Chapter37 Price

Overviews

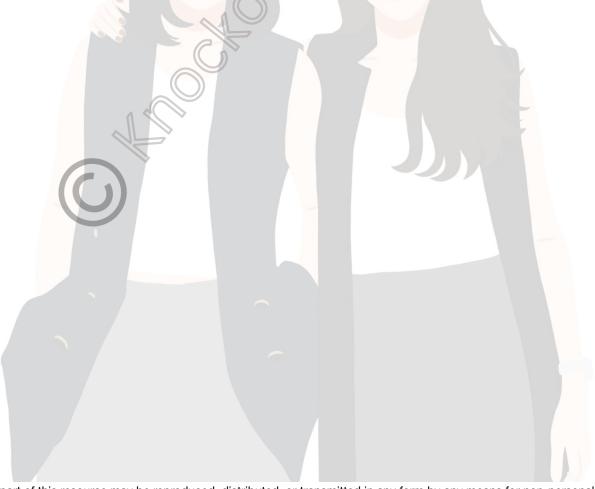
1. The main pricing strategies and when they might be applied: cost plus, penetration, competition, skimming, promotional.

1.Pricing methods

- 1) Cost-plus pricing: the cost of manufacturing the product plus a profit mark-up.
- **2) Competition-based pricing:** when the product is priced in line with or just below competitors' prices to try to capture more of the market.

Predatory pricing or destroyer: setting a low price until rivals have gone out of the business.

- 3) Penetration pricing: when the price is set lower than the competitors' prices in order to be able to enter a new market.
- 4) Price skimming: where a high price is set for a new product on the market.
- **5) Promotional pricing:** when a product is sold at a very low price for a short period of time.



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2. Pricing Method and an appropriate pricing method

Pricing Method	Explanation	Example	Advantages	Justification
Cost-plus pricing	Is the cost of manufacturing products plus profit mark-up eg. Cost 100 profit 10% therefore, setting price at 110	Single product business	Easy to calculate	If there are few competitors, it is possible for the business to set a markup price.
Competitive pricing	Is when the product is priced in line with or just below competitors' prices to try to capture more of the market.	E.g. gold which is difficult to make product differentiation and branding.	Demand is likely to be price elastic, if the business sells products at low price, they will gain higher revenue.	-Consumers may not buy at a higher price unless they think it is better quality Companies need to do research about competitor prices which is costly.
Penetration Pricing	Is when the price is set lower than the competitors in order to enter the new market.	Low price for a new product in a competitive market	It is likely to achieve high market share quickly.	Profit might be low.
Price skimming	Is where a high price is set for new innovation or new product in the market.	High price for newly developed products	 This can earn high profit and help to cover development costs. This can help to establish the product as being of a good quality. 	

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Promotional	Is when a product	Low price to sell	- Reduce stock	-The sale revenue
Pricing	is sold at a very	unwanted	- It can help to	will be lower
	low price for a	inventories	renew interest in	because the price of
	short period.		a business if	each item will be low
			sales are falling	
			oaloo aro laliing	
Psychological	Is an approach	Setting a high	-It ensures that	-The competitors
pricing	when particular	price for a	sales are made	may do the same
	attention is paid to	quality branded	by reinforcing	and it reduces the
	the effect that the	product	consumers'	effect.
	price of a product		perceptions of	
	will have upon	Charging 99\$	the product	
	consumers'		- It increases	
	perceptions of the		brand image	
	product.		when the price is	
			set high	
Dynamic	charging different	E.g. airline	-Increase	-It increases in cost
pricing	consumer groups	passengers are	revenue and	as prices are
	different prices for	charged different	profit	constantly changing.
	the same product.	prices		
	·	depending on		
		date of		
		purchase.		
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