“Sell value, not price.”

Developing Price Strategies and Programs

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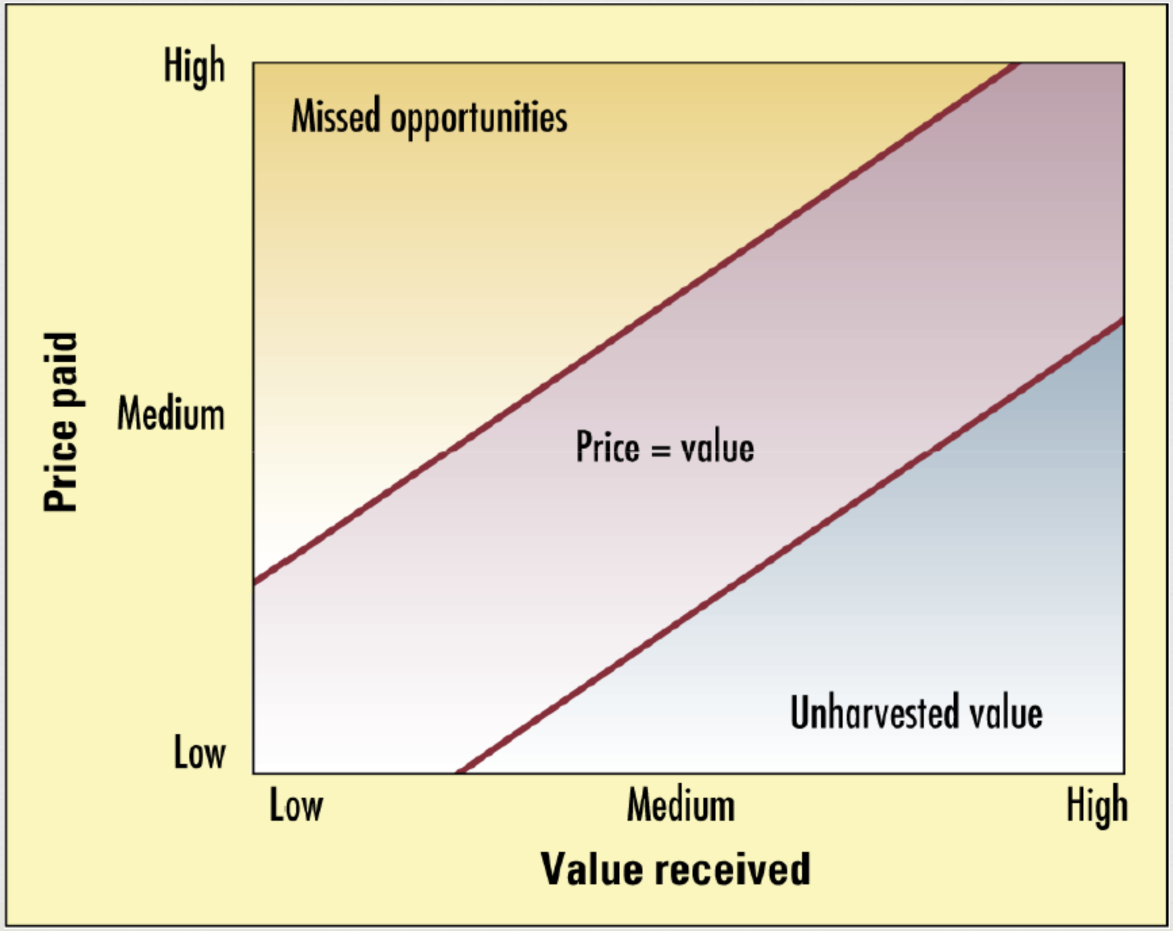
Nine Price-Quality Strategies

Product Quality	Price: High	Price: Medium	Price: Low
High	1. Premium strategy	2. High-value strategy	3. Super-value strategy
Medium	4. Overcharging strategy	5. Medium-value strategy	6. Good-value strategy
Low	7. Rip-off strategy	8. False economy strategy	9. Economy strategy

Price Should Align with Value



Setting the Price

- Step 1: Selecting the pricing objective
  - Survival
  - Maximize current profits
  - Maximize their market share
  - Maximize market skimming
  - Product-quality leadership

Setting the Price

- Step 2: Determining Demand
  - Price sensitivity
  - Estimating Demand Curves
    - Surveys
    - Price experiments
    - Statistical analysis
  - Price Elasticity of Demand
    - Inelastic
    - Elastic
    - Price indifference band

Setting the Price

- Step 3: Estimating Cost
  - Types of Cost and Levels of Production
    - Fixed costs (overhead)
    - Variable cost
    - Total cost
    - Average cost
    - Activity-based cost (ABC) accounting
  - Accumulated Production
    - Experience curve (Learning curve)
  - Target costing

Setting the Price

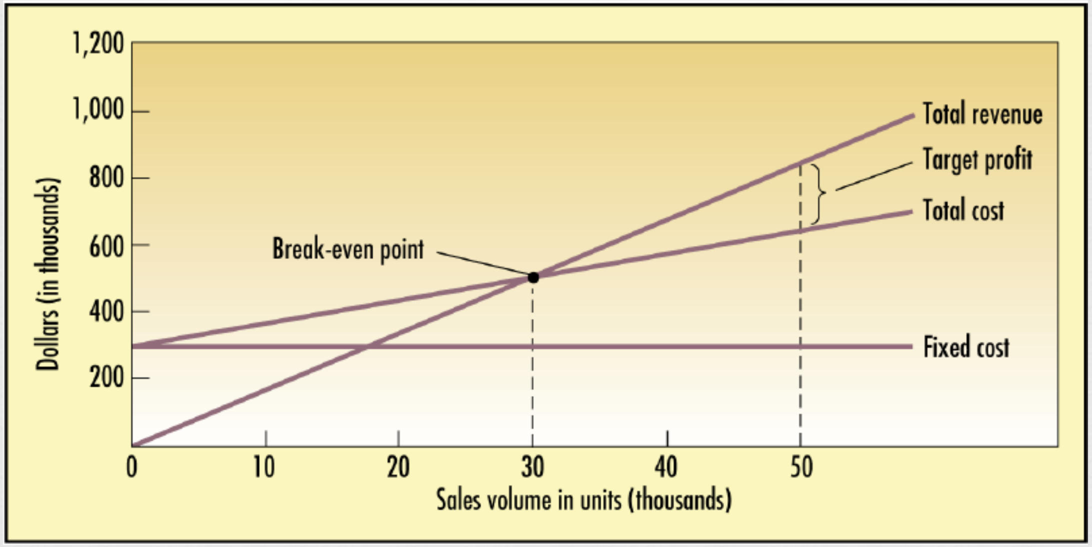
- Step 4: Analyzing Competitors’ Cost, Prices, and Offers

Setting the Price

- Step 5: Selecting a Pricing Method
  - Markup Pricing
    - Unit Cost = variable cost + (fixed cost/unit sales)
    - Markup price= unit cost/(1 – desired return on sales)
  - Target-return price
    - Target-return price = unit cost + (desired return X investment capital)/unit sales

Setting the Price

- Break-even volume
  - Break-even volume = fixed cost / (price – variable cost)



Break-Even Chart for Determining Target-Return Price
and Break-Even Volume

Setting the Price

- Perceived-Value Pricing
  - Perceived value
  - Price buyers
  - Value buyers
  - Loyal buyers
  - Value-in-use price
- Value Pricing
  - Everyday low pricing (EDLP)
  - High-low pricing

Setting the Price

- Going-Rate Pricing
- Auction-Type Pricing
  - English auctions (ascending bids)
  - Dutch auctions (descending bids)
  - Sealed-bid auctions

Setting the Price

- Step 6: Selecting the Final Price
  - Influence of the Other Marketing Elements
    - Brands with average relative quality but high relative advertising budgets charged premium prices
    - Brands with high relative quality and high relative advertising budgets obtained the highest prices
    - The positive relationship between high advertising budgets and high prices held most strongly in the later stages of the product life cycle for market leaders
  - Company Pricing Policies
  - Gain-and-Risk-Sharing Pricing
  - Impact of Price on Other Parties

Adapting the Price

- Geographical Pricing (Cash, Countertrade, Barter)
  - Countertrade
  - Barter
  - Compensation deal
  - Buyback arrangement
  - Offset
- Price Discounts and Allowances

Adapting the Price

- Promotional Pricing
  - Loss-leader pricing
  - Special-event pricing
  - Cash rebates
  - Low-interest financing
  - Longer payment terms
  - Warranties and service contracts
  - Psychological discounting

Adapting the Price

- Discriminatory Pricing
  - Customer segment pricing
  - Product-form pricing
  - Image pricing
  - Channel pricing
  - Location pricing
  - Time pricing

Initiating and Responding to Price Changes

- Initiating Price Cuts
  - Drive to dominate the market through lower costs
  - Low quality trap
  - Fragile-market-share trap
  - Shallow-pockets trap

Initiating and Responding to Price Changes

- Initiating Price Increases
  - Cost inflation
  - Anticipatory pricing
  - Overdemand
  - Delayed quotation pricing
  - Escalator clauses
  - Unbundling
  - Reduction of discounts

Initiating and Responding to Price Changes

- Possible responses to higher costs or overhead without raising prices include:
  - Shrinking the amount of product instead of raising the price
  - Substituting less expensive materials or ingredients
  - Reducing or removing product features
  - Removing or reducing product services, such as installation or free delivery
  - Using less expensive packaging material or larger package sizes
  - Reducing the number of sizes and models offered
  - Creating new economy brands

Initiating and Responding to Price Changes

- Reactions to Price Changes
  - Customer Reactions
  - Competitor Reactions
- Responding to Competitors' Price Changes
  - Maintain price
  - Maintain price and add value
  - Reduce price
  - Increase price and improve quality
  - Launch a low-price fighter line

Reference

- Kotler, Philip, and Kevin Keller. *Marketing Management*. 13th ed. Prentice Hall, 2008.

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BACA BUKU REFERENSI