MARKETING MIX- PRICING

NEW PRODUCT PRICING STRATEGY:

where to position the product versus competing products in terms of quality and price

1) premium pricing strategy - producing a high-quality product and charging the highest price

e.g. Mont Blanc

2)economy pricing strategy - producing a lower quality product but charging a low price

e.g. Casio

MARKETING MIX- PRICING

Market-Skimming Pricing: set high prices to "skim" revenues layer by layer from the market

e.g. Intel with it computer chips

Conditions that must be present in skimming:

- quality and image
- enough buyers
- competitors should not be able to enter the market easily
- Cost of producing small amounts must not prevent charging more

MARKETING MIX- PRICING

Market-Penetration Pricing:

set a low initial price in order to penetrate the market quickly and deeply. **e.g.** Dell computers

Conditions that must be present in penetration:

- price sensitive mkt so that a low price produces more market growth
- production and distribution costs must fall as sales volume increases
- the low price must help keep out the competition

PRODUCT-MIX PRICING STRATEGIES

1) Product Line Pricing:

e.g. any model of a car is provided by several types of engine, 2.0, 2.5, 3.0, cost difference should not be significant

2) Optional-Product Pricing:

additional options will cost; basic options are included in the price

3) Captive-Product Pricing:

e.g. Gillette blades, or computer software

4) By-Product Pricing:

Petrol industry or sugar industry

5) Product-Bundle Pricing:

combine several of their products and offer the bundle at a reduced price . E.g. Computer with installed original windows and other software

PRICE-ADJUSTMENT STRATEGIES

1) Discount and Allowance Pricing:

a) cash discount **e.g.** %/date

b) quantity discount **e.g.** volume

c) functional discount or trade discount
e.g. selling, storing

d) seasonal discount **e.g.** out of the season

e) Allowances **e.g.** returning an old item when buying a new one

2) Segmented Pricing: *selling at more than one price even costs are the same*

a) Customer-segment Pricing **e.g.** buss prices, students pay less

b) Product-form Pricing e.g. A new Nokia phone model is 100$, the old one is 80$

PRICE-ADJUSTMENT STRATEGIES

c) Location Pricing **e.g.** a football mach ticket is priced differently, university prices, malls

d) Time Pricing **e.g.** Kcell evening time communication, hotels weekday and weekend

3) Psychological Pricing: **e.g.** 200$ vs. 199.95$

4) Promotional Pricing: **e.g.** actual price is 10$ but sold for 5$ to attract customers in hope that they will also buy other products

5) Value Pricing: **e.g.** Mc Donald's menu at the same price even with higher quality

PRICE-ADJUSTMENT STRATEGIES

6) Geographical Pricing:

a) FOB-origin Pricing **e.g.** price will change according to the distance of location

b) Uniform delivered Pricing exactly opposite of FOB

c) Zone Pricing **e.g.** company divides customers into zones, 2 or 3 zones, North and West

d) Basing-point Pricing **e.g.** a city as a basing-point

e) Freight-absorption Pricing **e.g.** seller absorbs all or part of the actual freight charges

PRICE-ADJUSTMENT STRATEGIES

International Pricing:

Boeing sells its jetliners at about the same price everywhere, whether in the United States, Europe, or a Third World country. However, most companies adjust their prices to reflect local market conditions and cost considerations

Factors: economic conditions, competitive situations, laws and regulations, and development of the wholesaling and retailing system. Consumer perceptions and preferences also may vary from country to country