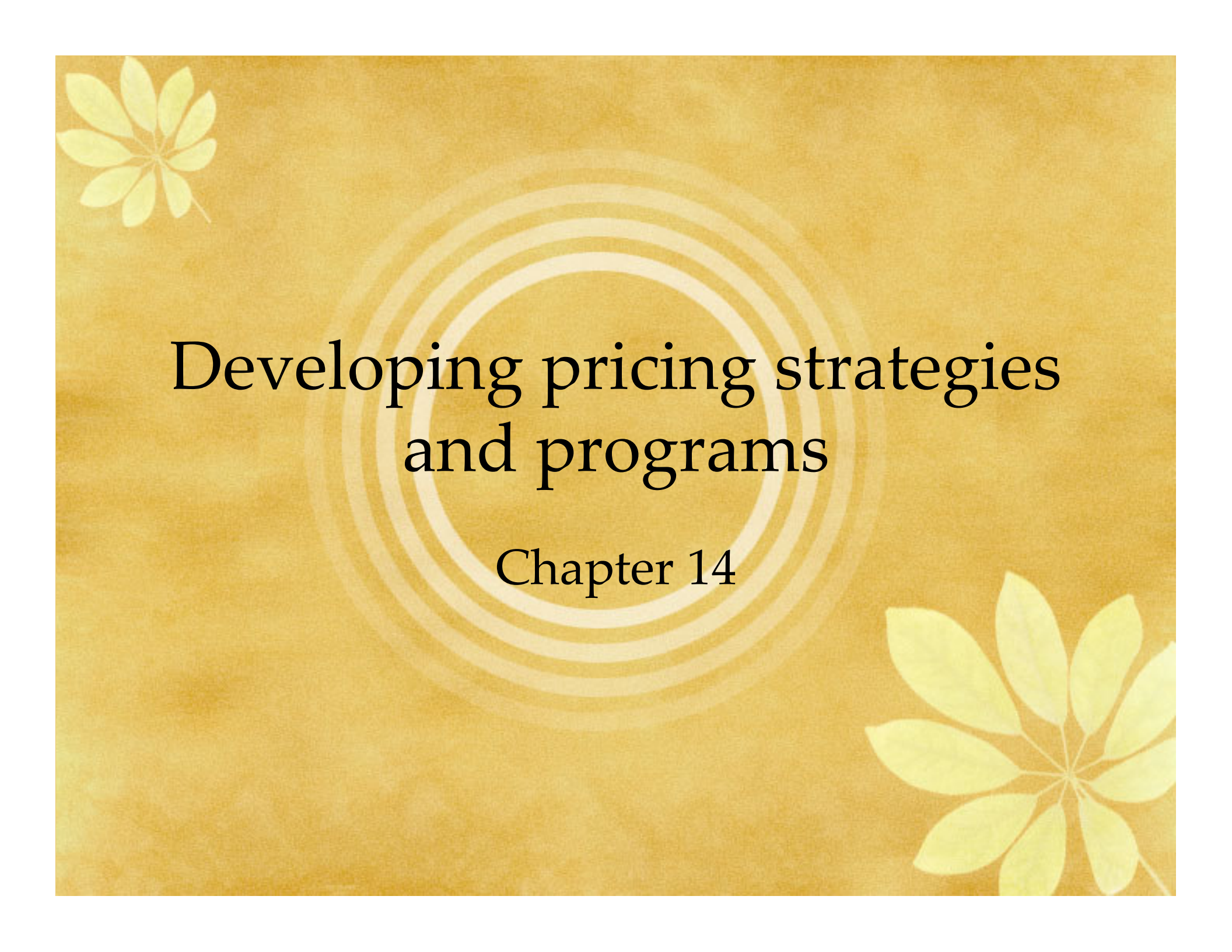




Marketing Management

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Developing pricing strategies and programs


Chapter 14



Importance of pricing





Synonyms for Price

- Rent
 - Tuition
 - Fee
 - Fare
 - Rate
 - Toll
 - Premium
 - Special assessment
 - Bribe
 - Dues
 - Salary
 - Commission
 - Wage
 - Tax
- 





How companies price

- Small companies
 - Large companies
 - Special pricing department
- 




Common Pricing Mistakes

- Determine costs and take traditional industry margins
 - Failure to revise price to capitalize on market changes
 - Setting price independently of the rest of the marketing mix
 - Failure to vary price by product item, market segment, distribution channels, and purchase occasion
- 




Consumer Psychology and Pricing

- Reference prices
 - Price-quality inferences
 - Price endings
- 




Price Cues

- Odd number discount perceptions
 - “Left to right” pricing (\$299 versus \$300)
 - Even number value perceptions
 - Ending prices with 0 or 5
 - “Sale” written next to price
- 




When to Use Price Cues

- Customers purchase item infrequently
 - Customers are new
 - Product designs vary over time
 - Prices vary seasonally
 - Quality or sizes vary across stores
- 




Steps in Setting Price

- Select the price objective
 - Determine demand
 - Estimate costs
 - Analyze competitor price mix
 - Select pricing method
 - Select final price
- 




Step 1: Selecting pricing objective

- Survival
 - Maximum current profit
 - Maximum market share
 - Maximum market skimming
 - Product-quality leadership
- 




Step 2: Determining Demand

- Price sensitivity
 - Estimating demand curves
 - Price elasticity of demand
- 




Step 3: Estimating Costs


- Types of Costs
 - Accumulated Production
 - Activity-Based Cost Accounting
 - Target Costing
- 



Step 4: Analyzing competitor
costs, prices and offers



Step 5: Selecting a Pricing Method

- Markup pricing
 - Target-return pricing
 - Perceived-value pricing
 - Value pricing
 - Going-rate pricing
 - Auction-type pricing
- 



Step 6: Selecting the Final Price

- Impact of other marketing activities
 - Company pricing policies
 - Gain-and-risk sharing pricing
 - Impact of price on other parties
- 