Pricing

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PRICE MEANING

- A price is the amount we pay for a good or service or an idea.
- Price is the amount for which a product, a service or an idea is exchanged, or offered for sale regardless of its worth or value, to the potential purchaser.

PRICE= COST + PROFIT + TAXES

DEFINITIONS OF PRICE

According to W. J. Stanton-

"Price is the amount of money and/or other items with utility needed of acquire a product".

According to Mr. J. Walker-

"Price is equal to the total product offering".

Example-

We have to pay Rs.4/- for Parle-G.

PRICING DEFINITIONS

According to Professor K. C. Kite-

"Pricing is a managerial task that involves establishing pricing objectives, identifying the factor governing the price, ascertaining their relevance and significance, determining the product value in monetary term and formulation of price policies and the strategies, implementing them and controlling them for best result."

ROLE OF PRICING IN MARKETING

1. Price is the pivot of an economy
2. Price regulates the demand
3. Price is a competitive weapon
4. Price is profitability determinants
5. Price is a decision input

PRICING OBJECTIVES

1. To survive in competitive market
2. To get target return on investment
3. To increase the market share
4. To manage the cash flow
5. To maximize the profit
6. To maintain the image

FACTORS AFFECTING PRICING DECISIONS

1. Product cost
2. Durability of product
3. Competition
4. Economic condition
5. Needs of consumer
6. Utility of product
7. Taxation policies
8. Fashion & Trend

STEPS IN PRICING DECISION

1. Identify the potential customers
2. Estimate the demand
3. Determine competitors prices
4. Identify alternative basic prices
5. Ascertain the cost of production
6. Addition of desired profit in cost
7. Review the above steps

METHODS OF PRICE DETERMINATION

(A) COST BASED PRICING METHODS

I. Cost plus pricing
II. Target return pricing

(I) Cost plus pricing method

In this method a fix rate of percentage of cost is added in the cost.

Price = Cost + Profit(% on cost)

(II) TARGET RETURN PRICING

It is based upon **Break Even Analysis .**

In this method first company decide the amount of sale and then profit is added in **Break even Point.**

Price = Break even Point + Desired Profit

(B) COMPETITION BASED PRICING METHOD

1. Going rate method-

It is the method of setting price in relation to the price of competitors .

2. Sealed bid pricing-

Generally in this method a manager tries to keep the price of product less than the price of competitors.

(C) DEMAN BASED PRICING METHODS

1. Demand modified break even analysis-

   In this method a manager sets the price after estimating market demand at alternative prices to earn the highest profit over the break even point.

2. PERCEIVED VALUE PRICING-

In this method of pricing a marketing manager convince to the customer, why they should pay an amount for the product.

Example-

If a competitor is selling his car at Rs.2,00,000/- & another at Rs.2,50,000/ then he must convince customer as to why they should pay more to the extent of Rs.50,000.

PRICING POLICIES & STRATEGIES

Pricing policies determines the objective & limits the area of action.

It gives general guidelines for the pricing decision.

TYPES OF PRICING POLICIES

A. Price variation policies
B. Geographic price policies
C. Price differential price policies
D. Leader price policy
E. Psychological pricing
F. New product pricing policies

(A) PRICE VARIATION POLICIES

1. **Variable Price Policy-**

   According to this policy different price is charged for different buyers.

2. **Non-Variable Price Policy-**

   similar price is charged from all the buyers.

(B) GEOGRAPHIC PRICE POLICIES

1. Point of origin policy-

   According to this policy a firm quotes **ex-factory** price and all transportation cost is paid by the customer.

2. Freight absorption price policy-

   According to this policy price includes the transportation cost .

   Popularly it is known as **F.O.R.** & **F.O.B.**

(C)PRICE DIFFERENTIAL PRICE POLICIES

According to this policy the firm sales the product other than the quoted price.

It includes-

(i) Trade discount

(ii) Cash discount

(iii) Quantity discount

(D) LEADER PRICE POLICY

If a firm in an industry initiates the price changes which will be very effective & other firms also follow it, then this type of policy is known as **Leader Price Policy.**

(E) PSYCHOLOGICAL PRICING

In this policy manager try to create a psychological perception in the mind of consumer that motivate them to purchase that product.

Example-

Price of a product Rs.999/- shows-

1. The product is cheap
2. They are not being exploited because seller are true to the last rupee.

(F) NEW PRODUCT PRICING POLICIES

1. Skimming Price Policy-

   This policy first sets high price for more profit from price inelastic customer, and then successively lowering the prices, often under increasing competitive condition.

PRICING

2. Penetration Price Policy-

According to this policy a firm first sets lower price & tries to establish share in market by selling large volume.

THANK YOU ALL

The End