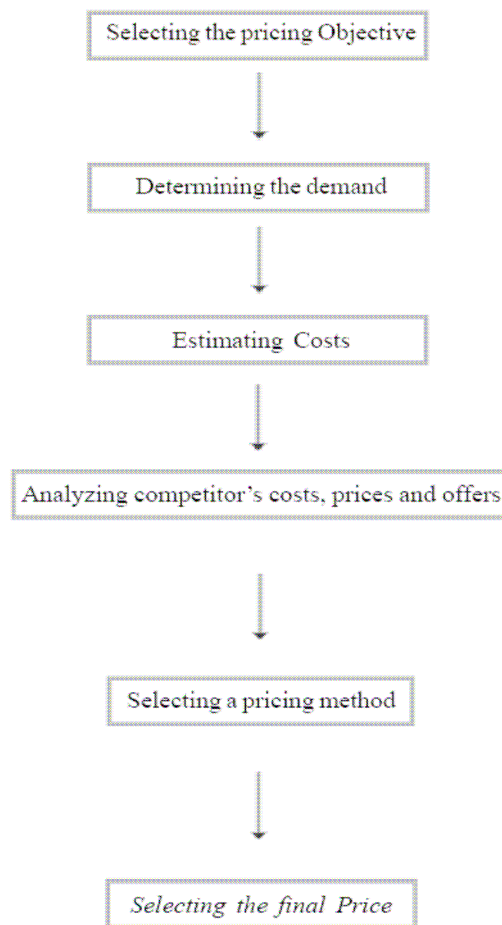

Lesson 9 : Pricing

Lesson Objective(s)

- *To define price*
- *To know the factors that influence pricing decision*

Pricing is vital to business decision-making in markets and price decisions are also important to the government when it wants to control the rate of inflation. Setting the right price is an important part of effective marketing . It is the only part of the marketing mix that generates revenue (product, promotion and place are all about marketing costs).

Steps in setting the price



Factors that Influences Pricing Strategies

- Costs
- Competitors
- Customers
- Business Objectives
 - To maximise profits
 - To achieve a target return on investment
 - To achieve a target sales figure
 - To achieve a target market share
 - To match the competition, rather than lead the market

Methods of pricing

There are three pricing methods that can be employed by a firm:

- Cost Oriented Pricing
- Competitor Oriented Pricing
- Marketing Oriented Pricing

Pricing Strategies

- **For New Products**
 - Market Skimming
 - Market Penetration
- **Alternative Pricing Strategies**
 - Pre-emptive pricing
 - Extinction pricing
 - Geographical pricing
 - Price discounts and allowances
 - Promotional Pricing
 - Discriminatory pricing
 - Product-mix pricing

Summary

Pricing is an important element – as that is how the company gets the revenue. There are basically 2 types of pricing strategies – for new products and for existing products

Learning Outcome(s)

At the end of the lesson, students should be able to:

- *To describe the methods of pricing*
 - *To identify and evaluate the factors influencing the pricing decisions*
 - *To evaluate the different pricing strategies*
-

References:

*Massingham, L. & Lancaster, G. (1999) Essentials of Marketing, Third Edition
McGrawHill. England. Chapter 9 Pgs 238-255*

*Adcock, D., Bradfield, R., Halborg, A. & Ross, C. (1998) Marketing Principles and
Practice, Third Edition. Pitman Publishing. London Chapter 13 Pgs 212-231*

*Kotler, P. (1997) Marketing Management, Analysis, Planning, Implementation and
Control, Ninth Edition. PrenticeHall. USA Chapter 17 Pgs 493-527*

Self test Questions

1. Describe the pricing methods.
2. Evaluate the factors influencing pricing decisions