

Objectives:

- To determine price and the role it plays in determining profit
- To describe the factors that affect pricing decisions
- To identify pricing strategies



Terms:

Price – the value placed on goods or services being exchanged

Prestige pricing – pricing based on consumer perception

Odd-even pricing – pricing goods with either an odd number or even number to match a product's image

Target pricing – pricing goods according to what the customer is willing to pay

Markup – difference between the retail or wholesale price and the cost of an item

Cost-plus pricing – pricing products by calculating all costs and expenses and adding desired profit

Non-price competition – competition between businesses based on quality, service, and relationships

Market share – % of the total sales of all companies that sell the same type of product

Price lining – selling all goods in a product line at specific price points (bargain, moderate, expensive)

Bundle pricing – selling several items as a package for a set price

Loss-leader pricing – pricing an item at cost or below cost to draw customers into the store

Yield-management pricing – pricing items at different prices to maximize revenue when limited capacity is involved

Price fixing – an ILLEGAL practice whereby competitors conspire to set the same prices

Questions:

1. How is pricing related to profit and the marketing mix?

Price helps determine a company's profit or loss. It is related to the marketing mix because it must be directed to the target market. Price is one of the 4 Ps of the marketing mix.

2. List 5 factors that affect price decisions?

Consumer perception, demand, cost, product life cycle stage, and competition

3. List 4 special pricing strategies.

Price lining, Bundle pricing, Loss-leader pricing, and Yield-management pricing