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# FACTORS AFFECTING PRICE OF A PRODUCT

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## Factors Affecting Price Of A Product:-

1. Internal Factors
2. External Factors

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# INTERNAL FACTORS



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## 1. Cost:-

While fixing the price of a product, the firm should consider the cost involved in producing the product. Thus cost includes both the variable and fixed costs. Thus while fixing the prices, the firm must be able to recover both variable and fixed costs.

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## 2. The Predetermined Objectives:-

While fixing the prices of the product, the marketer should consider the objectives of the firm. For instance, if the objective of a firm is to increase profit then it may charge a higher price, and of the objective is to capture a large market share then it may charge a lower price.

### 3. Image of the Firm:-

The prices of the product may also be determined on the basis of the image of the firm in the market. For example, HUL can demand higher price for their brands as they enjoy goodwill in the market

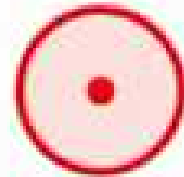
#### 4. Promotional Activity:-

The promotional activity undertaken by the firm also determines the price. If the firm incurs heavy advertising and sales promotion cost then the pricing of the product shall be kept high in order to recover the cost.



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# EXTERNAL FACTORS





## 1. Competition:-

While fixing the price of the product, the firm needs to study the degree of competition in the market. If there is high competition, the prices may be kept low to effectively face the competition, and if competition is low, the prices may be kept high.

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## 2. Consumers:-


The marketer should consider various consumer factors while fixing the prices. The consumer factors that must be considered includes the price sensitivity of the buyer, purchasing power, and so on.

### 3. Government Control:-

Government rules and regulation must be considered while fixing the prices. In certain products, government may announce administered prices, and therefore the marketer has to consider such regulation while fixing the prices.



#### 4. Channel intermediaries:-

The marketer  must consider a number of channel intermediaries and their expectations. The longer the chain of intermediaries, the higher would be the prices of the goods.