

Case Study 01

Nestle



Nestle is a Swiss multinational brand that has a current net worth of around \$270 billion. Its successful pricing strategy has helped the brand reach this state. Their revenue is constantly growing which shows that the company knows how to place its products in the market. In general, Nestle's products are more on the pricier side compared to the products of the retailing brand.

Nestle has around 2000 brands under it which consist of a variety of product range. Among them, some of them are the star of the market. Some of the products are globally famous, some, on the other hand, are more familiar in the local market. Nestle's powder and liquid products are the highest selling products. Nestle's liquid beverages have a sale of over \$2.79 billion. Their liquid items such as Nescafé Original Decaff, Nescafé Gold Decaff, Nescafé Dolce Gusto, etc. are globally famous. Nestle's powder milk is also renowned and globally sold. Nestle has mostly products for every consumer.

Nestle's pricing strategy is quite unique than the other brands. It solely depends on recognition which is commonly known as the product's perceived quality. Perceived quality means that consumers get to touch and feel the quality of the products. Depending on the quality and consumer's approach towards it, Nestle decides which pricing strategy they want to take.

Among the 2000 brands, for some Nestle chooses to offer a more affordable price. It entirely depends on their market segment. Now market segment usually consists of the target audience. For example, if Nestle's target consumers are the mass audience, then they must go for an

affordable pricing strategy rather than an expensive one. Which happened in the case of Maggi. It is more on the affordable side, compared to Nestle's other products. But then again, if you globally compare Maggi's pricing with other noodles brands, then it is a little expensive. For different regions, Nestle chooses different prices.

Over time Nestle has realized that people don't do groceries every single day. They prefer buying in bundles. Hence, Nestle has come up with bundle packs. This includes a Maggi pack of 16. At first, Maggi used to come in one single pack. After Nestle has introduced its 16 pack offer, the sales have automatically increased.

Nestle does not want to let go of any consumers. Hence, Nestle has different prices for each stock-keeping unit. This allows the brand to reach a larger consumer base. For example, starting from Maggi to Cereal, Nestle has it all. It also provides different pack sizes. For instance, Nestle's cereal is a little expensive than the other brands. Therefore, the brand has come up with mini pouches for day-to-day intakes. These pouches are way cheaper than the bigger pack which allows the consumers to purchase Nestle's products.

Nestle provides a lot of discounts in retail stores such as Walmart, Costco, Target, etc. You'll often find 5% off, 10% off in their products. Some of the products come in bundles. For example, you will often see a coffee coming with a creamer. In most cases, they give a few dollars off in these bundles.

Another common approach that Nestle takes is analyzing competitors' pricing strategies. Nestle has a lot of brands. For each brand, they have designated departments that analyze all the competitor's pricing strategies. Along with that it also observes competitors' marketing style, product innovation, sales records, etc. Competitive pricing strategy helps them achieve the desired place as they already get the idea of what the consumers prefer.

Demand is another important factor when it comes to choosing the pricing strategy of any product. Just like all the other brands, Nestle also looks out for demand at the very beginning. Before even the production of any new good. As it is established that demand and price have an inverse relationship as per the theories of economics. This usually goes in a cycle. So, if a demand

for a certain product is higher, then its price will also increase. For instance, Nestle's Cerelac is quite a in demand globally. As a result, the price of their Cerelac is higher than the other products.

On the other hand, when price increases beyond the limit of people's affordability, the demand automatically decreases. When this happens, Nestle tries to provide discounts and give more lucrative offers to the consumers to keep them captivated.

Nestle often has multiple options in one product line. This is called line pricing. For instance, Nestle has two ranges of coffee. A jar of Nestle's 7 oz instant coffee is around \$7.78. This is on the more affordable side. On the other hand, it also has a premium side called the "Nescafe Gold" which costs around \$15.80 for a jar of 7 oz.

Globally Nestle tries to follow a pricing strategy that will help them achieve their financial goals. These strategies usually include the penetration strategy and the skimming strategy. When Nestle's products are exported from one region to another, it's pricing automatically increases. On the other hand, the company also does price skimming, which means that at the beginning it sets a higher price and eventually it decreases the price depending on the demand of the consumers.

Some of Nestle's biggest competitors currently in the market are Danone, PepsiCo, Unilever, etc. all of the brands have their own unique strategies. Most of these brands follow the competitive pricing strategy, penetration pricing strategy and skimming pricing strategy. All of these strategies are also preferred by Nestle.

Discuss the available pricing strategies of Nestle and give your recommendations.

Case Study 02

Netflix



Over the course of the past decade, streaming has become one of the most dominant and most-used forms of entertainment, with a seemingly never-ending list of platforms offering a wide range of shows, movies, and other original content. With more than 1.1 billion streaming service subscriptions, it's easy to see how a lot of people are spending their free time these days. And even though services are being introduced all the time, there are few that match the overall package that comes with a Netflix subscription.

Sure, Netflix may not be as inventive as some of the newer services out there and doesn't offer things like live sports, news, and all sorts of packaged deals; but the streaming service remains one of the best buys for your buck thanks in part to some of its impressive features. Let's take a look at some of those now.

The Netflix Subscription Plans And Price

Like several other streaming services, Netflix offers three plans to choose from that range anywhere from \$9.99 per month to \$19.99 per month. But unlike platforms like Peacock Premium, which has content exclusive to the more expensive plan, all three Netflix price tiers include the same movies and shows, you're mainly just paying for better video quality and the number of devices that can stream simultaneously. First, there's the **"Basic" plan which costs**

\$9.99 per month and allows you to stream on a single device at a maximum resolution of 480p, or standard definition. Then there's the **"Standard" plan which costs \$15.49** per month and allows you to watch on two devices at the same time with a maximum resolution of 1080p, or full high definition. Then there's the **"Premium" plan which costs \$19.99** per month but you will be able to stream on four devices (perfect for families) at a maximum picture quality of 4K ultra high definition.

Netflix just got even more expensive

We have often heard people complaining about their Netflix subscription prices going up or their one month of free subscription ending. Nevertheless, despite occasional grumbling, people are completely fine with paying the higher subscriptions for the unending flow of good media content. Today, Netflix is a market leader constituting 51% of streaming subscriptions in the United States. Other OTT platforms are following suit by deploying penetration pricing to attract new customers.

Netflix first alerted subscribers to its coming price increases in late January. The service's basic plan now costs \$9.99 per month (up from \$8.99), its standard tier costs \$15.49 per month (up from \$13.99), and its 4K tier costs \$19.99 per month (up from \$17.99). That means Netflix is now charging up to nearly \$20 every month for access to its service — a pretty significant milestone for the streamer.

Netflix has long said that it will continue gradually increasing its price relative to the value it provides. That means churning out more TV shows and movies — and now video games — and dumping truckloads of money on bringing that content to life. Short of adding an ad-tier, which Netflix hasn't indicated it's planning to do any time soon, Netflix has got to find money for that content from somewhere. Intermittent price increases and its as-of-yet experimental password crackdown are two ways of going about it.

In its initial announcement, Netflix said subscribers will be notified by email 30 days before their price changes arrive. And sure, it's just another buck or two a month, depending on which plan you're subscribed to. But taken together with all the other stuff we pay to subscribe to — which

may be getting their own price hikes — it all starts to add up! Let's hope those newly announced Netflix mobile games live up to the hype.

Discuss the available pricing strategies of Netflix and give your recommendations.