MARKETING MANAGEMENT

Pricing Strategy

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COMPANY AND PRODUCT COSTS

Types of Costs

- ***Fixed costs***

Costs that do not vary with production or sales level e.g. each month's bills for rent, interest, employee salaries.

- ***Variable costs***

Costs that vary directly with the level of production e.g. raw materials are needed in production process.

- ***Total costs = Fixed costs + Variable costs***

The sum of the fixed and variable costs for any given level of production.

TYPES OF COST BASED PRICING

- Cost plus pricing (markup pricing)

Adding a standard markup to the cost of the product

- Break-even pricing (target return pricing)

Setting price to break even on the costs of making and marketing a product, or setting price to make a target return

COMPETITION-BASED PRICING

- **Competition-based pricing involves setting prices based on competitors' strategies, costs, prices, and market offerings. Consumers will base their judgments of a product's value on the prices that competitors charge for similar products.**
- First, how does the company's market offering compare with competitors' offerings in terms of customer value?

- If consumers perceive that the company's product or service provides greater value → charge a higher price.
- If consumers perceive less value relative to competing products, → charge a lower price or change customer perceptions.
- how strong are current competitors, and what are their current pricing strategies?
- If the company faces a host of smaller competitors charging high prices relative to the value they deliver, → charge lower price
- If the market is dominated by larger, low-price competitors, → target unserved market niches with value-added products at higher prices.