



MARKETING MANAGEMENT

Pricing Strategy

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CONSIDERATIONS AFFECTING PRICING DECISIONS

○ Internal factors

- Overall marketing strategy, objectives, and mix
- Organizational considerations

○ External factors

- Nature of the market and demand
- Economy
- Parties in the external environment – Resellers, government, and social concerns



NEW PRODUCT PRICING STRATEGY

○ MARKET SKIMMING PRICING

- Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price
- Company makes fewer but more profitable sales

○ MARKET PENTRATION PRICING

Setting a low price for a new product to attract a large number of buyers and a large market share



WHEN TO USE MARKET SKIMMING PRICING

- Product's quality and image supports its higher price
- Costs of low volume cannot be so high that they cancel out the benefit of higher price
- Competitors should not be able to enter market easily and undercut price



WHEN TO USE MARKET PENETRATION PRICING

- Market is highly price sensitive so a low price produces more growth
- Production and distribution costs decrease as sales volume increases
- Low price can help keep out the competition, and the penetration price can maintain its low-price position

