

Paper **MARKETING MANAGEMENT**

MBA II SEMESTER (CBCS)

(Batch 2019-2021)

Lecture on

Pricing Decision

Faculty

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Understanding Pricing

- ➡ Pricing is an important element in formulation of marketing strategy.
- ➡ Pricing is a powerful tool of market competition.
- ➡ Price is the exchange value of a product.
- ➡ In fact, price involves around two elements - utility and value.
- ➡ Utility is the generic property of the product to satisfy need or want of consumer.
- ➡ Value is the quantitative worth attach with product for which consumer is willing to pay a certain amount of money.

Understanding Pricing

- ➔ Price is not just a number on a tag. Price comes in many forms and performs many functions. Rent, tuition, fares, fees, rates, tolls, wages and commissions all may in some way be the price which a customer pay to buy goods and services. Price is also made up of many cost components.
- ➔ Traditionally, price has been the major determinant of a buyer's choice to purchase specific good / services, this is still the case with large segments of buyers across the globe.
- ➔ Although non-price factors have become quite important in the last few decades, price still remains an important factor in determining sales volume and profitability.
- ➔ Competitive pressures together with consumers & middleman behaviour and short-term orientation of the companies have resulted in a marketplace that is characterized by heavy discounting and sales promotion.

Nature & Importance of Pricing

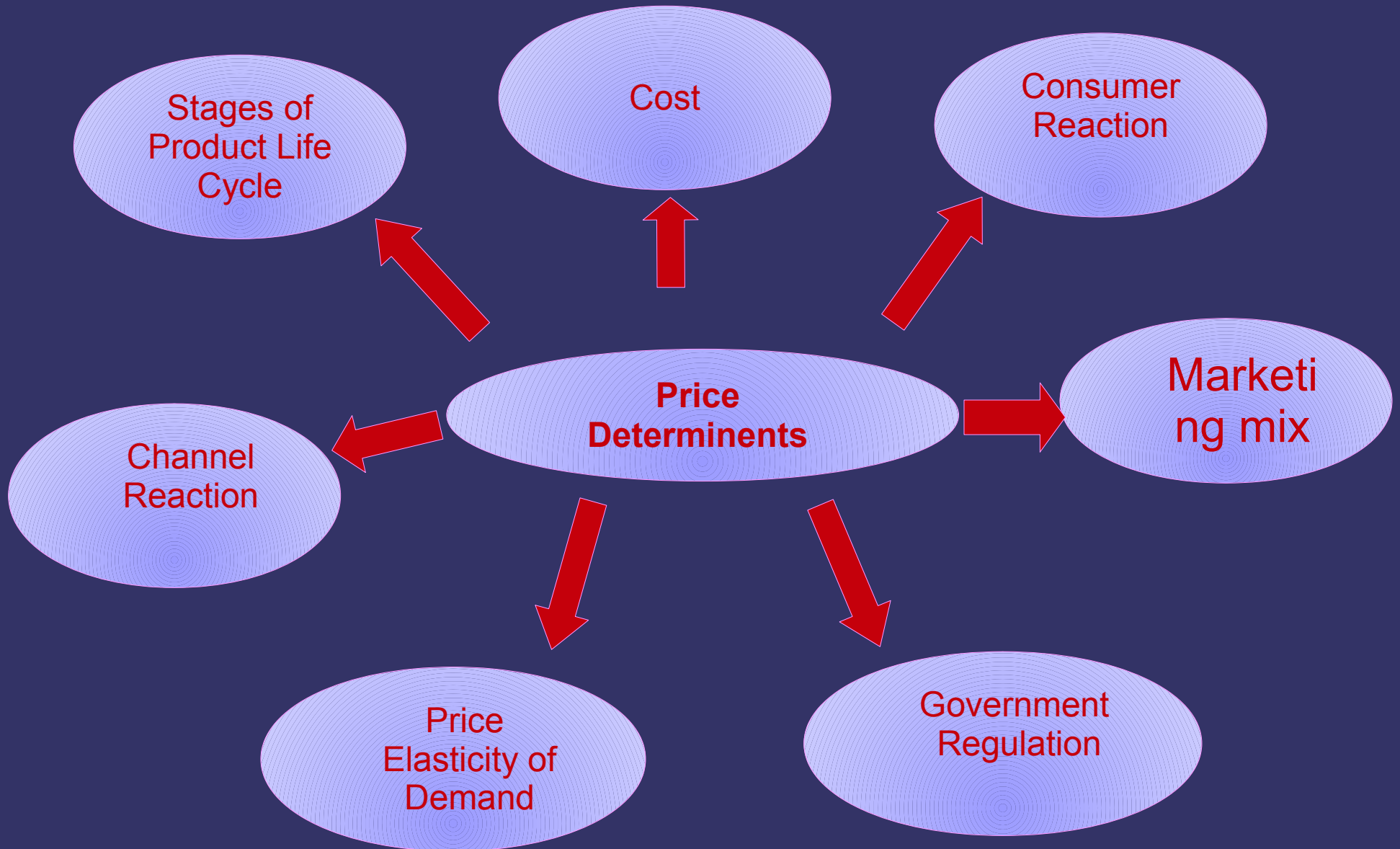
- ➔ Pricing decision is critical to a firm's profitability as it affect not only its revenue but also costs.
- ➔ It affect customers perception of quality as high quality is often associated with a high price.
- ➔ Price also determine the market segment of the product.
- ➔ Besides, it sets the tone of competition.
- ➔ In the marketplace, price perform the important economic function of allocating resources among firms and within a firm among products.

Pricing Objective

General speaking business enterprises pursue one or more of the following objective:

- ➔ Increase sales
- ➔ Improve or maintain market share
- ➔ Earn target profit
- ➔ Stabilize price
- ➔ Meet or prevent competition

Price Determinants

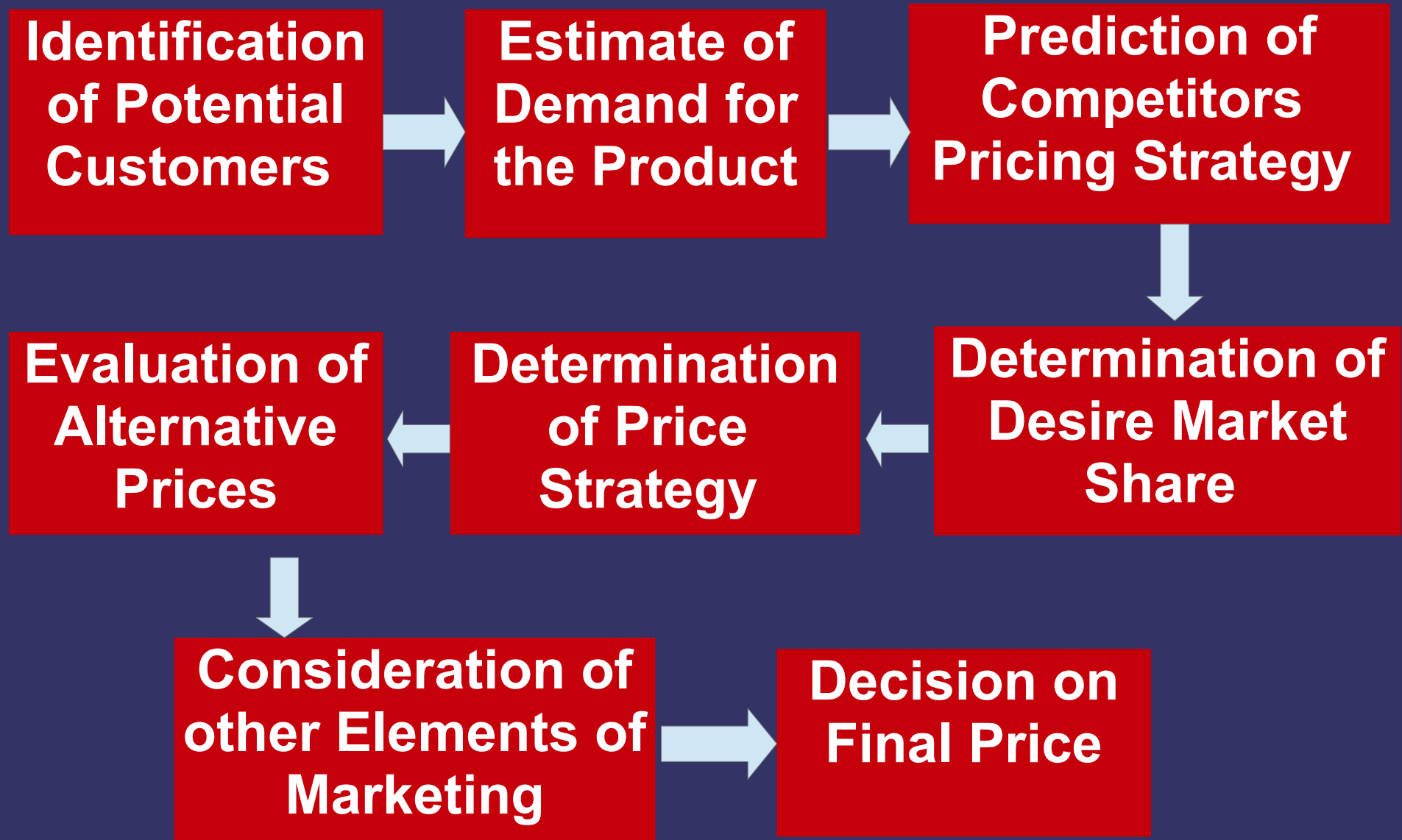


Pricing Methods / Approach

Most commonly perceived pricing methods/ approaches are:

- ⇒ Cost plus pricing
- ⇒ Break-even pricing
- ⇒ Competition oriented pricing
- ⇒ Target rate of return pricing
- ⇒ Marketing oriented pricing

Setting the Price



Pricing Decision

Pricing decision involves decisions relating to discounts, geographic price policies, psychological pricing. One-price and variable-price, unit pricing, leader pricing and resale price maintenance.

Pricing Strategies



Thank you

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