

# Pricing Analytics

Session 5

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**Abhinav Uppal**

Assistant Professor of Marketing

Indian School of Business

abhinav\_uppal@isb.edu

+91 172-459-1706

# Session Overview

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- Review of Last Class
- Competitive Pricing
- Tweeter etc. Case Discussion

# Competitive Pricing

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# What factors might make you more or less prone to price competition?

- Demand based factors
  - Switching Costs 
  - Cross-price elasticities
- Costs
- Capacity 
- Differentiation
- Sophistication of your competitors


## The Telegraph

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### Apple increases price of download singles to 99p

Apple has increased the price of some download singles to 99p, the day after Amazon dropped prices to 29p.



Only three companies in the world have the expertise necessary to build Apple products.

By Urmee Khan, Digital and Media Correspondent  
7:40PM BST 07 Apr 2009

iTunes online music store introduced the three tier variable pricing yesterday and is now selling downloads for 59p, 79p and 99p. Most songs used to cost a standard 79p.

**Music**  
News » UK News » Technology »

**In Music**

Glastonbury 2015: Wednesday as it happened

Isle of Wight Festival

# Price Biter Game

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- You are one of many sellers in a market
- Maximum willingness to pay for your product is \$100
- The market consists of “price-biters” who are concerned with product quality but are also price sensitive
- A 25% discount in this category is considered a “good deal” but any more and consumers doubt the quality of your product
- The seller who undercuts the average price by 25% wins the price-biter segment

# Managing Competitive Information

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- Which information to disclose?
  - Cost
  - Capacity
  - Future plans
    - APP?
- Collect information when possible!

# How to React to Price Competition?

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- Why not lower price?
  - Competitors might have deep pockets
  - Price-Quality Perceptions
  - What type of customers might you attract?
- Other options?
  - Develop a “Fighting Brand”
  - Quantity Discounts?!
  - Promotions
  - Think of other markets
  - Work with your channel partners
  - APP!

# When to Compete on Price?

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- Cost Advantage
  - Create cost advantage?
- Niche Player
- Complementary Products
- Market Potential?



Tweeter etc.

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# Tweeter - Introduction

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- The case deals with how a high end retailer competes with mass market retailers like Circuit City and Wiz
- Issues of Importance
  - Competitive pricing
  - Psychological aspects of pricing
  - Short term price discounts
- We are looking at the world in 1996 but the issues keep coming up again and again
  - JC Penney
  - Toys r Us
  - Sears
  - Traditional Retailers in India?

# JCPenney is running out of time

by

Paul R. La Monica

@lamonicabuzz

🕒 May 17, 2018: 6:11 PM ET





Toys 'R' Us closed the last of its 735 stores across the country this week. Cheryl Claude, center, an assistant manager in Woodbridge, N.J., worked until the last day, Thursday. Emma Howells/The New York Times

## ***At Toys 'R' Us, 'There Is Nothing Left': The Day It Closed for Good***

At a New Jersey store, the shelves were mostly bare, save for a scattering of stuffed animals and tween jewelry. But many longtime employees stayed out of pride or necessity.

# Big Bazaar



# Tweeter Takeaways

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- Price/value perceptions depend on many factors besides the objective prices. While prices can be changed quickly, price image is more durable
- Illustrates the challenges of a high-end marketer that needs to defend against lower-price competitors. A well coordinated marketing mix strategy and not merely price reaction is required

# Thank You!

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abhinav\_uppal@isb.edu

+91 1724591706