PRICE

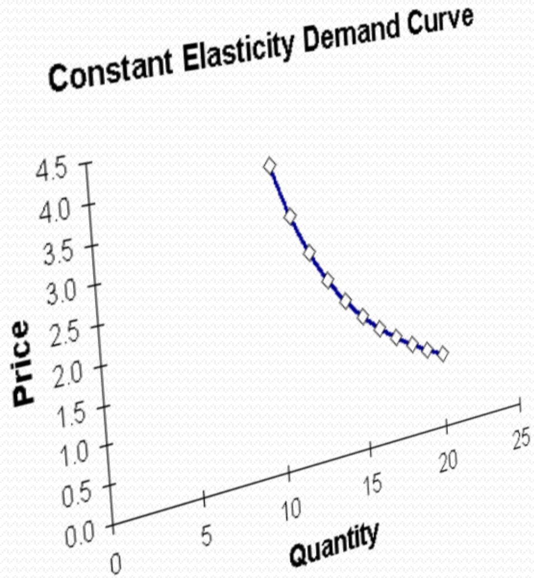
PRODUCT	ORIGINAL PRICE	PRICE 27-29 JUNE	SAVING
Loose bananas	67p per kg	50p per kg	17p
Loose new potatoes	£1.28 per kg	50p per kg	78p
Green grapes 500g	£1.68	50p	£1.18
Piel de Sapo melon	£1.98 each	50p each	£1.48
Cherry tomatoes 250g	68p	50p	18p
Iceberg lettuce	75p	50p	25p
White bloomer 800g	£1.09	50p	59p
ASDA pork sausages 454g	97p	50p	47p
Smart Price butter	85p	50p	35p
Smart Price eggs	88p	50p	38p



Factors influencing price

The price of a good or service may depend on:

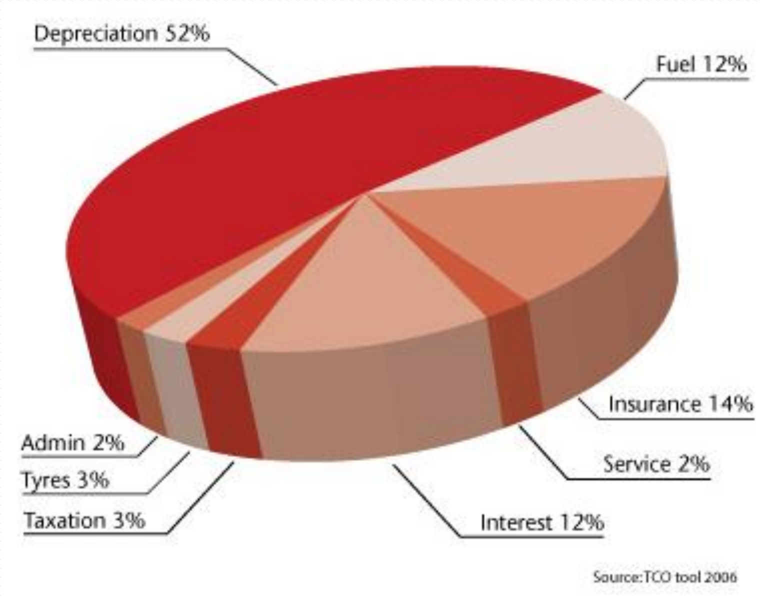
- Costs.
- Demand and price elasticity.
- Competition.
- Government.
- Objectives.
- Stage of the life cycle.
- Rest of the mix: is it positioned as more exclusive item than competitors' products?



costs

Costs:

- Organisations will generally want to
- cover their costs
- to make a profit
- for investment
- and to reward their owners.



competiton

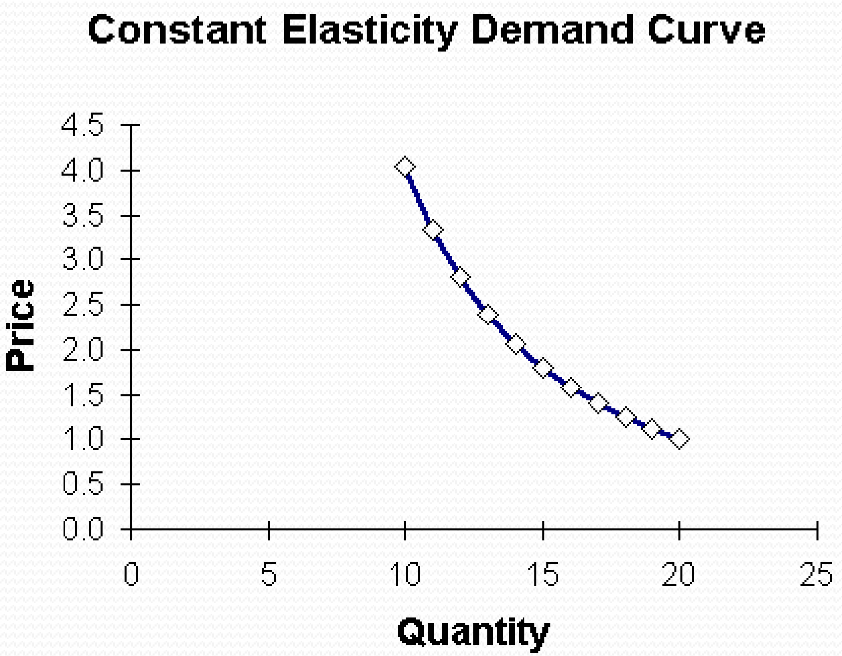
Competition:

- How similar are their products?
- What price are they charging?

Demand and price elasticity

Demand and price elasticity.

- What is the level of demand and how sensitive is demand to price?



government

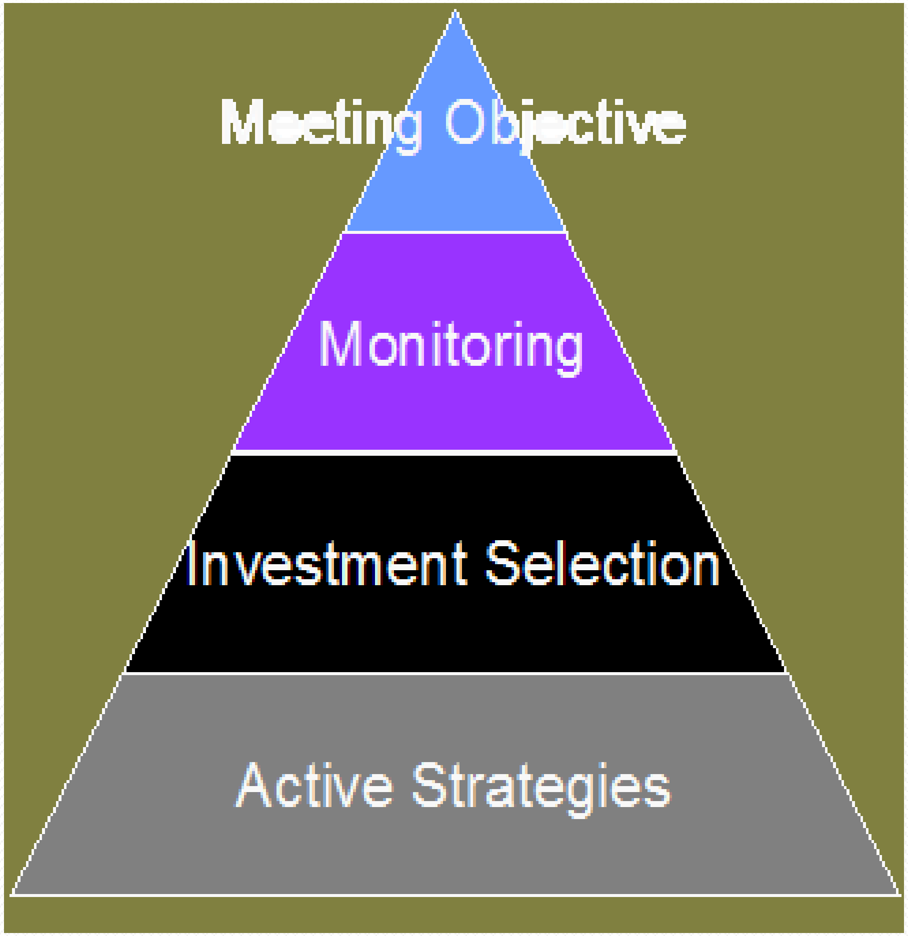
Government:

- the government places indirect taxes (VAT) on most goods, which increases costs

objectives

Objectives:

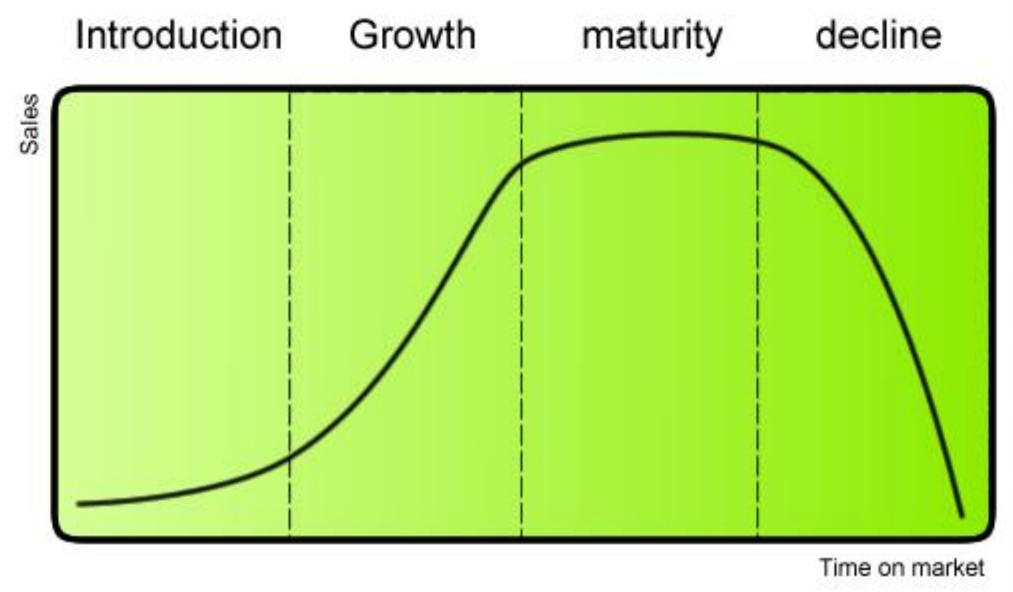
- Short term profits.
- Long term profits.



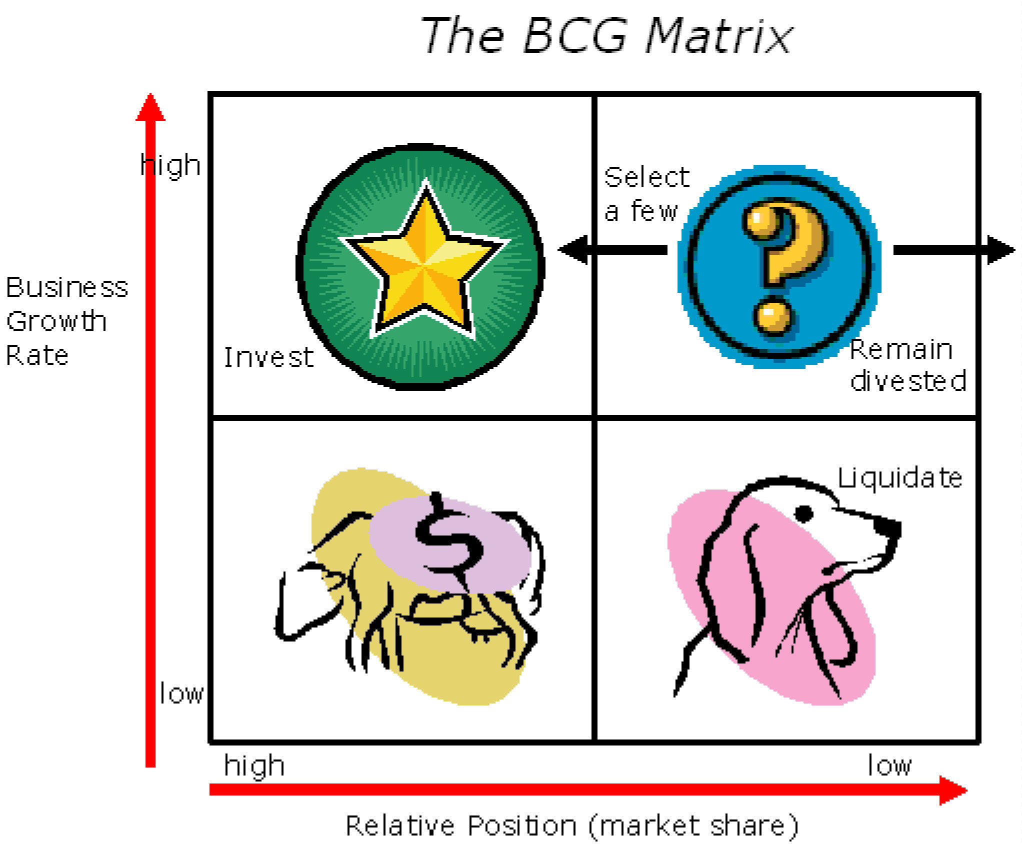
Stage of the life cycle

Stage of the life cycle:

- The price is more likely to increase in the growth phase.
- And fall in decline.



Rest of the mix



Rest of the mix:

- Is it positioned as more exclusive item than competitors' products?

Methods of pricing

- Price skimming.
- Penetration pricing.
- Competitor based pricing.
- Demand based or perceived value pricing.
- Cost plus pricing.
- Predatory pricing.
- Price discrimination.
- Loss leader.
- Psychological pricing.

Price skimming.

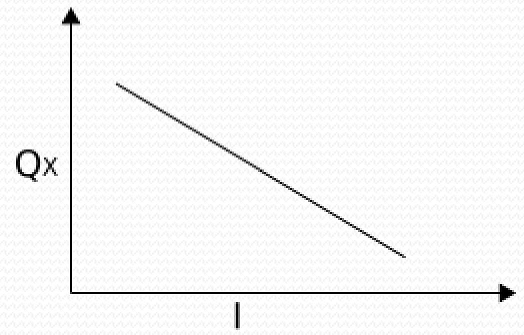
Price skimming.

- High initial price to cover initial research and development costs quickly.
- Suitable for an innovative or protected product (e.g. patent)
- and where demand is price inelastic.

Penetration pricing.

Penetration pricing.

- Low price to gain market share quickly.
- Suitable when there are substantial economies of scale
- or when demand is price sensitive.



Competitor based pricing

Competitor based pricing:

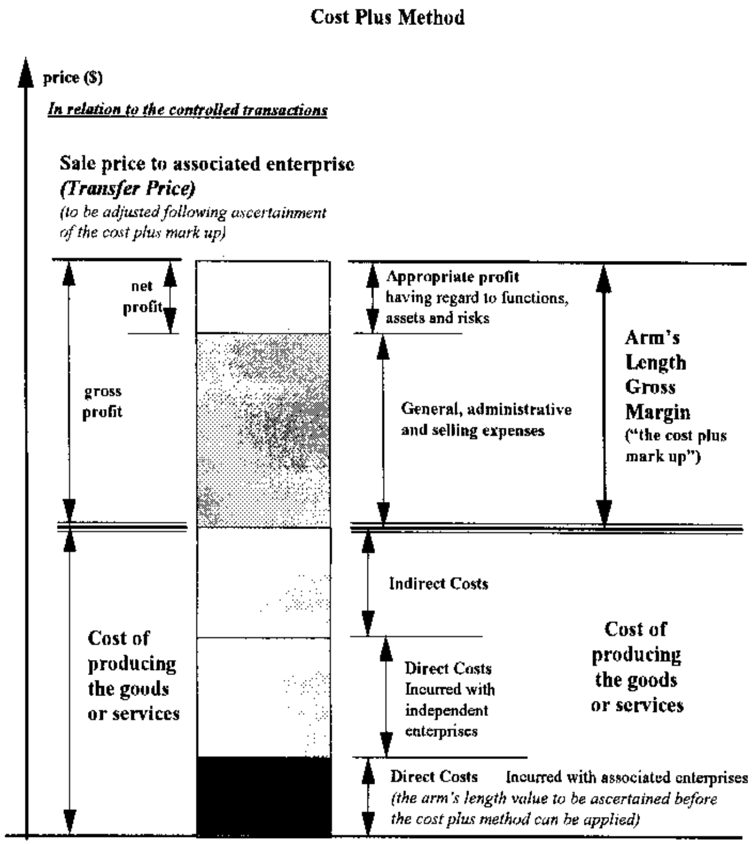
- Suitable when the market is competitive and price comparisons are easy: e.g. shopping goods.

Demand based or perceived value pricing

Demand based or perceived value pricing:

- Firm tries to estimate what people are willing to pay.
- This is the most market oriented approach,
- but it can be difficult to discover what people are willing to pay.

Cost plus pricing



Cost plus pricing:

- The firm adds an amount on to unit costs to decide on the price.
- This is a simple and, therefore, popular pricing method,
- but ignores demand conditions.

Predatory pricing

Predatory pricing:

- A firm undercuts prices to remove competition; one competitors leave,
- the price is increased again.
- This policy can lead to a price war in which all firms try to undercut each other.

Price discrimination

Price discrimination:

- Charging different prices for the same product/service: (e.g. some taxis charge different prices late at night, or happy hours)
- The firm will increase the price in segments where demand is price inelastic and decrease the price when demand is price elastic.

Loss leader

Loss leader:

- Product sold below cost to generate orders for other product : e.g. retailers put well known brand in shop windows and sell at a loss to attract people into the store.

Psychological pricing

Psychological pricing:

- Focuses on consumer's perception of price: e.g. charging high prices to convey quality, charging £2.99 rather than £3.00 because people regard it as 'over £2' rather than in the £3 band, and stressing a reduction in price (e.g. was £20, now £12).

High price

The price is more likely to be high if:

The product is heavily braded	There are limited competitors
Incomes are high	Demand is price inelastic
There are few substitutes	The product/service has a USP
Unit costs are high	The item is exclusive
Distribution is limited	The good is at the growth stage of the life cycle
The firm is following a skimming strategy	