

## Chapter 12 : Price

### 1. Pricing Strategies

: is a set of plans designed to meet objectives, pricing can help business to achieve its marketing and corporate objectives.

<b>Pricing Strategies</b>	<b>Description</b>	<b>Advantages</b>	<b>Disadvantages</b>
1. Cost-Plus pricing	Adding a mark-up to unit costs. It's common for retail business	- Gain profit as firms prefer	- Ignore market conditions
2. Price skimming	Set high price for new product or innovation	- Help business to recover research and development cost	- Firms can increase sales when demand is inelastic
3. Penetration Pricing	Charge low price in order to enter to the market	- If demand is elastic, firms can receive more revenue	- There will be lower profit margin
4. Predatory pricing	Aim to eliminate competitors from the market by charging unrealistically lower price	- It can eliminate some of competitors	- It is illegal and unfair for some business
5. Competitive pricing	Some businesses take very close look at what their rivals are charging when setting their price	- Firms can increase sales revenue if demand is elastic	- It is impractical for inelastic demand

## **2.) Factors that determine the most appropriate pricing strategy for a particular situation**

### **2.1 Differentiation and USP**

: A business can generally charge a higher price if its product has a USP or sufficient differentiated from those of its rivals. This is because many customer are prepared to pay more for products with some individuality or additional features.

### **2.2 Price Elastic of demand**

: If the demand for firm's product is price inelastic, there will be scope for price increase. This can increase revenue to firms.

### **2.3 Amount of competition**

: The amount of competition in a market will have a big influence on pricing. If there is very competition in the market, a business can charge much higher price because consumers cannot switch to a rival.

### **2.4 Strength of the brand**

### **2.5 Stage in the product life cycle**

### **2.6 Cost and the need to make a profit**

: Business need to consider the value of their products in addition to costs if they are to extract the most from consumers.

