

Scientific Journal of Applied Social and Clinical Science

Acceptance date: 06/12/2024

IMPORTANCE OF THE PRICE OF SUBSTITUTE PRODUCTS IN THE MARKET DEMAND IN COMMERCIAL CITIES OF VERACRUZ, MEXICO

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Abstract: The economies of the markets or of any commercial institution depend directly on the supply and demand of products and services, the productions of these are indispensable for the permanence, development of the entities and companies in general, which leads to the positioning of organizations and places. The supply and demand of products is a permanent and indispensable activity among organizations, individuals and society, due to the need to satisfy needs on a continuous basis, whether primary, secondary and/or tertiary. The demand, purchase and consumption of goods and services is the main activity that mobilizes markets, in accordance with these economic activities, in order to obtain money or other products. However, it is known that such demand is influenced by factors such as tastes, competition, income and/or income of consumers, and substitute products, which are determining factors in the decision to purchase a product or not. This study seeks to identify the impact that the price of substitute products has on consumers' purchase decisions and market demand. Thus, the objective is to identify the importance of the price of substitute products in the market demand in commercial cities of Veracruz, Mexico. A qualitative, quantitative, quantitative and transversal field research was carried out, where a survey was used directed to consumers in the study area, in this case in the cities of José Cardel, Úrsulo Galván, Veracruz and Xalapa, all belonging to the state of Veracruz, Mexico. Significant results are presented regarding the importance of the price of substitute products, which serves as a reference to the different companies and commercial places, allowing them to consider and implement strategies for the supply of their products, for their own benefit and that of the consumers.

Keywords: Economy, trade, competitiveness

INTRODUCTION

The supply and demand of goods, both products and services, are elementary and recurring activities, since they mark the need to satisfy the needs of individuals and society. These needs may be basic or elementary, which makes the purchase and sale of such products indispensable, ranging from products that satisfy basic needs such as food, or basic services such as medical services, to products that are made to cover secondary needs, in search of improving the quality of life.

The demand and purchase of products is mandatory, since we cannot stop acquiring goods, however, there are many factors that are decisive for individuals, for such demand or purchase, such as taste, income, price, competition and the price of other similar products, related and/or substitutes "those that may appear and cover the same needs that satisfy the products that currently exist in the market. Baena, Sánchez & Suárez (2003).

The choice of the product to consume depends on each person and his individual characteristics, "the choice of a consumer to buy a good or not to buy it is the result of his own preferences or tastes and income and price restrictions" (Atucha & Gualdoni, 2018, p. 2), since the acquisition of goods is exclusive to those who make them under their own particular characteristics and to their consumption unit which "is constituted by one or more people, one of which manages within a period of time, to achieve a certain income and under the direction of the head of the household uses this income to satisfy the needs of all those who make up the household." (Atucha & Gualdoni, 2018).

It is well known that consumer preferences have changed considerably for practically all product segments. Today's consumers show other preferences and have new demands in terms of health, quality, image, convenience, etc., whose specific weight as determining factors has been growing until in some cases

it has surpassed that of the price-income binomial (Enge, Furitsch, & Mili, 1998).

With the above, it is considered that today there are factors that, in addition to the aforementioned binomial, there are others that can influence the demand or the decision to purchase products, such as Substitute Products, which are “those that can appear and cover the same needs that satisfy the products that currently exist in the market” (Baena, Sánchez & Suárez, 2023). (Baena, Sanchez & Suarez, 2023)

Substitute products are another option to the market demand, since they often satisfy the consumer’s need as well as the original product or the product they previously consumed. However, consumers may choose to purchase or demand it due to other factors such as product scarcity, low supply, or what is considered one of the main factors, price. The latter being a determining factor for the demand and/or purchase of substitute products.

It is important to know the importance of price in the demand for substitute products, since the suppliers or sellers, whether of the original or substitute product, can have a reference to implement strategies to position their product; the sellers of the products can identify if the price is influencing the purchase decision of consumers, and if it is a determinant for purchases of substitute products or the original purchase product. This research work is part of a research project being carried out at the Technological Institute of Ursulo Galvan which is entitled Impact factors on market demand for business development. The activities have been carried out from January to August 2024, as a result of which results are presented that seek to show the situation and importance of the price of substitute products in the demand and purchase of products.

The study was conducted in the central area of the state of Veracruz, and progress was made with respect to the cities of Ursulo Galvan, Jose Cardel, Veracruz and Xalapa, as they are reference cities for significant commerce.

The price-substitute products binomial is analyzed to identify the importance of the price of substitute products in the market demand in commercial cities of Veracruz, Mexico.

MATERIALS AND METHODS

The research derives from the project entitled Impact factors on market demand for business development, has a quantitative method since the data obtained will be subjected to quantification, and hard and statistical data are used to perform the analysis.

The study was carried out with a documentary methodology, where theoretical concepts and references from various authors and sources of information were identified, which allowed the generation of the theoretical framework and to know the state of the art of the subject of the study.

In addition, the descriptive method is used to identify opinions, properties and characteristics related to the subject of the study, the field study is developed in the central zone of the state of Veracruz, in which the survey technique was used and a questionnaire composed of multiple choice questions, rating scale and open questions applied to a sample of consumers of the place was used as a measurement instrument. It is a cross-sectional study, because it has been developed in a specific time, from January to September of the current year.

Municipalities in the central zone of the state of Veracruz were considered as the object of study, and consumers were considered as the subject. To determine the sample size, the formula for the calculation of sample size for finite populations was used at a confidence level of 90% and a margin of error of 10%,

considering as the population of interest consumers in the study area with an age of 18 years and older, because they are economically active people, information from the National Institute of Statistics and Geography (INEGI, 2022) was considered.

With the data obtained, data analysis has been carried out through the spreadsheet (Excel) and Statistica software, which has allowed to present advances regarding the study and thus meet the proposed objectives and evaluate the hypotheses proposed, allowing the generation of conclusions and the formulation of recommendations.

RESULTS AND DISCUSSION

Based on the data obtained, the following results are presented:

Regarding the consideration of the price of substitute products for the products commonly purchased, in the city of José Cardel, Veracruz, 50.71% indicated that the price is medium, 33.62% responded that it is high, 7.41% indicated that it is very high, the same percentage for those who responded that it is low, and finally, .85% mentioned that it is very low (Figure 1).

In the city of Ursulo Galvan, Veracruz, the people who make their purchases mentioned that the price of the substitute products in the majority (57%) was medium, 30% indicated that it was high, 8% specified that it was low, 5% indicated that it was very low and no one stated that the price was very high (Figure 2).

The price of substitute products commonly consumed in the city of Veracruz, 73% indicated that it is medium, 14% indicated that it is high, 9% low, 5% very high and 0% that it is very low (Figure 3) (Figure 3).

Consumers who make their purchases in the city of Xalapa indicated that the price of substitute products to those they commonly consume, 63% indicated that they are high, 38% specified medium; very high, low and very low, were responses that represent 0% (Figure 4).

With the results obtained we can identify that according to the study in the five cities under study, the price of substitute products represents a decrease in relation to the price of the original product, thus we agree with Baena, Sánchez & Suárez, who establish that substitute products are a threat because substitute goods are products that perform the same functions as the product under study. They represent a threat to the sector if they cover the same needs at a lower price, with superior performance and quality (2023).

Likewise, according to the authors, they indicate that the presence of price-competitive substitute products may cause customers to switch products, which may result in a loss of market share (Baena, Sánchez & Suárez, 2023).

It was identified that the price of the substitute products in relation to those of first choice, has a valuation of medium, in most of the cities studied; that is to say, a wide difference is not obtained with respect to the price, which means that also the substitute products can have good quality, generating that the price is maintained regularly medium to high, in this respect we quote other authors:

“Quality is the fundamental requirement for a customer to buy a product or not (Diez de Castro, 2002). In this sense, when specifying how to calculate the price of a product by comparing it with another, the basis of this correlation must be quality, which in turn is defined by the fundamental attributes of a product (Case, 1999). Cited by (Pérez, 2021).

Likewise, a threat for the companies was determined, since the quality and price of the substitute products in relation to the main products are significant, thus, it coincides with David (2013), quoted by Donawa & Morales (2018). Who tells us that:

The competitive pressures arising from substitutes increase as the relative price of substitutes decreases, so that the cost incurred by consumers in switching to substitutes also

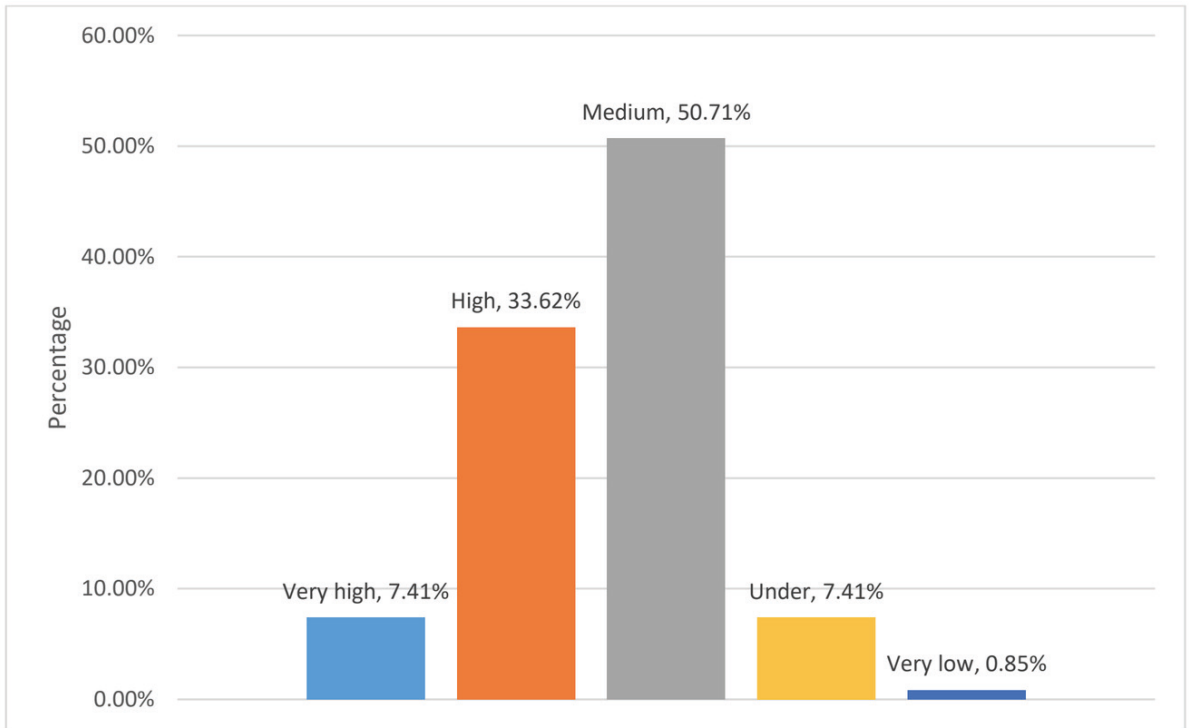


Figure 1. Price perspective of substitute products in Ciudad José Cardel, Veracruz.

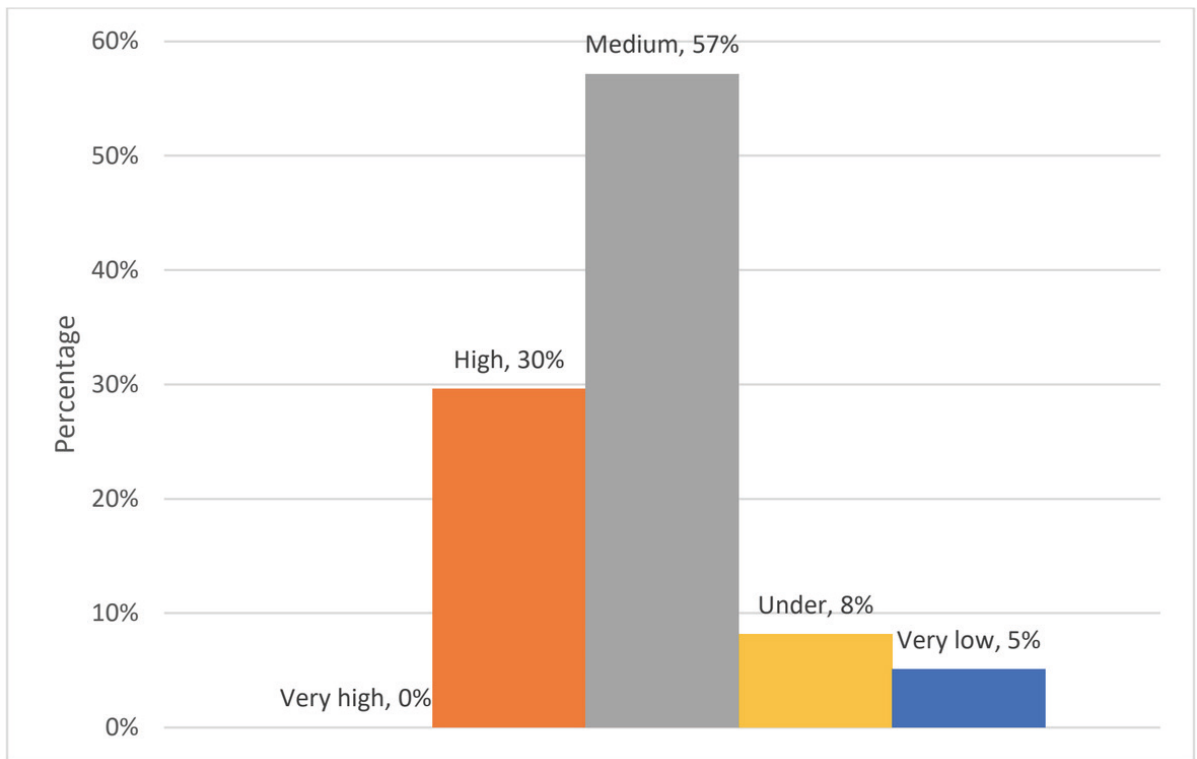


Figure 2. Price perspective of substitute products in Ursulo Galvan, Veracruz.

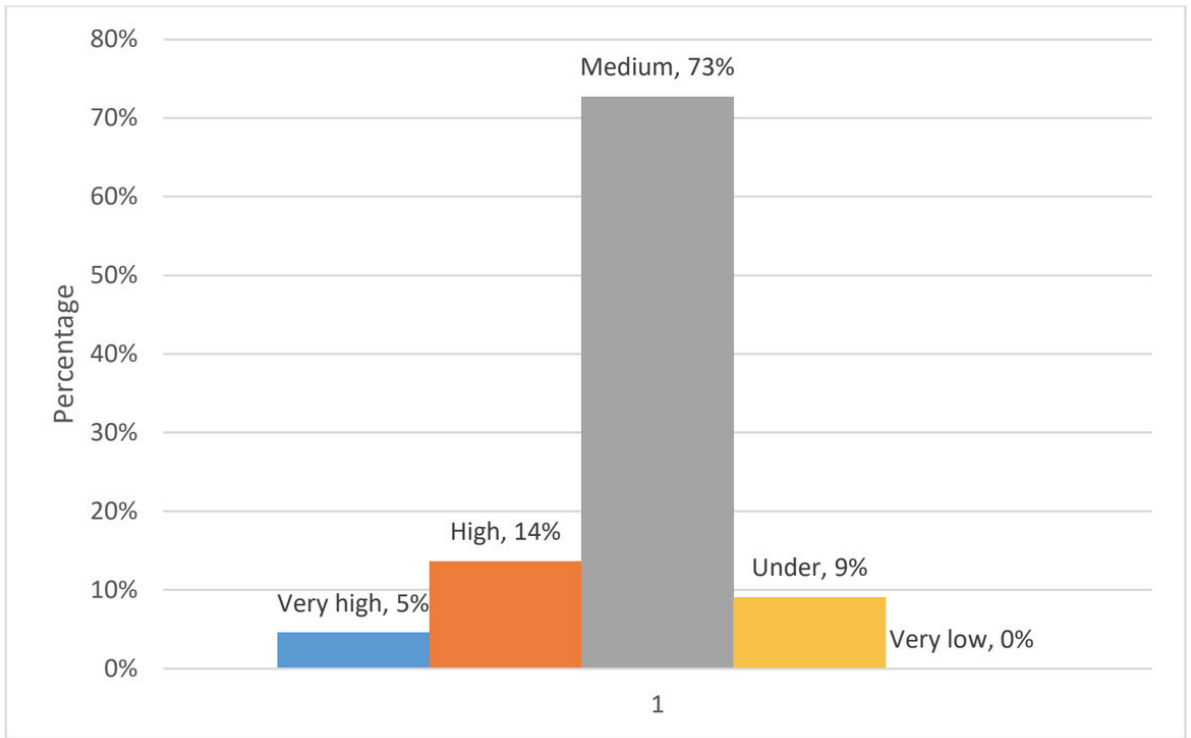


Figure 3. Price perspective of substitute products in Veracruz City, Veracruz.

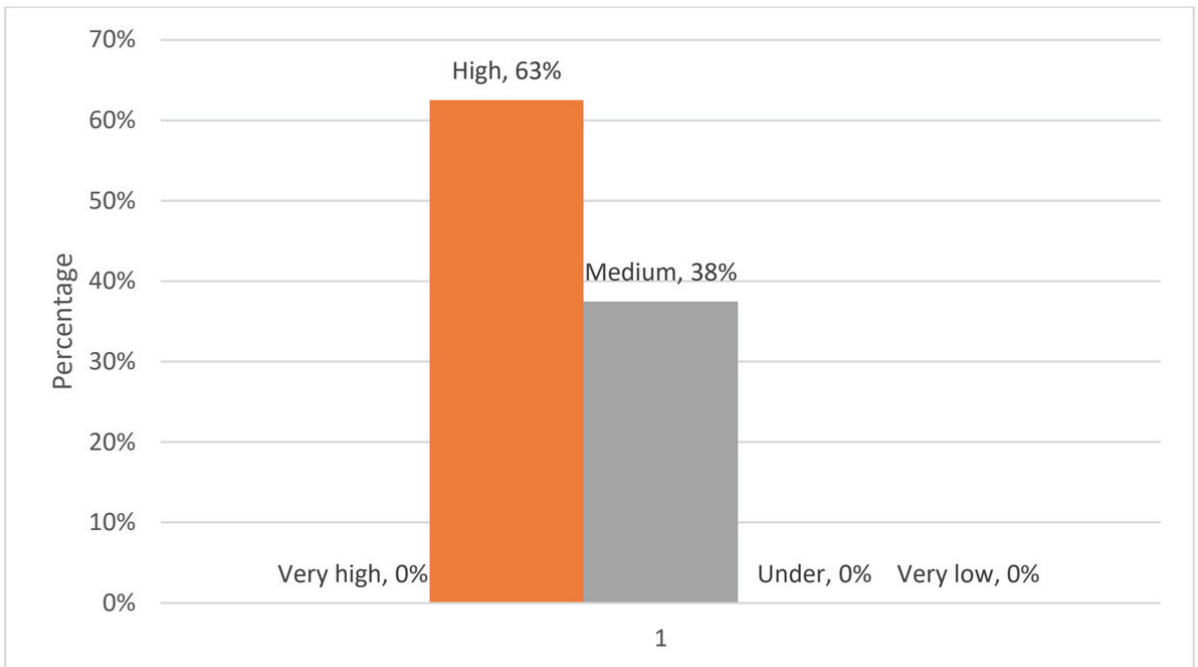


Figure 4. Price perspective of substitute products in the city of Xalapa, Veracruz.

decreases. The competitive strength of substitute products is best measured by the market share achieved by those products and by the plans that manufacturing firms make to increase their capacity and market penetration.

CONCLUSIONS

1. According to the results, it is concluded that the consideration of the price of substitute products in relation to the main product is medium in most of the commercial cities, in the city of Jose Cardel 50.71%, in Ursulo Galvan 57%, and in Veracruz 73% (Figure 1, 2 and 3); 2. Regarding the price of substitute products, only in the city of Xalapa, 63% indicated to be high (Figure 4); 3. The above indicates that at least in the majority, substitute products can be chosen because they represent a decrease in price; 4. The price of substitute products is considered to be high, mainly in the cities of José Cardel and Úrsulo Galván; the lowest frequency of this response

is in the state of Veracruz, with 14%. The only cities where the price of substitute products is perceived to be very low are the cities of José Cardel and Úrsulo Galván, with 0.85% and 5%, respectively. On the contrary, the cities of José Cardel with 7.41% and Veracruz with 5%, considered the price of substitute products to be very high. With the above, we can conclude that the objective of this research was achieved, where the importance of the price of substitute products in the market demand in commercial cities of Veracruz, Mexico was identified.

ACKNOWLEDGMENTS

We would like to thank the Tecnológico Nacional de México, the Instituto Tecnológico de Úrsulo Galván, for their support in the development of this research; the organizations and their personnel for the facilities to carry out the study and the teachers and students involved.

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