

PRICE STRATEGY OF PUBLICLY LISTED COMPANIES IN THE UAE: A PROPOSED STUDY

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Abstract

We propose to investigate the use or non-use of target costing strategy by UAE listed companies. Target costing involves a firm taking the market price of its product and tracing all the way back to its initial costs of production to achieve the desired profit margin. It is the opposite of the cost-plus pricing strategy in which the vector runs from cost to price. The study will involve the collection of data from all the 132 companies listed on the Abu Dhabi Securities Market and the Dubai Financial Market, given the fact that their financial disclosures are publicly available. Four relevant hypotheses will be developed and tested. We plan to utilise the Arellano-Bond (1991) GMM estimation which is designed to handle micro data with limited time periods to test and identify the price-cost directional vector for UAE listed firms. The result of our data analysis should reveal the existence/prevalence or otherwise of the use of target costing strategy by UAE firms. UAE companies operate in an increasingly competitive global market environment in which pricing strategy could mean the survival or demise of a firm. Establishing the extent to which they are taking advantage of target costing as part of their overall corporate competition strategy is an important first step in developing and recommending clear industrial competition strategies and corporate policies for the nascent and dynamic UAE economy.

Keywords: Target Costing, Target Pricing, Strategy, Competition & UAE.
