METHODS OF PRICING

Presented by:
ABINAYA.M & ATSHAYA.P
II-MBA

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PRICING

- Pricing involves setting a specific value or amount that customers must pay to acquire the product or service.
- Pricing strategies can vary widely and may include premium pricing, economy pricing, penetration pricing, skimming pricing, and more.
- The chosen pricing strategy should align with the company's overall business goals and the competitive landscape.

Cost-Plus Pricing:

- This pricing strategy involves adding a predetermined markup or profit margin to the production cost of agricultural products. The markup accounts for costs such as labor, materials, and overhead, ensuring that the producer receives a fair return on their investment.
- Cost-plus pricing is a pricing method used by companies to determine the price of a product or service. It involves setting a price by adding a fixed amount or percentage to the cost of a product or service.

  - **Example: A small artisanal bakery calculates the cost of producing a loaf of bread and adds a fixed percentage as a profit margin to set the selling price.**

Premium Pricing:

- Setting a higher price to position a product or service as being of high quality or luxury.

  - **Example: Organic products-Organic fruits and vegetables often command premium price due to the perception of higher quality and environmentally friendly farming practices.**

Economy Pricing:

- Offering products or services at a low cost to attract price-conscious consumers.

  - **Example: Dmart offers a wide range of everyday products at low prices, appealing to cost-conscious consumers.**

Penetration Pricing:

- Initially setting a low price to gain market share quickly and capture a significant customer base.

Example: When a new coffee shop enters the market, it may offer its coffee at a lower price initially to gain market share and attract customers away from existing competitors.

Skimming Pricing:

Setting an initially high price to maximize profits from early adopters before gradually reducing the price for broader market adoption.

Example: New crop varieties-When a new and improved crop variety is introducded,farmers may initially price the seeds or plants at a premium to recoup research and development costs.As the variety becomes more widespread,prices may gradually decrease.

Psycological Pricing:

Using price points that appeal to consumers' psychology, such as pricing products at rs.9.99 instead of rs.10.

Example: Supermarkets often price items just below a whole number, such as pricing a product at $4.99 instead of $5.00, to make the price appear lower to consumers.

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Bundle Pricing:

Offering multiple products or services together at a lower combined price compared to purchasing them individually.

Example: Fast-food restaurants often offer combo meals, combining a burger, fries, and a drink at a lower price than if each item were purchased separately.

Discount Pricing:

Offering temporary price reductions, discounts, or sales promotions to incentivize immediate purchases.

Example: KFC Wednesday offers.

Dynamic Pricing:

Adjusting prices based on real-time market conditions, demand, and other factors.

Example:Livestock Auctions: Livestock auctions can use dynamic pricing to adjust animal prices based on the number of bidders, the quality of the animals, and other factors influencing demand and supply.

Value-based Pricing:

Setting prices based on the perceived value of the product or service to the customer.

Example: Specialty Coffee: High-quality coffee beans grown in specific regions and under unique conditions are priced based on their distinctive flavors and the experience they offer to coffee enthusiasts.

Competitive Pricing:

Pricing products or services in line with or slightly below the prices of competitors in the same market.

Example: Conventional Crop Prices: Farmers growing commodity crops like wheat or corn often price their products competitively based on market rates and local competition.

Freemium Pricing:

Offering a basic version of a product or service for free and charging for premium features or enhancements.

Example: Pest and Disease Monitoring: Companies may offer free apps or services for monitoring pest and disease outbreaks in a region, with premium services that provide more detailed data and proactive management recommendations.

Subscription Pricing:

Charging customers a recurring fee for continuous access to a product or service .

Example:Seed Subscription Services: Companies offer farmers subscription-based access to a variety of seeds. Subscribers receive a regular supply of seeds tailored to their planting schedules or preferences.

Geographic Pricing:

Adjusting prices based on the location or region, considering factors like shipping costs and local market conditions.

Example: Local vs. International Market Prices: Agricultural commodities such as coffee or cocoa beans often have different prices in local markets compared to international markets, influenced by various factors including export/import costs and global demand.

Other Pricing:

- **Price Discrimination:** Charging different prices to different customer segments based on their willingness to pay or other factors (e.g., student discounts, senior discounts).
- **Custom Pricing:** Tailoring prices based on specific customer needs, buying history, or individual negotiations.
- **Razor-and-Blades Pricing:** Selling a core product at a low price and making profits from related consumables or accessories (e.g., printer and ink cartridges).
- **Predatory Pricing:** Setting extremely low prices to eliminate competitors or discourage new entrants in the market.

Summary…

- In agricultural marketing, various pricing strategies and mechanisms are employed to determine the prices of agricultural products. These pricing strategies are designed to account for the unique characteristics of the agricultural industry, including the seasonality of production, perishability of products, and dependence on factors like weather and government policies.

THANK YOU

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