



CHRIST
(DEEMED TO BE UNIVERSITY)
BANGALORE · INDIA

PRICING

Types of pricing, Pricing strategies, New product pricing strategies, Product mix pricing strategies, Price adjustment strategies, Price changes.

MISSION

CHRIST is a nurturing ground for an individual's holistic development to make effective contribution to the society in a dynamic environment

VISION

Excellence and Service

CORE VALUES

Faith in God | Moral Uprightness
Love of Fellow Beings
Social Responsibility | Pursuit of Excellence

Price

- The amount of money charged for a product or service
- Dynamic pricing-charging different prices depending on individual customers and situations

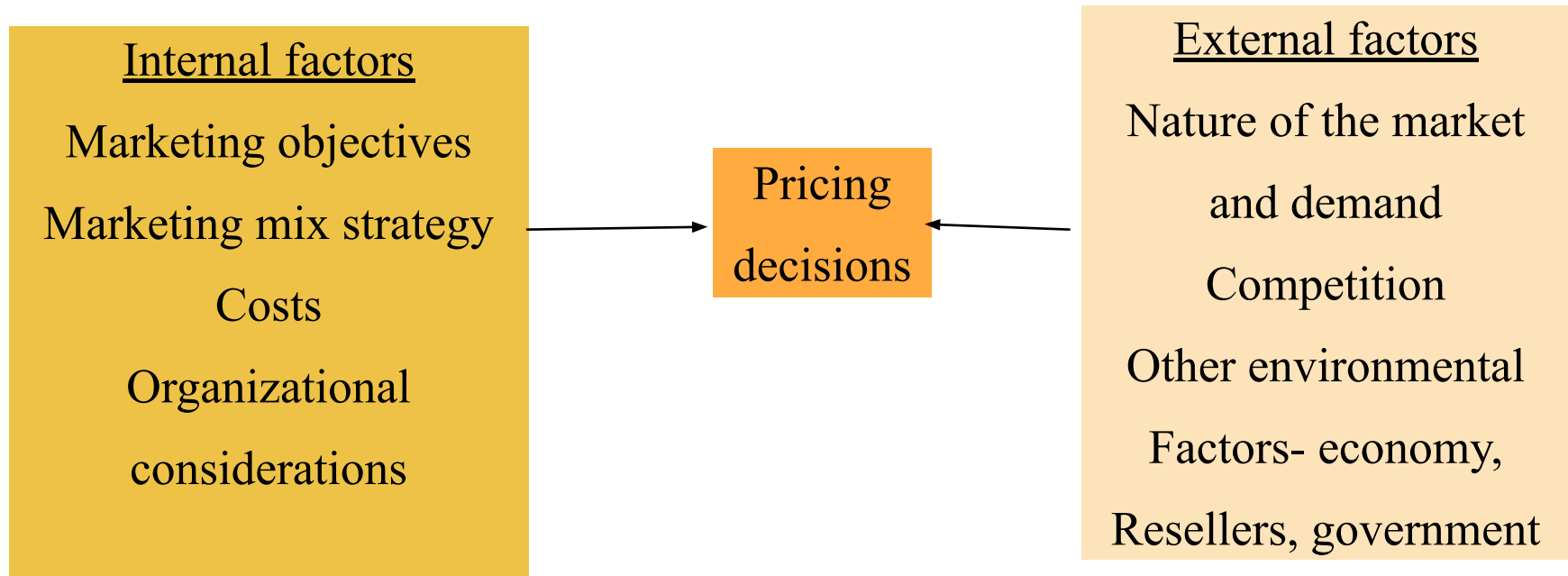
Price

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Price Dynamics

- Pricing is the only revenue generating element of the marketing mix.
- Pricing is a means of attracting and communicating an offer to a potential buyer.
- Pricing is a competitive tool.
- Pricing can be used to position the product or service in the marketplace.

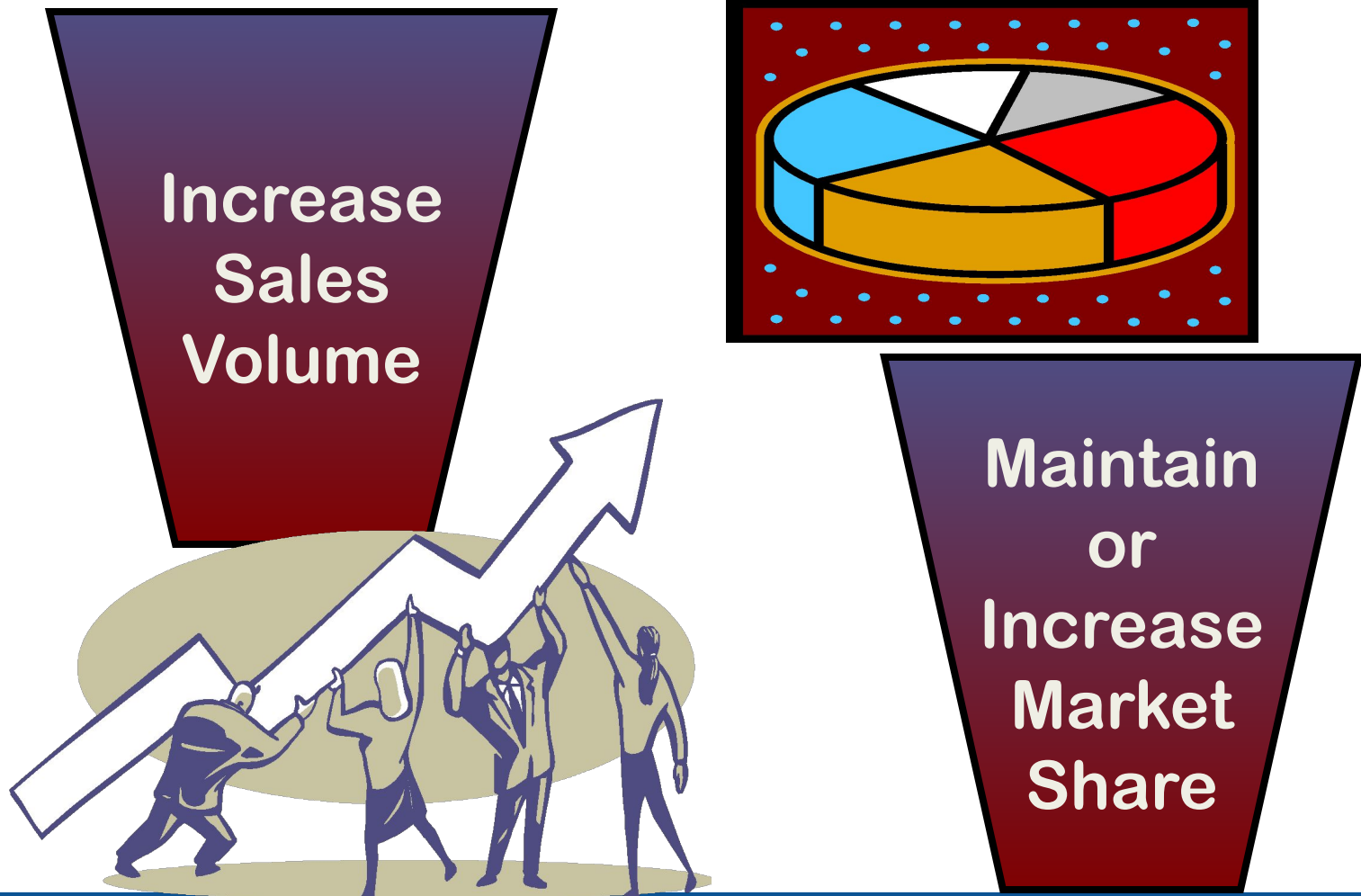
Factors affecting price decisions



Pricing Objectives: Profit-Oriented



Pricing Objectives: Sales-Oriented



Pricing Objectives: Status Quo



**Stabilize
Prices**

**Meet
Competition**



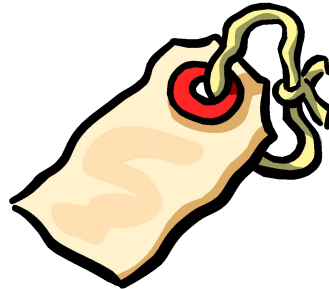
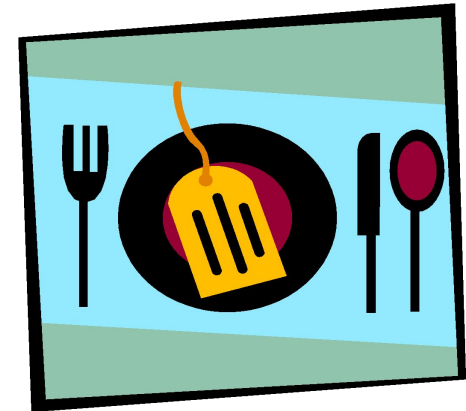
Factors Influencing Price

Estimated
Demand

Expected price

Demand curve

Price elasticity



Competitive
Reactions

General Pricing Approaches

- **Cost-Based Pricing: *Cost-Plus Pricing***
 - Adding a standard markup to cost
 - Ignores demand and competition
 - Popular pricing technique because:
 - It simplifies the pricing process
 - Price competition may be minimized
 - It is perceived as more fair to both buyers and sellers

Break-Even Analysis and Target Profit Pricing

- Break-even charts show total cost and total revenues at different levels of unit volume.
- The intersection of the total revenue and total cost curves is the break-even point.
- Companies wishing to make a profit must exceed the break-even unit volume.

Value-Based Pricing:

- Uses buyers' perceptions of value rather than seller's costs to set price.
- Measuring perceived value can be difficult.
- Consumer attitudes toward price and quality have shifted during the last decade.
- Introduction of less expensive versions of established brands has become common.

Competition-Based Pricing

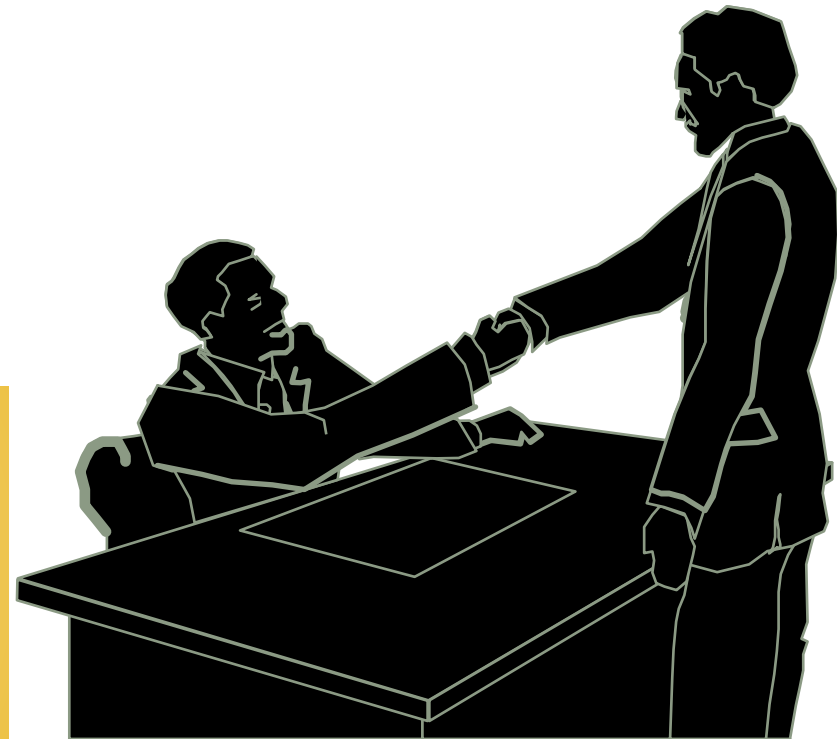
- Also called going-rate pricing
- May price at the same level, above, or below the competition
- Bidding for jobs is another variation of competition-based pricing
 - Sealed bid pricing

Bid and Negotiated Pricing



Bid pricing means offering a specific price for each possible job. Determining costs is a complicated process.

Negotiated pricing involves setting a price as the result of a bargaining process between the buyer and seller.



Pricing Strategies

New Product Pricing -Two major strategies

- **Market-Skimming Pricing**
 - Setting a high price for a new product to skim maximum revenues layer by layer from segments willing to pay the high price.
- **Market-Penetration Pricing**
 - Setting a low price for a new product in order to attract a large number of buyers and a large market share.

Product Mix Pricing Strategies

- Product Line Pricing
 - Setting price steps between product line items.
 - Price points
- Optional-Product Pricing
 - Pricing optional or accessory products sold with the main product

Product Mix Pricing Strategies

- Captive-Product Pricing
 - Pricing products that must be used with the main product
 - High margins are often set for supplies
 - Services: two-part pricing strategy
 - Fixed fee plus a variable usage rate

Product Mix - Pricing Strategies

- By-Product Pricing
 - Pricing low-value by-products to get rid of them
- Product Bundle Pricing
 - Pricing bundles of products sold together

Price Adjustment Strategies

Strategies

1. *Discount / allowance*
2. *Segmented*
3. *Psychological*
4. *Promotional*
5. *Geographical*
6. *International*

1. Discount / allowance

- Types of discounts
 - Cash discount
 - Quantity discount
 - Functional (trade) discount
 - Seasonal discount
- Allowances
 - Trade-in allowances
 - Promotional allowances

2. Segmented- Pricing

- Customer-pricing
- Product-form pricing
- Location pricing
- Time pricing

3. Psychological

- Price conveys something about the product
- Price-quality relationships
- Numeric digits may have psychological influence

4. Promotional

- Temporarily pricing below list price
 - Cash rebates
 - Special event pricing
 - Low interest financing

5. Geographical

- FOB origin pricing
- Uniform delivered pricing
- Zone pricing