Price

Developing pricing strategies and programs

BPH_MAR1 & BPH_AMA1
Ondřej Částek
castek@econ.muni.cz

What can you expect

1. Price and its consequences
2. Pricing – the process, goals, strategies
3. Initiating and responding to price changes

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Price

Price and its consequences

Price in the marketing mix

Price and strategy

Difficulties of setting the price

Psychological aspects

Influence of technologies

Setting a price

1. Selecting the Pricing Objective
2. Determining Demand
3. Estimating Costs
4. Analyzing Competitors
5. Selecting a Pricing Method
6. Selecting the Final Price

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Setting a price: Objectives

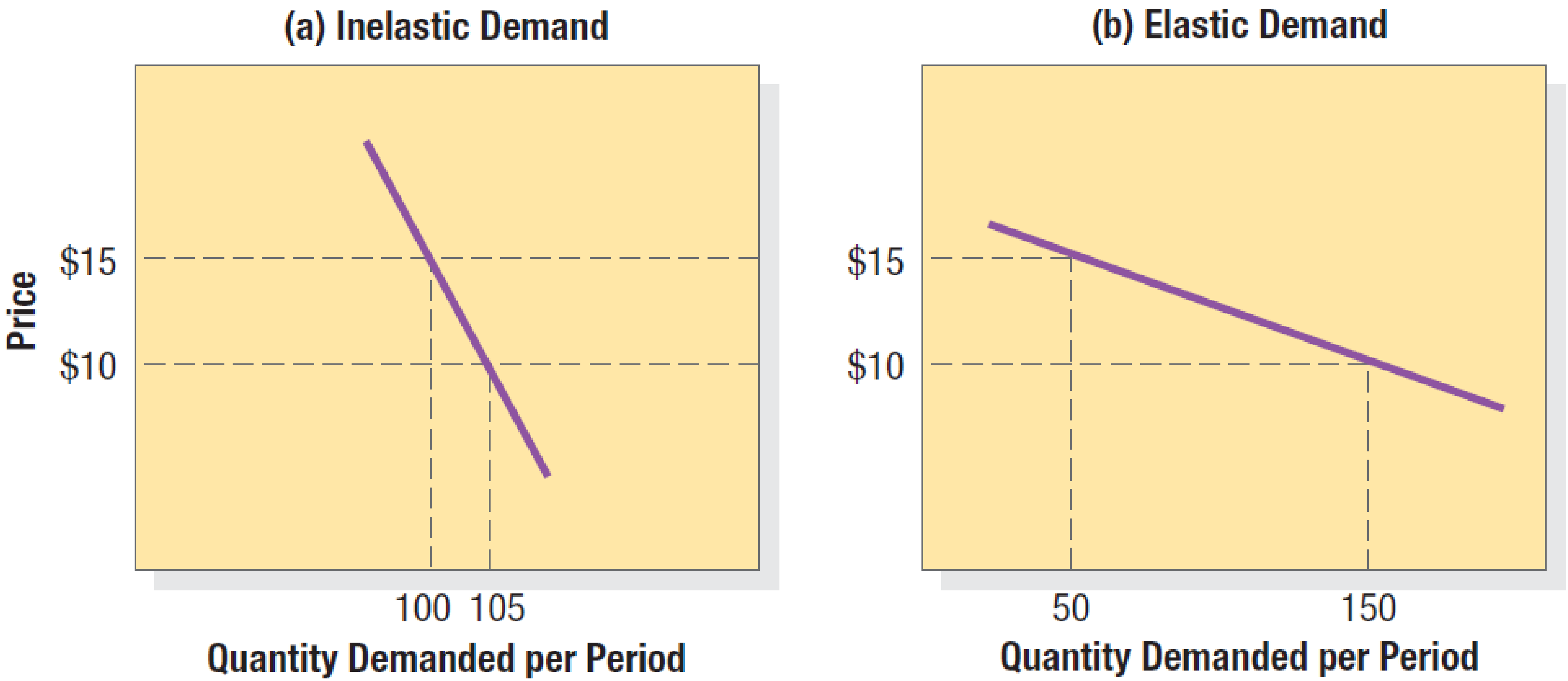
Price has to follow	positioning strategy (objectives)
Major objectives	survival maximum current profit maximum market share maximum market skimming product-quality leadership

Setting a price: Determining Demand

How: past data
surveys (but distorted answers)
price experiments
= a need for statistical analyses

We need to estimate both the position of the demand curve and its curve, e.g. the price elasticity = sensitivity to price changes.

Demand elasticity



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Inelastic demand

TABLE 14.3	Factors Leading to Less Price Sensitivity
•	The product is more distinctive.
•	Buyers are less aware of substitutes.
•	Buyers cannot easily compare the quality of substitutes.
•	The expenditure is a smaller part of the buyer's total income.
•	The expenditure is small compared to the total cost of the end product.
•	Part of the cost is borne by another party.
•	The product is used in conjunction with assets previously bought.
•	The product is assumed to have more quality, prestige, or exclusiveness.
•	Buyers cannot store the product.

Source: Based on information from Thomas T. Nagle, John E. Hogan, and Joseph Zale, *The Strategy and Tactics of Pricing,* 5th ed. (Upper Saddle River, NJ: Prentice Hall, 2011). Printed and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

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Setting a price: Estimating Costs

Fixed (overhead), variable, total, average, marginal, long-term, short-term, learning curve…

Does not have to be met

costs determine price

but can also happen

price determines costs
(target costing)

Setting a price: Analyzing Competitors

Competitors‘ costs, prices, offers

Will the competitor react? How?

Setting a price: Which Method?

Which pricing method to select?

- Markup pricing
- Target-return pricing
- Perceived value pricing
- Value pricing
- Going-rate pricing
- Auction-type pricing

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Setting a price: Which Method?

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Setting a price: the Final Price

How will our customers perceive the price?

Is it in concord with positioning and other elements of the marketing mix?

What will be the impact on other companies on the market?

How about to give it for free?

Setting a price: Adapting the Price

Geographical pricing

Promotional pricing

Price discounts and allowances

Differentiated pricing

Initiating and responding to price changes

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Where to study from

Obligatory:

Chapter 14 Developing Pricing Strategies and Programs in Kotler and Keller, Marketing Management,14th ed. from p. 382.

or

Chapter 16 Developing Pricing Strategies and Programs in Kotler and Keller, Marketing Management,15th ed. from p. 482.

or

Kapitola 14 Příprava cenových strategií a programů v Kotler a Keller, Marketing Management, přeloženo z anj., 14. vyd., 2013, od s. 149. [MAR 543] - *dostupné v Bookportu*

Rozšiřující: Kapitola 9 v Zamazalová a kol., Marketing, 2. vyd., 2010.

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