The analysis is based on dividing total costs (HRK 188,641.72) by 360 teaching hours (72 hours per 1 course multiplied by 5 courses, which one teacher can hold). Hence, minimum price per one teaching hour amounts to HRK 524.01. If the minimum number of attendants is 7, then the price of HRK 524.01 will be divided by this number and the price per hour per one attendant would be HRK 78.45.

The above mentioned leads to the conclusion that price for 72 hours would total HRK 5,648.55 per attendant. Thus, this language school could cover all its costs over the year. Course types are adjusted by the number of teaching hours and the number of attendants and some categories of courses generate revenue while some of them are at a loss.

The second part of research results refers to value-based pricing method. Some of the answers were excluded from the analysis such as: the answers in which the participants stated that they do not “have any idea” and the answers with illogical estimates (e.g. HRK 5.00). The answers of those participants, who estimated their own perception of usefulness or enjoyment in language course lower than 5, were excluded from the research. As some of the participants estimated the price of a 72-hour course amounting to less than HRK 1,000.00 their answers were also excluded from further analysis. An outlier in participants’ answers (HRK 20,000.00) was noted and excluded from the analysis. Total number of participants amounted to 162 (114 women and 48 men, average age 43.5) and after eliminating the above explained answers the final number was 155. The perceived prices — estimations given by participants are exposed in Table 4.

The average estimated price of a 72-teaching hour language course amounts to HRK 3,475.81 (research results, the exact number — in Table 4 the decimal places are truncated and the approximate amount of HRK 3,500.00 is used in the previously mentioned cost-based analysis).

Table 4. Perceived course average price — different groups/scenarios

	"Neutral" estimators		"Owners — course winners" estimators	
	utilitarian description	hedonic description	utilitarian description	hedonic description
Number of participants	39	37	35	44
Average estimated price (mean per each group) in HRK	3,687.18	3,786.00	3,282.86	3,195.45
Average estimated price (mean per all groups) in HRK	3,475.81			

The third part of the research refers to findings from the interview. The language schools’ managers have that kind of strategy in which they make earnings from basic courses and more sophisticated courses are barely covered. The above mentioned

resulted in the two main conclusions: (1) about the power of customers and (2) about importance of differentiation on the market. Creating a positive image is something that overcomes a language school's business and becomes an issue on which language schools should work together to ensure their better positioning on the market. The fact, which is also revealed from the interview, is that sometimes schools are making changes in teaching hours — meaning that they will leave the same price, but decrease the number of teaching hours (so called psychological pricing) because they are aware of the fact that market will not accept paying a higher price.

3. DISCUSSION

The first question which arises concerns the price which participants are willing to pay for the described language course and could this price cover all produced costs. Comparing cost-based and value-based pricing methods it is found that for the analysed 72-hour course the formed price would amount to HRK 5,648.55, while an average price perceived by (potential) customers is HRK 3,475.81. It means that language schools could face the problem and what they do in practice is covering their costs by cheaper, shorter and more basic courses. On the other hand, they are losing, in this way, their differentiation and competitive advantages. Besides, this means that their tools for survival on the market would include all those additional elements of service marketing mix: well-developed processes, high professional staff as well as care about physical environment.

The following analysis refers to the fact that the expected results of different course descriptions as well as the answers to differently asked questions in questionnaire have given unexpected results. Firstly, the “owners” category (participants' group) showed lower price estimations (HRK 3,282.86 and HRK 3,195.45) in comparison with “neutral” estimators category (participants' group) (3,687.18 HRK and 3,786.00 HRK). The reason of getting this kind of data probably lies in the fact that the survey question was formed in a way that participants only give their estimation of market price. The participants were not put in a position of the course buyers/sellers. Nevertheless, these findings are opening new horizons for research and support the thesis that people value less the things which are given to them. The participants in getting some kind of “present” — winning the language course, did not find any “behavioural prices” of it. As Robben and Verhallen (1994) explain, gift giving includes not only financial price but also behavioural price, which refers to time, psychic and physical prices (effort).

CONCLUSION

As stated in the introduction, the main research question refers to fair price. The price formation and the perception of price have been analysed from companies' and customers' perspective. The price is analysed using accounting and marketing point of view. Based on the theoretical and empirical research, the following conclusions are derived. As to the first part of the research and the analysed example of language school and specific language course, it is evident that cost-based pricing method defines price

which is higher than the market is used to and willing to pay for. Consequently, a question arises, how is even possible for some service companies, e.g. language schools, to cover their expenses while their revenues, from some types of courses, are not even enough to be neither at breakeven point level (to cover fixed and variable costs). In practice, this means that exclusive courses, although their prices are higher, are in fact barely covered or not even covered by their course fees. In connection therewith, most costs are covered by basic courses with higher demand from target market and lower price. Faced with this kind of situation, language schools could start decreasing their prices for some course types, but also reduce the course teaching hours while keeping the same prices.

Following are managerial implications and the key conclusion goes back to analysed Kotler et al. (2013, 306) value based approach in which it is established that the main philosophy for survival in the market should be asking target market “what do they want”— which kind of offer, which kind of values at which price level and, based on that, form the course type and its price. Other key issue is differentiation through specific competitive advantages based on which a higher price could be established. Managerial implications are focused on suggestion that value-based pricing method has to be taken into consideration and that offers and their prices should be formed based on market research analysis. It means that there is no need to be in a zone in which a company barely survives, but the company should change its offer based on market interests.

Research limitations include the fact that in the empirical analysis only one sector (language school) is analysed. Further analyses should be conducted taking into account different service sectors and different kind of services as well as a larger sample of participants. In carrying out the analysis of language schools only, each offer (different type of course) should be analysed. The data used for price analysis are based only on on-line available price-lists. As for further analyses the accounting data from practice should be used. Furthermore, the interview is conducted with only one person and a larger sample from various geographic areas as well as a detailed qualitative research are highly proposed.

REFERENCES

- Aladwan, Mohammad, Omar Alsinglawi, and Omar Alhawatmeh. 2018. The Applicability of Target Costing in Jordanian Hotels Industry. *Academy of Accounting and Financial Studies Journal* 22 (3): 1–13.
- Alinezhad Sarokolaee, Mehdi, Vadih Taghizadeh, and Mohammadreza Ebrati. 2012. The relationship between target costing and value-based pricing and presenting an aggregate model based on customers' expectations. *Procedia–Social and Behavioral Science* 41: 74–83.
- Ariely, Dan, Huber Joel, and Wertenbroch Klaus. 2005. When Do Losses Loom Larger Than Gains? *Journal of Marketing Research* 42 (2): 134–138.
- Ariely, Dan. 2009. *Predvidljivo iracionalni* [in Croatian]. Zagreb: V.B.Z.
- Arrigo, Ugo, and Giacomo Di Foggia. 2013. Competition and pricing of essential inputs: The case of access charges for the use of the Italian rail infrastructure. *UTMS Journal of Economics* 4 (3): 295–307.
- Avlonitis, George J., and Kostis A. Indounas 2005. Pricing objectives and pricing methods in the services sector. *Journal of Services Marketing* 19 (1): 47–57.
- Barden, Phil. 2013. *Decoded: The Science Behind Why We Buy*. Chichester: John Wiley & Sons.
- Bitner, Mary Jo. 1992. Servicescapes: The Impact of Physical Surroundings on Customers and Employees. *Journal of Marketing* 56 (2): 57–71.

- Blut, Markus, Christoph Teller, and Arne Floh. 2018. Testing retail marketing-mix effects on patronage: A meta-analysis. *Journal of Retailing* 94 (2): 113–135.
- Brigada. 2019. *Our Process—Understanding Your Needs*. <http://www.brigada.hr/process/> (accessed August 26, 2019).
- Calabrese, Armando, and Federico De Francesco. 2014. A pricing approach for service companies: Service blueprint as a tool of demand-based pricing. *Business Process Management Journal* 20 (6): 906–921.
- Chan, Eugene Y. 2015. Endowment effect for hedonic but not utilitarian goods. *International Journal of Research in Marketing* 32 (4): 439–441.
- Cramer, Leonie, and Gerrit Antonides. 2011. Endowment effects for hedonic and utilitarian food products. *Food Quality and Preference* 22 (1): 3–10.
- Deppe, Michael, Wolfram Schwindt, Anna Pieper, Harald Kugel, Hilke Plassmann, Peter Kenning, Katja Deppe, and E. Bernd Ringelstein. 2007. Anterior cingulate reflects susceptibility to framing during attractiveness evaluation. *NeuroReport* 18 (11): 1119–1123.
- Feil, Patrick, Keun-Hyo Yook, and Kim Il-Woon. 2004. Japanese Target Costing: A Historical Perspective. *International Journal of Strategic Cost Management* (Spring): 10–19.
- Grbac, Bruno. 2014. *Marketing Dynamics: How to Create Value for Customers*. London: Pearson.
- Kadarova, Jaroslava, Katarina Teplicka, Michaela Durkacova, and Marek Vida. 2015. Target Costing Calculation and Economic Gain for Companies. *Procedia Economics and Finance* 23: 1195–1200.
- Kahneman, Daniel. 2013. *Misliti brzo i sporo* [in Croatian]. Zagreb: Mozaik knjiga.
- Kotler, Philip, Gary Armstrong, Lloyd C. Harris, and Nigel Piercy. 2013. *Principles of Marketing*. 6th ed. London: Pearson.
- Ledden, Lesley, Stavros P. Kalafatis, Alex Mathioudakis. 2011. The idiosyncratic behaviour of service quality, value, satisfaction, and intention to recommend in higher education: An empirical examination. *Journal of Marketing Management* 27 (11–12): 1232–1260.
- Nayakankuppam, Dhananjay, and Himanshu Mishra. 2005. The Endowment Effect: Rose-Tinted and Dark-Tinted Glasses. *Journal of Consumer Research* 32 (3): 390–395.
- Ozretic Dosen, Djurdjana. 2010. *Osnove marketinga usluga* [in Croatian]. 2nd ed. Zagreb: Mikrorad.
- Robben, Henry S. J., and Verhallen Theo M. M. 1994. Behavioral costs as determinants of cost perception and preference formation for gifts to receive and gifts to give. *Journal of Economic Psychology* 15 (2): 333–350.
- Sheth, Jagdish N., Bruce I. Newman, and Barbara L. Gross. 1991. Why We Buy What We Buy: A Theory of Consumption Values. *Journal of Business Research* 22 (2): 159–170.
- Shtudiner, Ze'ev, Galit Klein, Moti Zwillling, and Jeffrey Kantor. 2019. The value of souvenirs: Endowment effect and religion. *Annals of Tourism Research* 74: 17–32.
- Thaler, Richard H. 1980. Toward a positive theory of consumer choice. *Journal of Economic Behavior and Organization* 1 (1): 39–60.
- Thaler, Richard H., and Cass R. Sunstein. 2009. *Potica* [in Croatian]. Zagreb: Planetopija.
- Yuan, Xuchuan, and H. Brian Hwang. 2016. Stability and chaos in demand-based pricing under social interactions. *European Journal of Operational Research* 253 (2): 472–488.
- Zeithaml, Valerie A. 1988. Consumer perceptions of price, quality and value: A means-end model and synthesis of evidence. *Journal of Marketing* 52 (3): 2–22.