

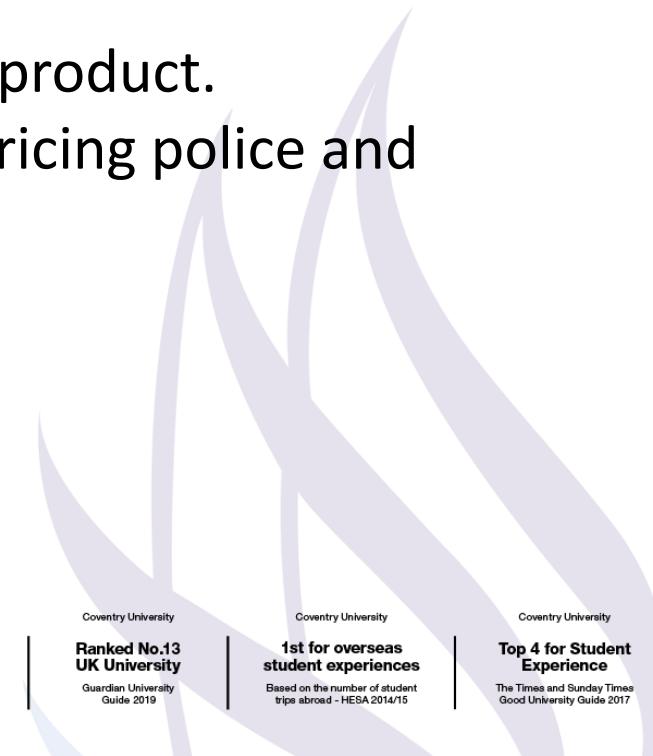
# Week 9 Produce and Pricing Strategies



**Marketing in a Global Age M003LON**

## Today's Learning Objectives

- Be familiar with the key concepts of product.
- Understand the different stages of pricing police and pricing strategies.



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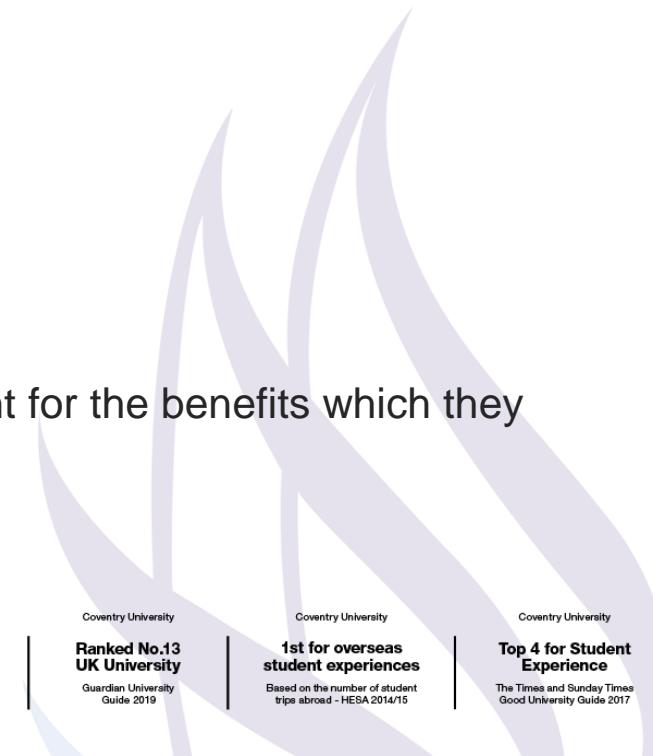
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# Objective 1

# What is a product?

- Can be:
  - a material good
  - an intangible service
  - a combination of the above
  - a location
  - a person
  - an idea
- It must be remembered that products are only bought for the benefits which they provide



# Product fundamentals

## ▪ Types of products

❖ Business products – goods and services used to make day-to-day operations work, incorporated in other manufacturing processes to create an end product, or resold to others, e.g. raw materials.



# Product fundamentals

## ▪ Types of products

❖ Consumer products – goods and services intended for consumption by individuals and families.



# Product fundamentals

## ▪ Usage time

❖ Nondurable goods – products consumers use up relatively quickly. Consumers do not necessarily spend too much time researching these items or making the buying decision.



# Product fundamentals

## ▪ Usage time

❖ Durable goods – products consumers keep and use for a long time (years, even decades) that are not easily used up or do not wear out quickly

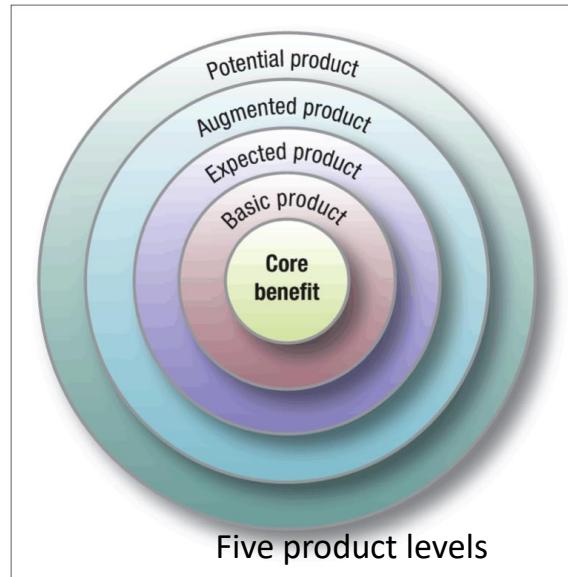


# Product Characteristics

More than just a single tangible offering:



Components of the market offering



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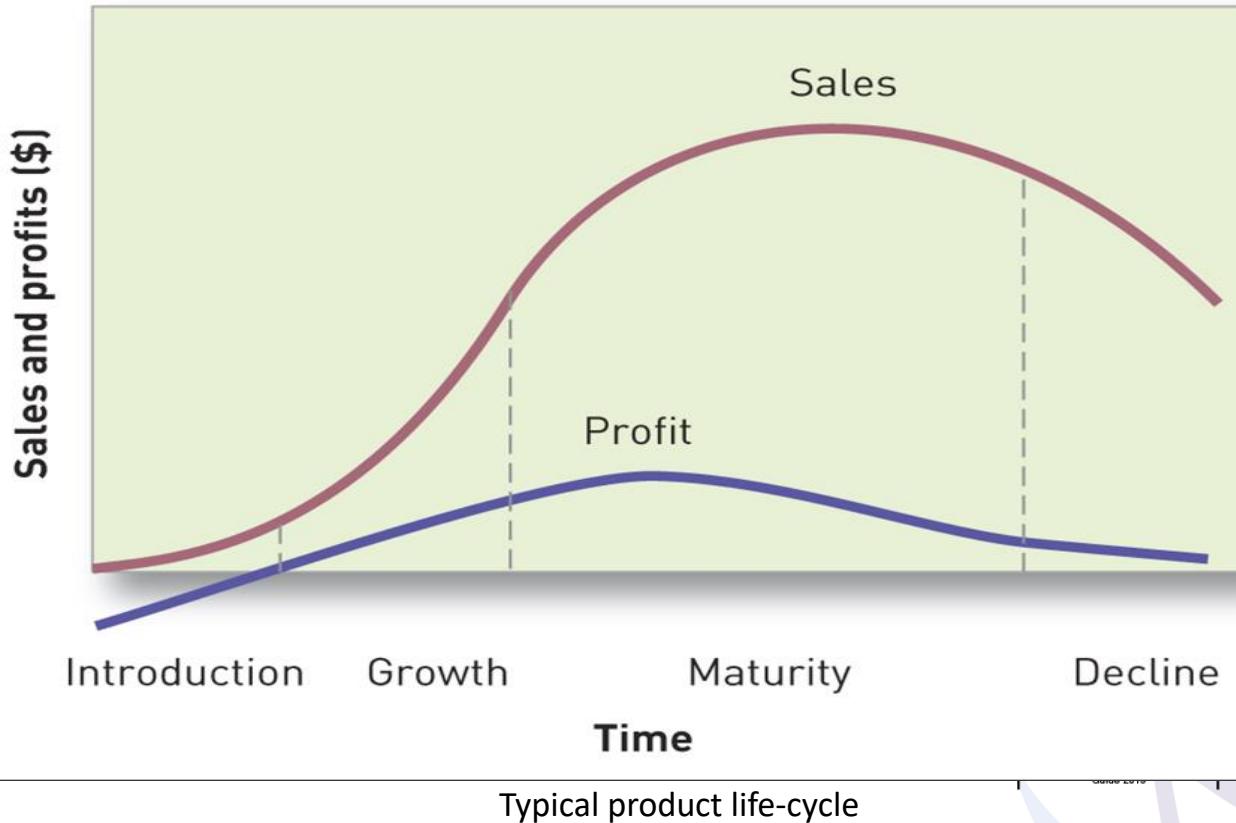
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# Product Life-cycles



## Objective 2

# Setting Pricing Policy

1. Selecting the pricing objective

2. Determining demand

3. Estimating costs

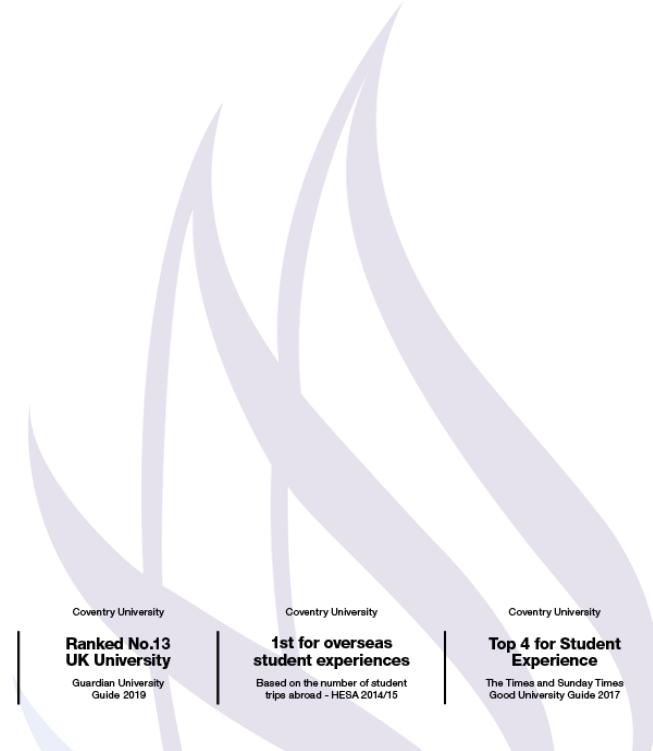
4. Analyzing competitors' costs, prices, and offers

5. Selecting a pricing method

6. Selecting final price

## 1. Pricing objectives

- Survival
- Maximum current profit
- Maximum market share
- Product-quality leadership



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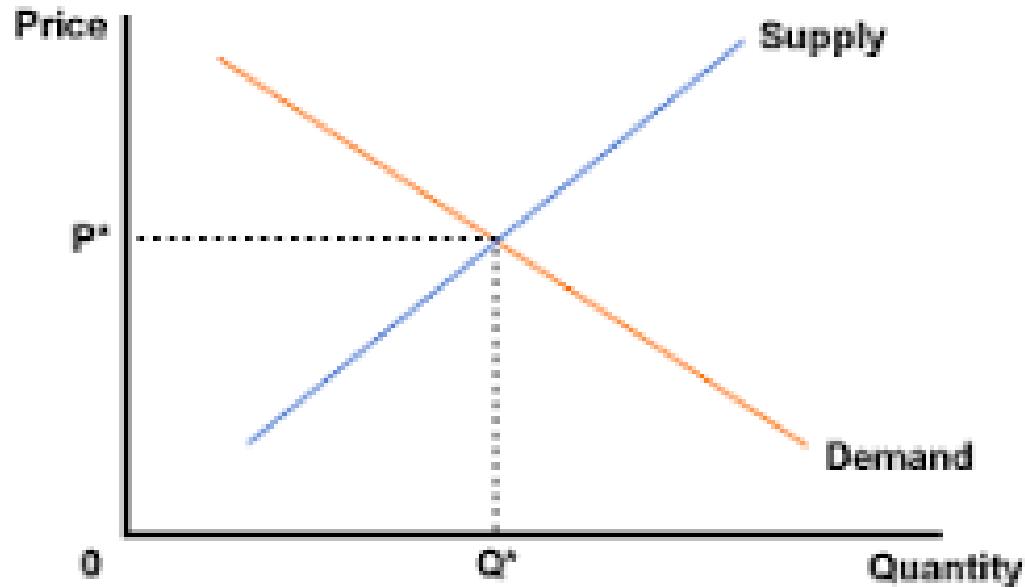
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## 2. Determining demand



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### 3. Estimating costs

Fixed Costs  
(Overhead)

Costs that don't  
vary with sales or  
production levels.

Executive Salaries  
Rent

Variable Costs

Costs that do vary  
directly with the  
level of production.

Raw materials

Total Costs

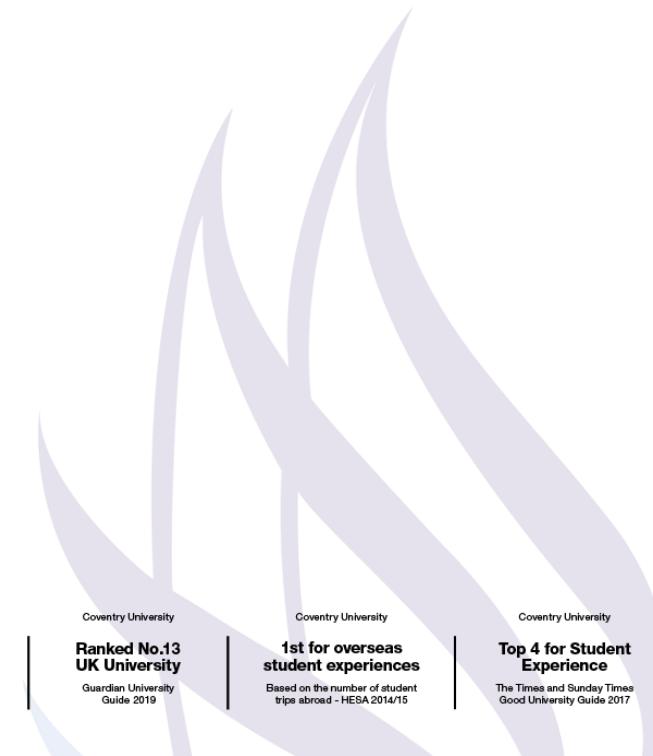
Sum of the Fixed and Variable Costs for a Given  
Level of Production

## 4. The Three C's Model for Price Setting



## 5. Select a pricing method – new product pricing

- Market-penetration pricing
- Market-skimming pricing



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# Market-penetration pricing

- Setting a low price for a new product in order to attract a large number of buyers and a large market share.

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# The conditions:

1. The market is highly price sensitive, and a low price stimulates market growth;
2. Production and distribution costs fall with accumulated production experience;
3. A low price discourages actual and potential competition.

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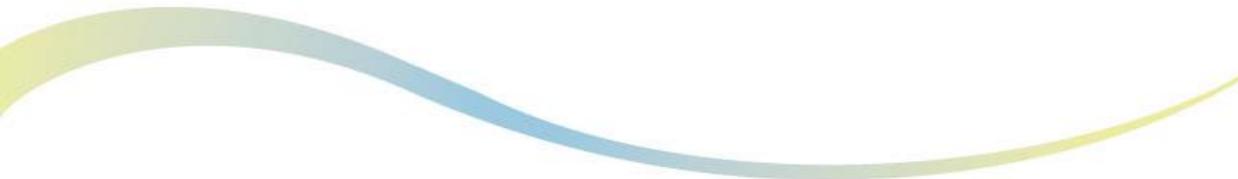
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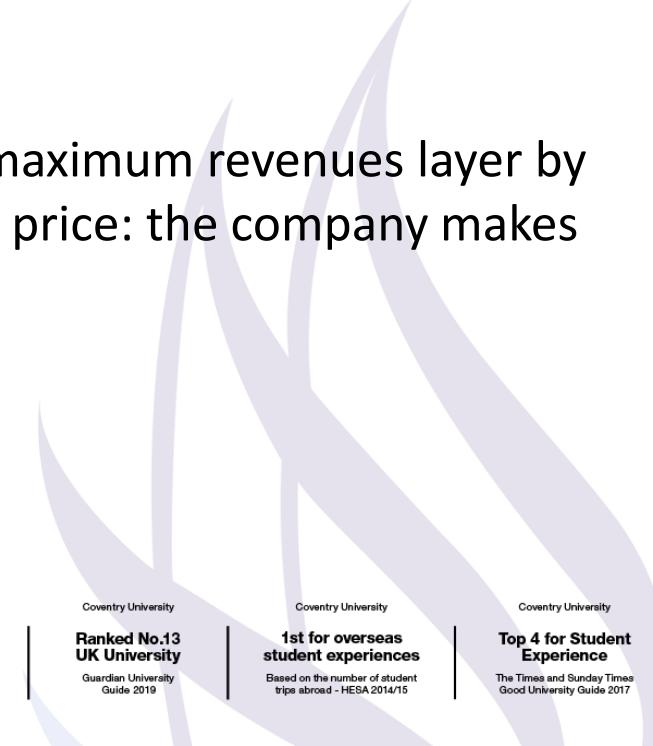
# Market-skimming pricing

- Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price: the company makes fewer but more profitable sales.



# Market-skimming pricing

Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price: the company makes fewer but more profitable sales.



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# The conditions:

1. A sufficient number of buyers have a high current demand;
2. The unit costs of producing a small volume are not so high that they cancel the advantage of charging what the traffic will bear;
3. The high initial price does not attract more competitors to market;
4. The high price communicates the image of a superior product.

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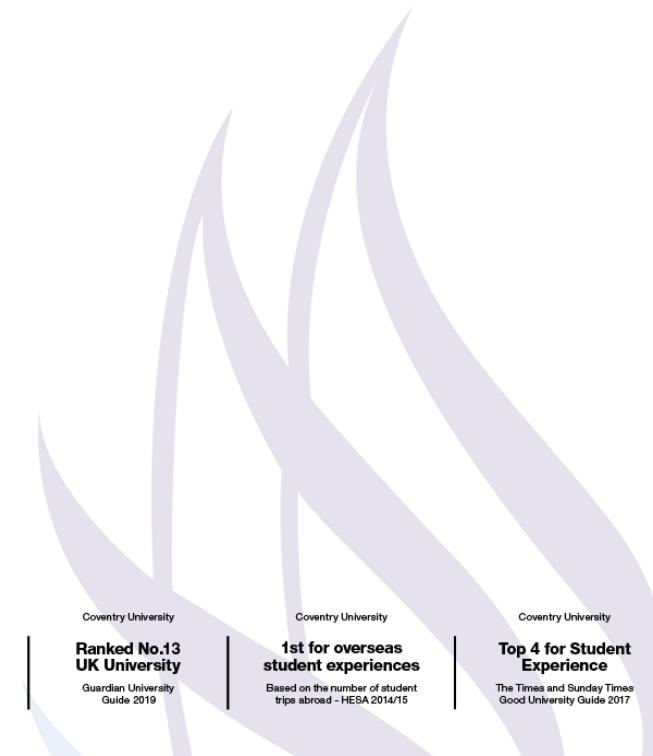
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## 5. Select a pricing method – product mix pricing

- **Product line pricing**
- **Optional-product pricing**
- **Captive-product pricing**



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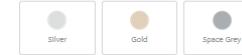
# Product line pricing



## Buy iPad Pro

Order now and get free delivery.

### Finish



### Storage and Connectivity

32GB<sup>1</sup> with Wi-Fi £679.00

128GB<sup>1</sup> with Wi-Fi £799.00

128GB<sup>1</sup> with Wi-Fi + Cellular £899.00

How much storage is right for you?

Wi-Fi or Wi-Fi + Cellular?

From £679

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# Captive Pricing



PROGLIDE®  
STYLER  
★★★★★ (4)



FUSION®  
PROGLIDE®  
MANUAL RAZOR  
BLADES  
★★★★★ (2)



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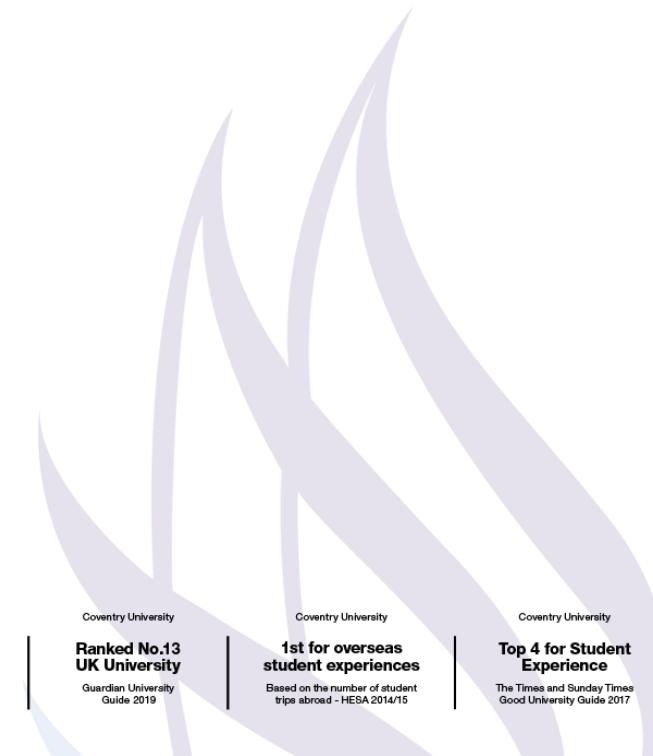
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## 5. Select a pricing method – pricing-adjustment strategies

- Segmented pricing
- Psychological pricing
- Geographical pricing



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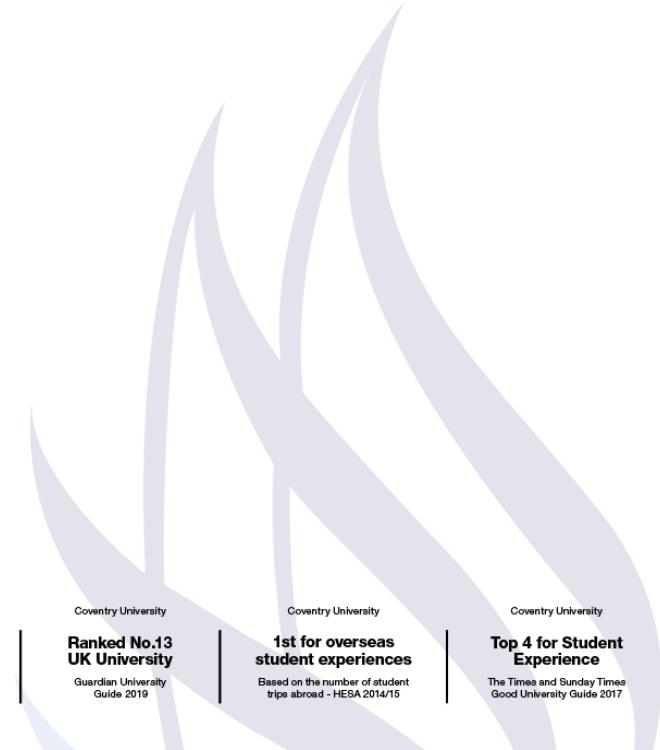
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## 5. Select a pricing method – discount and allowance pricing

- Cash discount
- Quantity discount
- Seasonal discount

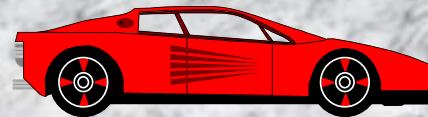


# Discriminatory Pricing

**Customer Segment**



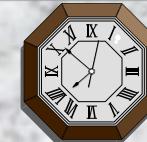
**Product-form**



**Location**



**Time**



## Additional pricing strategies

		Price		
		High	Medium	Low
Product Quality	High	1. Premium strategy	2. High-value strategy	3. Super-value strategy
	Medium	4. Overcharging strategy	5. Medium-value strategy	6. Good-value strategy
	Low	7. Rip-off strategy	8. False economy strategy	9. Economy strategy



A photograph of the Millennium Bridge in London, with St. Paul's Cathedral and the Gherkin building in the background. The bridge is illuminated with blue lights, and the sky is a warm orange and yellow at dusk.

Any questions?