

1.3.3 Pricing Strategies

Starter – how much would you charge for these products?

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| --- | --- | --- | --- |
|  |  |  | Your price |
| A | http://debenhams.scene7.com/is/image/Debenhams/304066561505?$V7PdpLarge$ | *Butterfly Home by Matthew Williamson Pink flamingo table lamp* | £ |
| B |  | *Sennheiser Black 'Urbanite XL' over ear wireless bluetooth headphones* | £ |
| C |  | *Marc Jacobs 'Daisy Kiss' eau de toilette 50ml* | £ |
| D | http://debenhams.scene7.com/is/image/Debenhams/123455000299?wid=1250&hei=1250&qlt=95 | *DIOR 'Sauvage' eau de toilette* | £ |

Write your definition of pricing here:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[](https://www.conveniencestore.co.uk/products/hellmanns-healthy-and-sustainable-ketchups-launch-with-9m-spend/550978.article)Pricing strategy introduction

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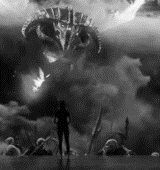
Types of pricing strategy

Cost plus pricing

* A cost-plus pricing strategy seeks to set a price for a product or service which covers the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ AND provides a good \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ margin for the business
* Cost-plus is the most \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ approach to pricing because it achieves the business objective of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ profits
* Many Young Enterprise \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ work out their projected profits by using cost-plus \_\_\_\_\_\_\_\_\_\_\_\_

#1 Cost-plus benefits and drawbacks

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| Benefits | Drawbacks |
|  |  |

#2 Skimming pricing

* A skimming price strategy is used when \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a new product
* The price is set high to start, this will create high \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and may be used to pay back high Research and Development \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ costs
* Usually used in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or very innovative products which have few \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* As competitors eventually \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the market the price is then \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#2 Skimming benefits and drawbacks

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| --- | --- |
| Benefits | Drawbacks |
|  |  |

#3 Competitive pricing

* Some products or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are priced in line with competitors
* This means that customers will have to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a product or service on “non-price” methods such as; \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of service or speed
* Strategy usually used where products in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are all very similar

#3 Competitive benefits and drawbacks

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| --- | --- |
| Benefits | Drawbacks |
|  |  |

#4 Penetration pricing

* This means setting prices really **\_\_\_\_\_\_\_\_\_** on a new product to encourage sales and to persuade customers to \_\_\_\_\_\_\_\_\_\_\_\_ the product. Then when they like the product and have to keep \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ it the business \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the price
* Low prices should gain the business more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ (market penetration)
* Mass market – repeat \_\_\_\_\_\_\_\_\_\_\_\_\_ e.g. tea bags, biscuits which are called Fast Moving \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Goods (FMCG).

#4 Penetration benefits and drawbacks

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| --- | --- |
| Benefits | Drawbacks |
|  |  |

#5 Predatory Pricing

* In \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (markets with just a few large businesses e.g. budget airlines) existing businesses may hold off the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a new entrant to the market by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ their prices so that any competitor cannot make a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* This is when \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ price cutting is used to deter competitors or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ them out of the market
* Depends on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the brand, will consumers switch or stay \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?
* Depends on the financial \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the firm can they afford to cut \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?

#5 Predatory pricing benefits and drawbacks

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| Benefits | Drawbacks |
|  |  |

[](https://www.carwow.co.uk/news/jaguar-e-pace-suv-price-specs-release-date-3358)#6 Psychological pricing

* This means pricing a product at £1.99 rather than £2.00 to appear \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Some businesses consider pricing carefully as it is often an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* High value or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ items like luxury cars avoid pricing just below but instead may price higher to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ their customers’ expectations

#6 Psychological benefits and drawbacks

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| --- | --- |
| Benefits | Drawbacks |
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Factors that determine a pricing strategy

#1Number of USPs/amount of differentiation

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#2Price elasticity of demand

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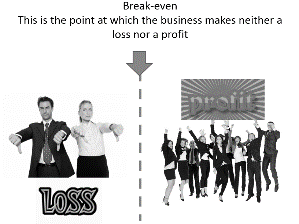
[](https://www.youtube.com/watch?v=BuCpNMtliH4)#3 Level of competition in the business environment

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#4 Strength of brand

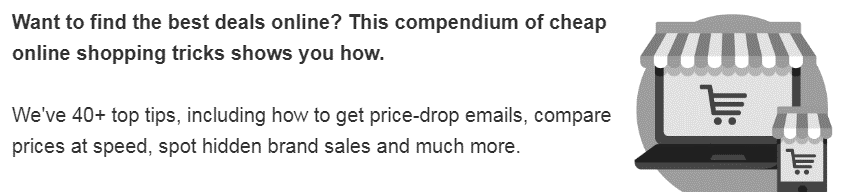
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#6 Costs and the need to make a profit

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**Changes in pricing to reflect social trends**

Online sales

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Changes in prices to reflect social trends

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Discussion – write the results of your discussion below:

