

PRICING MECHANISMS IN MARKETING

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- Meaning of importance of pricing - A process

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- Importance : direct contribution towards revenue

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- Price Vs Quality vs Value...an issue of perception

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- Process of
 - setting objectives
 - determining the available flexibility,
 - developing strategies;
 - setting prices,
 - engaging in implementation and control.



- Some of the pricing objectives include:

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– To meet the price of competitors

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– To follow the price of the market leader

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– To maintain existing market share

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– To promote new products

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– To stabilize inventory prices

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– To maximize profits.

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Pricing Strategies

1. Penetration Pricing

- rapid penetration— low price with aggressive promotion, when a large part of market is unaware of product,
- Slow penetration - low price with slow promotion –when market is largely aware of the product

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2. Skim the cream

- rapid skimming—high price with aggressive promotion, when a large part of market is unaware of product,
- Slow skimming —high price with slow promotion —when market is largely aware of the product

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- When are these two strategies appropriate?
- Penetration?
- Skimming?

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3. Discrimination pricing.

- The same product is sold at different prices to different customers, based on some discriminative characteristic
- Examples?

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- Geographical ?

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- Gender (Sex?)

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- Nationality ?

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- Age ?

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- Season ?

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4. Psychological Pricing

This is based on creating customer price perceptions so as to have special appeal in certain target markets.

- Examples ?



- Odd-even pricing.
Odd prices (e.g. 99.9, 499, 899)
VS even pricing (e.g. 100, 500, 900).
Which one is more appealing?

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- Large, bright price labels as opposed to small, dull prices or no prices at all.

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- Deliberately setting high prices to imply high quality. Some customers want to buy expensive products, imagining that the high price implies higher quality.

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- Putting an initial price, then canceling it and indicating a lower price next to the original price. This is very useful for creating attention and interest among consumers.
- Eg Was sh 6500, now sh 5800, save sh 700
- Was 3500, now 3200 save 300
- Valid while stocks last

5. Bundle pricing

- several related items put together and sold at a reduced price

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Price is affected by

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- Cost of production

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- Demand

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- Competition

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- Government policies

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