• Meaning of importance of pricing - A process

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• Importance: direct contribution towards revenue

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• Price Vs Quality vs Value...an issue of perception
• Process of
  - setting objectives
  - determining the available flexibility,
  - developing strategies;
  - setting prices,
  - engaging in implementation and control.
Some of the pricing objectives include:
– To meet the price of competitors
– To follow the price of the market leader
– To maintain existing market share
– To promote new products

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– To stabilize inventory prices
– To maximize profits.
Pricing Strategies

1. Penetration Pricing
   - rapid penetration – low price with aggressive promotion, when a large part of market is unaware of product,
   - Slow penetration - low price with slow promotion – when market is largely aware of the product
2. Skim the cream

- rapid skimming—high price with aggressive promotion, when a large part of market is unaware of product,

- Slow skimming —high price with slow promotion —when market is largely aware of the product
When are these two strategies appropriate?

- Penetration?
- Skimming?
3. Discrimination pricing.

• The same product is sold at different prices to different customers, based on some discriminative characteristic

• Examples?
• Geographical?
• Gender (Sex?)

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• Nationality ?

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• Age ?

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• Season ?

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4. Psychological Pricing

This is based on creating customer price perceptions so as to have special appeal in certain target markets.

• Examples?
• Odd-even pricing.
Odd prices (e.g. 99.9, 499, 899)
VS even pricing (e.g. 100, 500, 900).
Which one is more appealing?
• Large, bright price labels as opposed to small, dull prices or no prices at all.
• Deliberately setting high prices to imply high quality. Some customers want to buy expensive products, imagining that the high price implies higher quality.
• Putting an initial price, then canceling it and indicating a lower price next to the original price. This is very useful for creating attention and interest among consumers.

• Eg Was sh 6500, now sh 5800, save sh 700

• Was 3500, now 3200 save 300

• Valid while stocks last
5. Bundle pricing

- several related items put together and sold at a reduced price
Price is affected by SEMIs UoN Seed Enterprises Management Institute University of Nairobi
• Cost of production
• Demand

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• Competition

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• END