SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATIONMBA FA –406(C) Optional Paper

SUBJECT NAME: MARKETING SERVICES

UNIT-II

TOPIC NAME-PRICE MIX

PRICE MIX is the value of the product determined by the producers. **Price mix** includes the decisions as to: **Price** level to be adopted; discount to be offered; and, terms of credit to be allowed to customers.

Price —The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.

PRICE MIX is the value of the product determined by the producers. Price mix includes the decisions as to: Price level to be adopted; discount to be offered; and, terms of credit to be allowed to customers.

Your **pricing strategy** should reflect your product's positioning in the market and the resulting price should cover the cost per item and the profit margin. The amount should not project your business as timid or greedy.
Low pricing hinders your business' growth while high pricing kicks you out of the competition.
There are a number of pricing strategies that you can follow. Some strategies may call for complex computation methods and others are intuitive decisions. Select a **pricing strategy** that's based on the product itself, competitive environment, customer demand, and other products that you offer.

Importance of Pricing in Marketing Mix

Most of the time marketers give more importance to activities like market research, **product management**, promotion and distribution. These are considered important aspects of marketing mix. But pricing is also a very important element in the 4 P's of **marketing mix**. This is the only element that generates revenue and supports other activities like product distribution, promotion and advertisement.

Pricing is Flexible. Pricing is the only single variable that is flexible and can be changed within no time. On the other hand, the remaining elements of marketing mix like distribution channels, **promotional campaigns** and can increase the cost.

Importance of Pricing in Marketing Mix -1

Set the right Price. When setting the price keep in mind the strategic objective of the organization. For example, if a marketer set too high or too low in both pricing decisions it can affect the sale growth.

Positioning. When setting a price, it conveys a message to your potential customers about your product and service and creates a perceived value of marketing mix. This perceived value can affect the **consumer decision-making** process. High pricing means high-quality products and services. **Low pricing** products and services indicate that you are a low-cost provider.

Factors Affecting Pricing Strategies

Before discussing pricing strategies, let us discuss what factors to consider when companies setting prices.

Internal Factors Affect Pricing Decisions

Those internal factors affect the pricing consist

- **Cost.** It is the base for the price that can be charged for products and services. When setting the prices, a company should cover both fixed and variable costs.
- **Marketing mix strategy.** price is important marketing mix tool that helps to achieve the marketing objectives. Price decisions coordination product, placement and **promotion decisions** must be coordinated
- **marketing objectives** of your company like your **target market** and positioning strategies
- **Product Life Cycle.** Different **stages of product life cycle** affect the pricing decisions
- **Image of the Firm.** Another factor affects the pricing decision is the image and goodwill of the company.

External Factors Affect Pricing Decision

Competition. When setting the product price, the company must understand the level of competition in the market.

Consumers. When fixing the price keep in mind the consumer purchasing power and price sensitivity.

Economic Conditions. The economic factors include interest rate, inflation and economic boom and recession.

Government Controlled Economy is another factor to be considered.

Different Pricing Strategies

- **Penetration Pricing**
- **Premium Pricing**
- **Economy Pricing**
- **Price Skimming**
- **Psychological Pricing**
- **Bundle Pricing**

Different Pricing Strategies

Penetration Pricing

When companies use **penetration pricing strategies**, the focus is to gain market share. Goods and services are offered at lower prices than its competitors. Marketers want to increase consumer awareness of products and services and influence consumer to let's give it a try. When a company sets lower prices, can damage its profitability, but in the long run they can raise the price after successful market penetration strategy.

Premium Pricing

When a company introduces a **new product** with a competitive advantage, it uses premium pricing strategy. The higher prices appeal competitors to launch products into the market, the supply increases and prices fall.

This pricing strategy is very effective in the initial production life cycle. Those businesses with unique value propositions are recommended to use premium pricing. To make this acceptable to customers, companies are focused to **create value** perception. Besides creating high value product, the marketers must focus on **marketing efforts** to support the premium pricing, it includes product packaging and decoration of stores and stalls.

Economy Pricing

Companies use economy pricing to target price-conscious customers. Mostly it is used by **retailers** and food suppliers. With this strategy, businesses set the price as low as possible by keeping the promotional and marketing cost to the minimum. Due to large sales volume, the low-pricing strategy is very effective for large retail stores like **Tesco**. Small business cannot use this strategy because they don’t sell enough products.

Price Skimming

This pricing strategy help business to increase their sales when introducing new products and services. During the introduction stage of product life cycle, price skimming set high prices. These prices gradually decreasing as competitors introduce the same goods in the market.

Psychological Pricing

Marketers use psychological pricing that influences the buyers to buy products and services based on their emotions rather than logic sense. For example, if a company set the price of a book at $ 99 it is more attractive than at $ 100. Even though $ 1 difference is very small, but consumer perceives $99 as cheaper and attractive.

Bundle Pricing

When businesses set bundle pricing, they sell several products combined into a single package for a lower price. Bundling strategy is a smart way to move those unsold items taking up space. It can also create value perception in customers' mind that they are getting value for their money.

Bundle pricing better works for those companies having complementary product lines. For example, a restaurant can offer a complimentary salad or green tea on a full platter dish. Those video games and movies at the end of their product life cycle are sold with Blu-ray awesome bundle.

When companies develop pricing strategies, select the most appropriate for the goods and services they are offering in the market. Keep in mind stages product life cycle and competitors pricing.

Marketing Mix Pricing Objectives

A company pricing decisions are based on objectives to be attained in the future. Following are some of the pricing objectives.

- **Profit maximization**
- **Profit margin maximization**
- **Sales Growth**
- **Market Share**
- **Survival**