



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 match 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