

# 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 policy and pricing strategies.

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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

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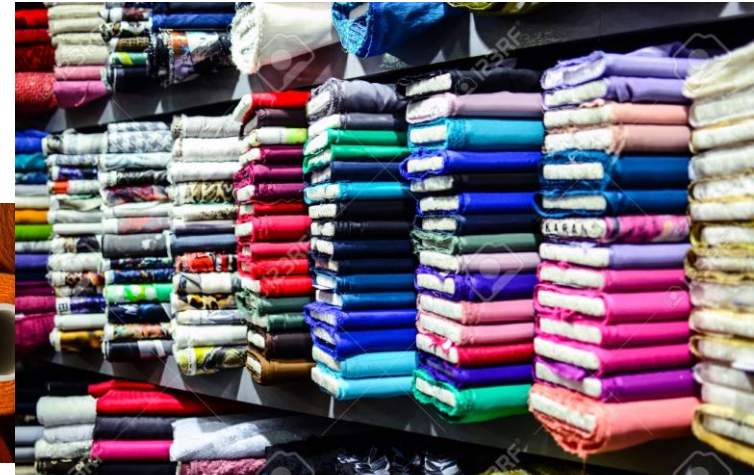
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# Product fundamentals

- 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

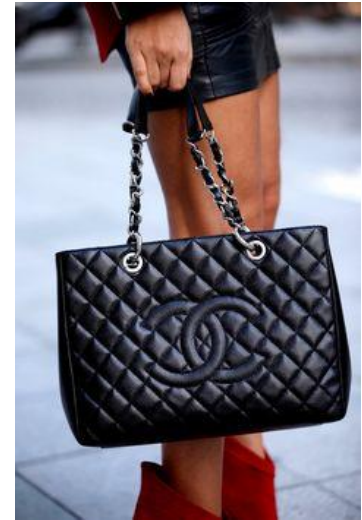
❖ Nondurable goods – products consumers use up relatively quickly. Consumers do not necessarily spend too much time researching these items or making the buying decision.



# Product fundamentals

- Usage time

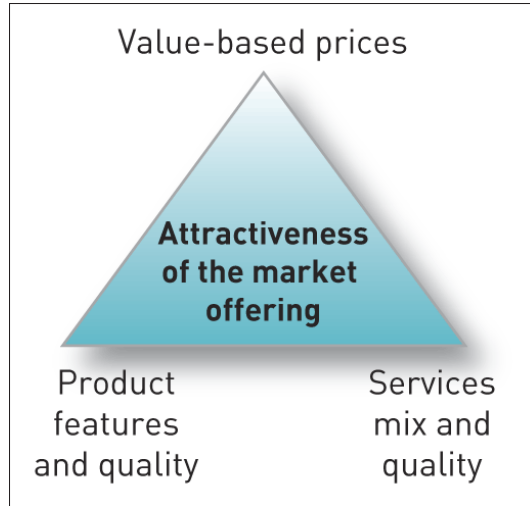
- ❖ Durable goods – products consumers keep and use for a long time (years, even decades) that are not easily used up or do not wear out quickly



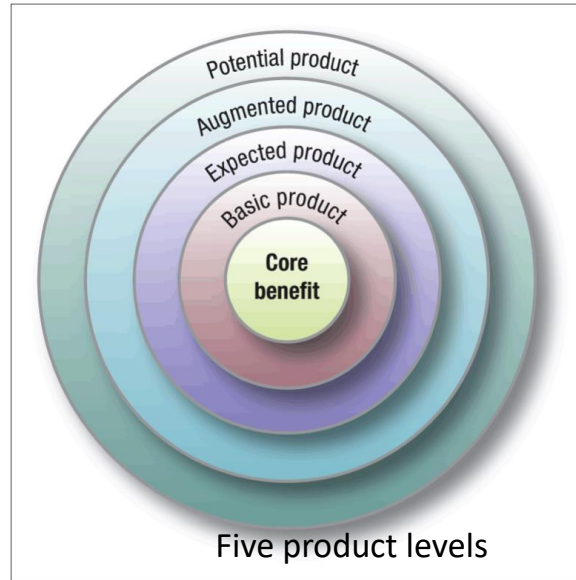


# Product Characteristics

More than just a single tangible offering:



Components of the market offering



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# Product Life-cycles



Typical product life-cycle

# 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

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# 1.Pricing objectives

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

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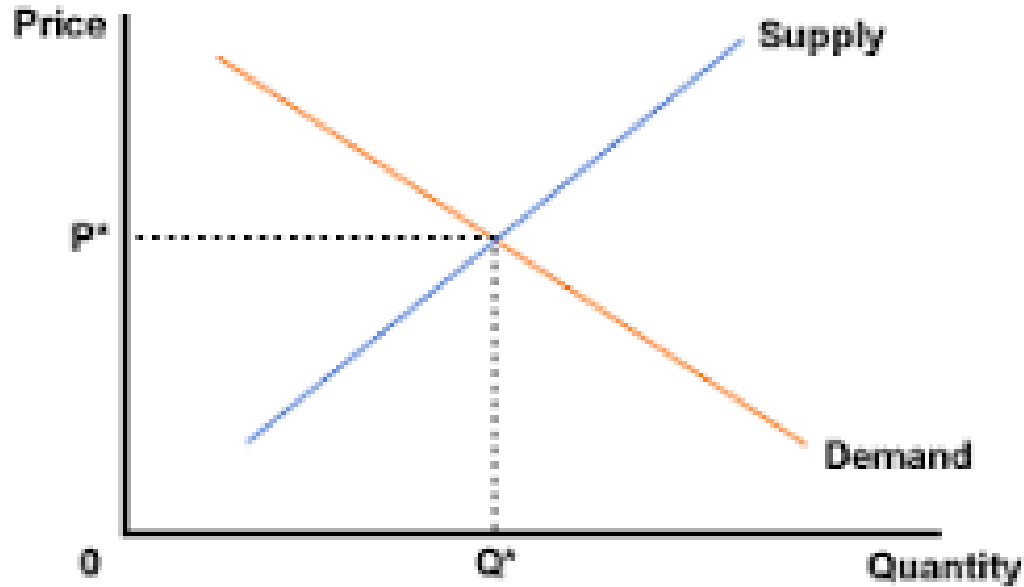
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## 2. Determining demand



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### 3. Estimating costs



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

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

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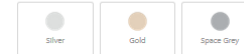
# Product line pricing



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

- Segmented pricing
- Psychological pricing
- Geographical pricing

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

- Cash discount
- Quantity discount
- Seasonal discount

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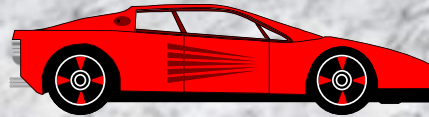
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# Discriminatory Pricing

**Customer Segment**



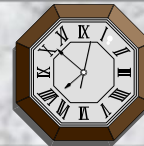
**Product-form**



**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





**Any questions?**