SNS B-SPINE

Coimbatore-35
An Autonomous Institution

DEPARTMENT OF MANAGEMENT STUDIES

23BAT607 – MARKETING MANAGEMENT

I YEAR I SEM

UNIT 4 – PRODUCT MANAGEMENT AND PRICING

TOPIC 6 – Methods of Pricing

General Pricing Approaches

Cost Based Pricing

Cost-Plus Pricing

Cost-plus pricing involves adding a markup or profit margin to the total cost of producing a product to determine its selling price.

Cost Based Pricing

Break-Even Pricing

Break-even pricing involves setting the price at a level that covers both fixed and variable costs, resulting in zero profit.

Cost Based Pricing

Target Profit Pricing

Target profit pricing involves setting a price that allows the business to achieve a specific target level of profit.

Value Based Pricing

Value Pricing

Value pricing is based on the perceived value of a product or service to the customer. Prices are set to match the customer's perceived benefits and willingness to pay, rather than solely on production costs.

Value Based Pricing

Value-Added Pricing

Value-added pricing involves incorporating additional features or services to enhance the perceived value of a product, justifying a higher price.

Value Based Pricing

Competition Based Pricing

Competition-based pricing involves setting prices based on competitor pricing and market conditions. Prices may be set at par, below, or above competitors' prices.

New Product Pricing Strategies

Market Penetration

Market penetration pricing involves setting a lower price for a new product to quickly gain market share and attract price-sensitive customers.

New Product Pricing Strategies

Market Skimming

Market skimming involves initially setting a high price for a new product with unique features or innovations to target early adopters willing to pay a premium.

Product Mix Pricing

Product Line Pricing

Product line pricing involves setting different prices for products within a product line based on their features, quality, or target market.

Product Mix Pricing

Optional Product Pricing

Optional product pricing involves offering optional accessories or add-ons at an additional cost to increase revenue.

Product Mix Pricing

Captive Product Pricing

Captive product pricing involves setting a low price for the main product and charging a higher price for related products or services.

Product Mix Pricing

By-Product Pricing

By-product pricing involves setting prices for by-products generated during the production process to recover costs.

Product Mix Pricing

Product Bundle Pricing

Product bundle pricing involves offering multiple products or services together as a package at a discounted price compared to purchasing each item separately.

Pricing Adjusting Strategies

Discount and Allowance Pricing:

Discount and allowance pricing involve reducing the regular selling price to encourage customer purchases. Discounts can be offered as seasonal promotions or to specific customer segments.

Pricing Adjusting Strategies

Segmented pricing

It involves charging different prices to different customer groups based on their willingness to pay or purchasing power.

Pricing Adjusting Strategies

Psychological pricing:

Psychological pricing leverages customers' psychological perceptions and behavior to set prices, using techniques like charm pricing (e.g., $9.99) or prestige pricing for luxury items.

Pricing Adjusting Strategies

Promotional pricing:

Promotional pricing involves temporarily lowering prices to boost sales or attract customers during specific periods or events.

Pricing Adjusting Strategies

Geographical Pricing

Geographical pricing involves adjusting prices based on the location of customers, considering factors like shipping costs, taxes, and regional demand.