# MARKETING MANAGEMENT AND STRATEGY

## WEEK 7
## PRICING STRATEGIES

**DR KAMAU JOHN NJAU**

**SPRING 2024**

## WEEK 7
## PRICING STRATEGIES

### 7.1 Introduction

Welcome to week seven lecture! It is my joy to have you in this class. In the last lecture we began examining marketing management strategies around the great theory of marketing the four Ps. We did the first element product and branding and now we are ready to evaluate the second element, which is price. We will define price, its significance as well as examine price methods and strategies.

### 7.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Define price.
2. Explain the significance of price.
3. Describe steps in setting pricing policy.
4. Discuss price adaption strategies.
5. Discuss the process of initiating price changes.

### Quotes on pricing

I found these quotes on pricing from black curve.com very insightful.

1. “The single most important decision in evaluating a business is pricing power... If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you’ve got a terrible business.”– Warren Buffett, American business magnate ["Top 40 Buffet-isms: Inspiration to become a better investor", 2013, Forbes].
2. “Perhaps the reason price is all your customers care about is because you haven’t given them anything else to care about.”– Seth Godin, bestselling author and marketing guru [All Marketers Are Liars, 2005].
3. “You know you’re priced right when your customers complain—but buy anyway.” – John Harrison [Pricing News Daily, 2014].
4. “You can determine the strength of a business over time by the amount of agony they go through in raising prices.”– Warren Buffett. ["Top 40 Buffet-isms: Inspiration to become a better investor", 2013, Forbes].
5. “Pricing is actually a pretty simple and straight forward thing. Customers will not pay literally a penny more than the true value of the product.”– Ron Johnson, the former chief executive officer of J. C. Penney [New York Time, 2013].
6. “Product pricing is aligned to the way customers want to acquire their solutions and are delivered via different delivery models including appliances, the cloud, or as on-premise software solutions.”– N.Robert Hammer,  Chairman, President, and CEO of CommVault Systems since 1998 [Harvard Business Review, 2012].

7. "Price is what you pay. Value is what you get."– Warren Buffet. ["Top ten Warren Buffet Deal Making", Bloomberg, 2012].
8. "Pricing is the exchange rate you put on all the tangible and intangible aspects of your business. Value for cash."– Patrick Campbell [Two Reasons Why Pricing is the Most Important Aspect of Your Business. 2012, Price Intelligently].
9. "With the price of life these days, you've got to get everything for free you can."– Carl Rogers [Pricing News Daily, 2013].
10. "What I 'charge' today has nothing to do with yesterday or tomorrow. It has to do with 'now'!"– David Wayne Wilson [Pricing News Daily, 2014].

**7.3 What is price?**

Price is the value (usually measured in monetary terms) at which the seller agrees to sell a product and service to the buyer and the value to which the buyer agrees to pay (Ali, 2021). It is one of the most critical decisions that has a direct and substantial effect on the profitability of the firm. Fill and McKee (2011) note that price of one product can influence other products in the mix or line and is viewed by customers as shorthand for quality, value, and market position. Price is the amount of money charged for a product or service or sum of the values that consumers exchange for the benefits of having or using the product or service (Kotler and Armstrong, 2006). Morden (1993) observes that price is a value, or sum of money, at which a supplier of a product or service, and a buyer agree to carry out an exchange transaction.

The prices at which such exchange transactions take place may be either:

- Fixed to the buyer. the customer either agrees to the price or does not undertake the purchase.
- Negotiable. the supplier and customer bargain together until they arrive at a mutually agreed price at which transaction can take place.

Price comes under various names. For example, interest for a bank loan (money), tuition fees for university or college education services, consultation fee for doctor's service, fare for use of public transport services, rent for the use of a house etc. In socially undesirable situations there is price called "chai" (bribe in Kenya) or ransom.

**7.4 Significance of price**

- Price is the only element in the marketing mix that produces revenue, as all the other elements produce costs.
- Price is also one of the most flexible elements of the marketing mix, in that it can be changed quickly, unlike product features, promotion and distribution channels. Thus, it can be used as a competitive tool.
- Price also has a psychological impact on consumers in that it is perceived to go hand in hand with value and quality. It can be used symbolically.

- Profitability: Pricing influences profit margins. Marketers need to set prices that cover production costs while ensuring profitability.
- Perceived Value: Price communicates a product's perceived value to consumers. Higher prices may signal higher quality, while lower prices may suggest affordability.
- Market Positioning: Pricing strategy helps position a product in the market. Premium pricing positions a product as exclusive, while discount pricing appeals to budget-conscious consumers.
- Demand Management: Prices affect demand. Marketers adjust prices to stimulate demand during slow periods or manage excess demand during peak seasons.
- Competitive Advantage: Pricing can be a competitive advantage. Marketers analyze competitors' pricing strategies to differentiate their offerings and attract customers.
- Brand Image: Pricing influences brand perception. Consistently high prices can enhance brand image, while inconsistent pricing may undermine brand trust.

Overall, pricing is a strategic tool for marketers to achieve business objectives, influence consumer behavior, and maintain competitiveness in the market.

**7.5 Pricing in digital world**

The process of setting prices has always been in negotiation between buyers and sellers. However, at the end of 19th century the so called strictly one price policy begun to take shape in the United States. In the digital era price discrimination has become a significant reality affecting how purchases are made. Kotler and Kelly (2016) make the following observation about buyers' ability in digital era.

- Buyers can get instant price comparisons from thousands of vendors. Customers can compare the prices offered by multiple sellers even with the help of software.
- Buyers can check the price at point of purchase: customers can use smart phone to make price comparisons at retail stores, and pressure the seller to match or better the price.
- Buyers can name the price, and have it met this is done by putting the price online and asking those who could be willing to supply at the same.
- Buyers can get products free: many software firms are coming up with free products, forcing the prices downward e.g. the music and film industry.
- Sellers can Monitor customer behavior and tailor offers to individuals. This is especially important for business-to-business marketers who are using data analytics.
- Sellers can give certain customers access to special prices.
- Both buyers and sellers can negotiate prices in online auctions and exchanges or even in person.

The concept of sharing economy is also taking shape among the millennials. As Tonio Geron (2013) noted " we are moving from a world where we are organized around ownership to one organized around access to assets. One can be both the producer and consumer reaping the benefits of both

roles. Trust and a good reputation are key ingredients of this economy. The two pillars of this economy are bartering and renting.

**7.6 Setting the price of a new product/pricing policy.**

Setting the price of a new product is influenced by many factors such as the firms' objectives, costs, demand, competition, intermediaries, and government regulations among others. The process of setting prices involves six main steps (Kotler and Kelly, 2016). These include.

1. Selecting the pricing objective.
2. Determining demand.
3. Estimating costs.
4. Analyzing competitor's costs, prices, and offers.
5. Selecting a pricing method.
6. Selecting the final price.

Each of these steps is discussed briefly.

*Step 1: Selecting the pricing objective.* The clearer a firm's objectives, the easier it is to set price. The company can pursue any of the five major objectives through pricing: survival, maximum current profit, maximum market share, maximum market skimming and product quality leadership. Each is described in table 7.1.

**Table 7.1 Pricing Objectives**

| Objective | Explanation |
|---|---|
| Survival | Companies pursue this objective if they are experiencing over capacity, intense competition or changing consumer wants. the price set covers the variable costs and some fixed costs to make firm survive. It is a short run objective. |
| Maximum current profits | The firm estimate the demand and costs associated with alternative prices and choose the price that produces maximum current profit |
| Maximum market share | Market penetration pricing where the firm sets very low prices hoping that higher sales volume will lead to lower unit costs and higher long run profit. |
| Maximum market skimming | The company starts with very high prices, targeting up-market consumers and then reduces the price to attract the next layer of price sensitive customers. |
| Product quality leadership | This involves setting very high price than competitors. The product must however be of very high quality |

*Source: Adopted from Kotler and Kelly (2016)*

NB- Whatever the specific objective, businesses that use price as a strategic tool will profit more than those who simply let cost or the market determine their pricing.

*Step 2: Determining demand:* Product demand refers to the quantity of a particular product or service that consumers are willing and able to purchase at a given price and within a specific time. It represents the desire or need for a product within the market. Demand can be influenced by various factors including price, consumer preferences, income levels, advertising, and overall market conditions. Each price will lead to a different level of demand. The first step in estimating demand is to understand what affects price sensitivity. Generally, consumers are most price sensitive to products that cost a lot or are bought frequently. They are less price sensitive to low-cost items or items they buy infrequently. They are also less price sensitive when price is only a small part of the total cost of obtaining, operating, and serving the product over its lifetime. A seller can charge a higher price than competitors and still get the business if the company can convince the customers that it offers the lower cost of ownership. Firms prefer to deal with customers who are less price sensitive.

Methods of estimating demand curves

i) Statistical analysis: Statistically analyzing past price, quantities sold and other factors to estimate their relationships. Building a model and fitting the data with proper statistical techniques will require a lot of expertise.
ii) Conducting price experiments: Systematically varying the price of several products in supermarkets and seeing the results. Charge different prices in similar territories to see how sales are affected.
iii) Surveys: Asking buyers to state how many units they would buy at different proposed prices.

*Step 3: Estimating cost:* Demand sets determine the price ceiling that the seller can charge while costs determine the price floor. A price ceiling is a maximum price set above which the price of a particular good or service cannot rise. The intention behind a price ceiling is typically to make goods and services more affordable, especially for consumers who may struggle to afford them at market prices. A price floor is a minimum price set below which the price of a particular good or service cannot fall. The purpose of a price floor is often to ensure that producers receive a certain level of income for their goods or services, particularly in industries where producers may otherwise struggle to cover their costs. Companies want to set prices that can cover their costs of production, distribution and selling the product, and a fair return for their effort and risk.

*Step 4: Analyzing Competitors costs, prices, and offers:* Within the possible prices determined by market demand and company costs, the company should take the competitor's cost, prices, and possible price reactions into consideration. The firm should first take the nearest competitor's price in doing this analysis. If the firm's offers contain positive differentiation not offered by the competitor, their value should be calculated and added into the competitor's price. If the competitor's offer contains features not offered by the firm, their value should be determined and subtracted from the firm's price. It is after this that the firm can decide to charge more, the same or less than the competitor. However, it is important to realize that competitors can change their prices in reaction to the price set by the company.

*5. Selecting a pricing method:* In setting the price the firm considers will consider customer demand, costs, and competitor's prices. Cost sets the floor to the price., Competitors' prices and prices of substitute products provide an orienting price while Customer's demand sets the ceiling price. Companies select a pricing method that includes one or more of these considerations. Table 7.2 is a summary of pricing methods that a firm can choose from

**Table 7.2 Pricing Methods**

| **Pricing method** | **Explanation** | **Advantage** | **Limitation** |
|---|---|---|---|
| Markup pricing. | This involves adding a standard mark up to the product costs. Used by Lawyers and accountants. | Sellers can determine cost much more easily than they can estimate demand. Fairer to buyers and sellers | It ignores current demand, perceived value, and competition. |
| Target return pricing. | The firm determines the pricing that would yield its target rate of return on investment (ROI). | It is used by firms that are looking for a fair return on investment. | Estimated sales may not be reached.<br>It ignores the effects of competitor prices |
| Perceived value pricing. | Perceive value is made of buyer's image of the product performance, the channel deliverables, the warranty quality, customer support the suppliers' reputation, trustworthiness, and esteem | The firm sets a standard price and premium price for customer who desires other extra services | buyers may suspect that the company is exaggerating its product quality and services. |
| Value pricing. | This is winning loyal customers by charging a low price for a high-quality offering. | Enables firm to reengineer its operations | Consumers may have no time and patience for watching supermarket specials and clipping coupon |
| Going rate pricing. | the firm bases its prices largely on competitor's prices. | Reflect the industry's collective wisdom. | May not address cost issues effectively |
| Auction type pricing. | (i) Ascending bids – one seller and many bids.<br>(ii) Descending bids- one buyer and many sellers.<br>(iii) Sealed bids: Would be suppliers submit only one bid and cannot know the other bids. | Popular in competitive environment | The price may not reflect true value of the item |
| Group pricing | This occurs where consumers and business buyers join groups to buy at lower price. | Popular in supplies of agricultural products | Forces the seller to yield to buyers pressure |

Source: adopted from Kotler and Kelly (2016)

*6.Selecting the final price*: Pricing methods narrow the range from which the company must select its final price. In selecting that price, the company must consider additional factors like:

- Psychological pricing: Psychological pricing is a marketing strategy that involves setting prices at certain levels to influence consumer perception and behavior. It leverages the psychological tendencies of consumers to perceive prices as more attractive or affordable when they are presented in certain ways. Psychological pricing may take the form of:
    a) Price quality association: Many consumers use price as an indicator of quality. The marketer's price their products to indicate quality. Examples of products that use psychological price are perfumes and expensive cars.
    b) Reference pricing: Buyers carry in their minds a reference price formed by noting currents prices, past prices or buying context. Sellers often manipulate these reference prices e.g., a seller can situate its products among expensive products to imply that it belongs in the same class. Reference price thinking is also created by stating a high manufacturer's suggested price or by indicating that the product was priced much higher originally or by pointing to a competitor's high price.
    c) Odd pricing: Many sellers believe that prices should end in an odd number. Adding odd endings also convey the notion of discount or bargain. However, if the company wants a high price image it should avoid the odd pricing tactic.
    d) Attractiveness of number: Psychologists believe that some numbers are more attractive than others. For example, symmetrical eight is more attractive physically than seven with harsh edges and points. Therefore, a price of 88 may be more attractive than 77.
- Gain and risk sharing pricing: Buyers may resist accepting a product/offer because of a high-perceived level of risk. To encourage product acceptance the seller can agree to absorb part or all the risk if the product does not deliver the full promised value.
- The influence of other marketing mix elements: The final price must consider the brands quality and advertising relative to competition. The price to charge is determined by product, promotion, and distribution.
- Company pricing policy: The price must be consistent with company pricing policies. Companies also establish pricing penalties under certain circumstances. For example, Banks charges fees for too many withdrawals in a month. These policies are often justifiable. However, they must be used judiciously so as not to alienate customers.
- Impact of price on others: Management must consider the reaction of other parties to the contemplated price. The management must consider the effect of price on distributors, dealers, competitors, suppliers, and the government.

**7.7 Pricing strategies/ adapting the price.**

Pricing strategies implies the way the marketer adapts prices to various customer in various regions or segments. Pricing strategies are the methods and processes companies use to determine what they will charge for their products and services. They indicate how brands, markets and customers are evaluated. These strategies depend on the industry and the unique goals of the company.

Effective pricing strategies help build trust with customers and achieve a company's financial goals Indeed Editorial Team (2022). A pricing strategy is an approach that included in marketing strategy which used by businesses to determine the optimal price of a product or service. Kotler and Kelly (2016) note that companies usually do not set a single price, but rather prices that reflect variations in geographical demand and costs, market segment requirements, purchase timing, order levels, delivery frequency, guarantees, service contracts and other factors. The main price adaptation strategies include geographical pricing, price discounts and allowances, promotional pricing., discriminatory pricing, product mix pricing. Each of these is discussed briefly.

(i) *Geographical pricing*: This involves the company deciding how to price its products to different customers in different locations and countries. For example, should the company charge higher prices to distant customers to cover the higher shipping costs or a lower price to win additional business? In geographical pricing the question of how the firm is to be paid is critical. The firm may be paid through cash or through the practice of countertrade. Countertrade refers to international trade transactions in which goods or services are exchanged for other goods or services, rather than for currency. It's a way for businesses in different countries to overcome barriers such as currency restrictions, lack of hard currency, or political considerations. This practice allows companies to expand their markets and access goods or services they might not otherwise be able to obtain through conventional currency-based transactions. Countertrade can take various forms, including barter, offset agreements, buyback arrangements, and switch trading (Argawala, 1991).

- Barter. The buyer and seller directly exchange goods with no money and no third party involved.
- Off-set agreements: the seller receives full payment in cash for a sale overseas but agrees to spend a substantial amount of money in that country within a stated time.
- Buyback arrangements: the seller sells a plant, equipment, or technology to a company in another country and agrees to accept a partial payment product manufactured with the supplied equipment.
- Compensation deal: the seller receives some percentage of the payment in cash and the rest in products.
- Switch trading: Switch trading is a form of countertrade where a third party, known as a switch trader, facilitates the exchange of goods or services between two other parties engaged in international trade.

*(ii) Price discount and allowances:* Companies adjust their list price and give discounts and allowances for early payment, volume purchases, and off-season buying. Companies must do this carefully. Discounts should be offered for consumers who have low incomes. People with higher incomes and higher product involvement pay more for features, customer service, quality, added convenience and the brand name. Therefore, it can be a mistake for a strong, distinctive brand to plunge into price discounting to respond to low price attacks. Various forms of discount include the following:

- Quantity discount: a price reduction to those who buy large volumes.

- Functional discount: trade discount offered by manufacturer to trade channel members if they perform certain functions such as selling, storing and record keeping.
- Seasonal discount: a price reduction to those who buy merchandise or services out of the season.
- Allowance: an extra payment designed to get reseller participation in special programs eg trade-in allowance

iii) *Promotional pricing*: Promotional pricing is a marketing strategy where goods or services are temporarily offered at a discounted price or with other promotional incentives to stimulate sales and attract customers. The goal of promotional pricing is to increase short-term sales volume, generate excitement or urgency among customers, and enhance brand awareness. Companies can use any of the following pricing techniques to encourage early purchase:

- Loss leader pricing: This involves dropping prices on well-known brands to stimulate additional store traffic. This is mainly done by supermarkets. This pays if the revenue on the additional sales compensates for the lower margins on the loss leader items. Manufacturers of loss leader brands typically object because this practice can dilute the brand image.
- Special event pricing: This is establishing special prices in certain seasons to draw in more customers. E.g., back to school prices.
- Cash rebates/refund: Some companies offer customers' cash rebates to encourage purchase of the manufacturer's products within a specified time. Rebates can help clear inventories with cutting the stated list price.
- Low interest financing: Instead of cutting its price, the company can offer customers low interest financing. E.g., Automakers announce no interest financing to attract customers.
- Longer payment term: Sellers, especially mortgage banks and auto companies, stretch loans over longer periods and thus lower the monthly payments. Consumers often worry less about the cost i.e., the interest of a loan and more about whether they can afford the monthly payment.
- Warranties and service contracts: Companies can promote sales by adding a free or low-cost warranty or service contract.
- Psychological discounting: This involves setting an artificially high price and then offering the product at great savings e.g., "was Ksh 399, now Ksh 299".

iv) *Discriminatory pricing*: Price discrimination occurs when a company sells a product or service at two or more prices that do not reflect a proportional difference in costs. This may take different forms such as:

- Image pricing. Packaging and naming the same product differently and charging different prices e.g., perfumes and beer.
- Channel pricing. Having different prices depending on where the product is bought e.g., for sodas whether it is in a fine hotel, a fast-food hotel, or a vending machine.
- Location pricing. A theater varies its prices according to audience preferences for different locations.

- Time pricing. Prices are varied by season, day, or hour. Public utilities vary entry rates to commercial users by time of day and weekend versus weekday. Transport companies have off peak and peak rates.
- Customer segment pricing: different customer groups pay different prices for the same product or service.
- Product form pricing: different versions of the product are priced differently but not in proportion to their costs.

v) Product mix pricing: Companies charge different prices for different products in the mix. Companies look for a price that maximizes profits on the total mix. Pricing is difficult because different products have different costs. There are six situations regarding product mix pricing:

- Product Line pricing: sellers use well established price points for products in their line.
- Optional features pricing: Many companies offer optional products, features and services along with their main products e.g., extended warranty. This pricing is a sticky problem, because companies must decide which items to include in the standard price and which to offer as options.
- Captive product pricing: This involves setting a low price for the products but having high mark ups for other products or service that accompanies the product. For example, manufacturers of cameras used to set low prices for cameras but higher prices for the film or cheap vehicles and expensive parts.
- Two Part pricing: Service firms engage in two-part pricing consisting of fixed fee plus a variable usage fee. For example, Tel users pay a minimum monthly fee plus charges for calls beyond a certain area.
- By- product pricing: The production of certain goods like meat, petroleum products and other chemicals often results in by-products. They should be priced at their value if they are of value to consumers. Income earned from by-products makes it easier for the company to charge lower price on the main product. They provide additional revenue to the firm.
- Product bundling pricing: Sellers often bundle products. Pure bundling occurs when a firm only offers its products as a bundle. Mixed bundling occurs when the seller offers goods both separately and in bundles. When offering a mixed bundle, the seller normally charges less for the bundle than if the items were purchased separately. This induces customers to buy in bundle.

**7.8 Initiating price changes**

Certain circumstances may force a marketer to initiate price changes. These may include price cuts and price increases.

i) Initiating price cuts: Companies cut prices because of the following reasons:

- Excess plant capacity- The company needs additional business and cannot be able to generate it through increased sales effort, product improvement or other ways.
- Declining market share.

- Drive to dominate the market through lower costs.

Weaknesses of price cuts (traps)

- Low quality trap- consumers will assume that quality is low.
- Fragile market share trap- A low price buys market share but not market loyalty. The same customers will shift to lower priced products when they appear.
- Shallow pocket trap- Competitors may decide to also lower prices and they may have longer staying power because of large (huge) cash reserves.

ii) Initiating price increases: A successful price increase can increase profits considerably assuming sales volume does not change, and costs also remain constant. Reasons for price increases include:

- Cost inflation as result of increase in costs.
- Over demand- when the company cannot supply all its customers, it can raise its prices, ration supplies to customers or both.

The company needs to decide whether to raise its price sharply on a one-to-one time basis or to raise it by small amounts several times. Generally, consumers prefer small price increases on a regular basis to sudden sharp increases. Any price increase must have a sense of fairness surrounding it. Customers must be given advance notice of price increase. Sharp price increases must be explained in understandable terms. Making low visibility price moves is a good way of increasing prices. Examples include eliminating discounts, increasing minimum order amounts, and reducing the production of low margin products. Others are having escalator clauses in contracts or bids for long term projects. The clauses could be based on increases in recognized national price indexes.

Companies can also respond to higher costs or over demand without raising prices. The following are the ways:

- Shrinking the amount of the product instead of raising the price. That is, trimming the size of the product and maintaining the price.
- Substituting less expensive materials or ingredients.
- Reducing or removing product features.
- Removing or reducing product services, such as installation or free delivery.
- Using less expensive packaging material or larger package sizes.
- Reducing the number of sizes and models offered.
- Creating new economy brands.

Price increasing methods

a. Delayed quotation pricing: Quoting the price of the product when it is ready. The company does not set a final price until the product is finished or delivered. This practice is prevalent in industries with long product lead times such as industrial construction and major equipment.

b. Escalator clauses.: This requires the customer to pay today's current prices and all or part of any inflation increase that takes place before delivery. Escalator clauses base their price increase on some specified price index. Escalator clauses are found in industrial projects, like aircraft and bridge building.
c. Unbundling: The company maintains its price but removes or prices separately, one or more elements that were part of the former offer such as free delivery or installation.
d. Deduction of discounts: The company instructs its sales force not to offer price discounts.

**7. 9 Review Questions**

1. How do Warren Buffett's quotes emphasize the critical role of pricing power in determining a business's strength and profitability? Discuss how pricing power can be an indicator of a company's competitive advantage.
2. Evaluate the significance of pricing as the only revenue-generating element in the marketing mix, and its flexibility as a competitive tool. How does pricing influence consumer perception of quality and value?
3. In what ways has the digital era transformed pricing strategies, particularly with regards to price discrimination, instant price comparisons, and personalized pricing? Discuss the implications of these changes on consumer behavior and market dynamics.
4. Explain the six-step process outlined for setting the price of a new product. How do factors such as pricing objectives, demand estimation, and competitor analysis contribute to a comprehensive pricing strategy?
5. Analyze the various pricing methods presented in this topic (e.g., markup pricing, target return pricing, perceived value pricing) and their suitability in different business scenarios. How do these methods address challenges such as price sensitivity and competitive pressures?

**Self-test**

1. According to Warren Buffett, what signifies a very good business?
a) Consistent profitability
b) Strong marketing strategies
c) Pricing power without losing customers to competitors
d) High market share

2. What does Seth Godin imply about customer focus on price?
a) Customers prioritize price over all other factors.
b) Customers overlook price when other factors are considered.
c) Customers ignore product quality in favor of price.
d) Customers base their purchasing decisions solely on price.

3. What is price?
a) The amount of money exchanged for goods or services

b) The value of a product as perceived by the seller
c) The cost of production incurred by the seller
d) The sum of money agreed upon by both buyer and seller

4. Which pricing strategy involves setting prices based on competitor prices?
a) Perceived value pricing
b) Going rate pricing
c) Target return pricing
d) Value pricing

5. What is a characteristic of psychological pricing?
a) It involves setting prices based solely on production costs.
b) It is based on buyer's perception of the product's performance.
c) It avoids the use of odd pricing tactics.
d) It focuses on geographical variations in pricing.

6. Which of the following is a method for estimating demand curves?
a) Conducting price experiments
b) Analyzing competitors' pricing strategies
c) Offering seasonal discounts
d) Providing product warranties

7. Which pricing method involves adding a standard markup to product costs?
a) Target return pricing
b) Perceived value pricing
c) Markup pricing
d) Going rate pricing

8. What does discriminatory pricing involve?
a) Charging different prices based on customer segments
b) Setting prices solely based on product costs
c) Offering discounts to loyal customers
d) Providing consistent prices across different regions

9. Which pricing strategy involves offering goods or services at temporarily discounted prices to stimulate sales?
a) Perceived value pricing
b) Discriminatory pricing
c) Promotional pricing
d) Product mix pricing

10. In what circumstance might a company initiate a price increase?
a) To attract more customers
b) To match competitors' prices
c) Due to over demand or cost inflation
d) To clear excess inventory

## Marketing Management Project

## part 6

This week we want to focus on pricing strategies employed by the firm we are studying. The task include:

a) Follow the steps outline in this topic to determine the appropriateness of prices of various product offered by the firm. Recommend changes where necessary and justify.
b) Determine the pricing strategy and discuss its appropriateness to the firm.
c) If the firm were to initiate price changes, show how and justify.

**References**


Ali. S. S (2021) Business -to -business marketing. Syrian Virtual University Publication

Argawala P.N (1991) Countertrade a global perspective, New Delhi Vikas

Fill, C., & McKee, S. (2011). Business marketing face to face. Goodfellow Publishers, Limited.

Indeed Editorial Team (2022) What are pricing strategies and why are they important? https://uk.indeed.com/careeradvice/ career-development/pricing-strategies.

Kotler P & Keller K.L (2016), Marketing management 16th Edition Pearson

Kotler P,(2000) Marketing Management: Analysis, Planning, Implementation, and Control, 9th edition, Prentice-Hall of India Private Limited, New Delhi, p, 229

Kotler P. & Armstrong G. (2006). Principles of marketing, (11th Ed.) Upper Saddle River: New Jersey: Prentice-Hall

Kotler, P. (1997). Marketing Management Analysis, Planning, Implementation, and Control, 9th ed.,: Prentice-Hall International, Englewood Cliffs, NJ.

Quotes on pricing retrieved from : https://blog.blackcurve.com/10-quotes-why-pricing-matters on 1 May 1, 2024

Tonio G (2013) The share economy, Forbes


*Answers to self-test evaluations*

1. Pricing power without losing customers to competitors
2. Customers overlook price when other factors are considered.
3. The amount of money exchanged for goods or services
4. Going rate pricing
5. It focuses on geographical variations in pricing.
6. Conducting price experiments
7. Markup pricing
8. Charging different prices based on customer segments
9. Promotional pricing
10. Due to over demand or cost inflation