

# Pricing

TUESDAY JANUARY 12, 2016



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## Legal and Ethical Considerations

- Pricing in a manner that is fair and reasonable to customers.
- Affordability for customers rather than extreme profit for retailers.
- Many considerations must be taken into account when pricing products and services:
  - Price fixing
  - Price discrimination
  - Unit pricing
  - Resale price maintenance
  - Unfair trade practice
  - Price advertising
  - Pricing ethics



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### *Price fixing*

### *Price discrimination*

### *Unit pricing*

### *Resale price maintenance*

- Manufacturers dictating the price an item must be sold for in retail locations.
- Past practice left retailers without merchandise if they sold products at a lower price than instructed.



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*Unfair trade practices*

*Price advertising*

*Bait and switch* advertising is illegal

*Price ethics*



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## Basic Pricing Policies

### *Demand-oriented pricing*

- Relies on supply and demand, the higher the demand the more a business can charge for a product.

### *Competition-oriented pricing*

- No relationship between pricing and demand

### *Cost-oriented pricing*



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## Pricing Policies

### *One price policy*

- All customers are charged the same price for the same product.

### *Flexible price policy*

- Customers pay different prices for the same type of product.



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**Skimming pricing**

- Sets high price for new products.

**Penetration pricing**

- Prices for new products are set low to attract people to buy.



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**Create a Note – Pricing Process Strategies**

- Using the material provided, create a note on Pricing Process Strategies for yourself.
- Your note should not be a direct regurgitation of the material, but put into your own words.
- You may work with a partner or small group of three to productively complete your note by the end of the period.



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**Homework Questions**

1. Why does pricing for a product or service change during the product life cycle?
2. Identify the main factors that affect the pricing of a product/service.
3. How have advancements in technology affected the pricing of goods/services?
4. What is the difference between market share and market position?
5. What might a manufacturer and a customer discuss about the pricing of a newly developed product?



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