

Price – The 2nd P

Agenda

- Background
- Importance of Pricing
- Pricing Objectives
- Pricing Strategies (just a few)
- Consumer Psychology & Pricing

Background

- Price is a crucial weapon in a marketer's armoury
 - Budget airlines in Asia... threatened the railway kingdom?
- Price is also the easiest way of fighting a marketing war
 - Why?
- Because it is easy to change price
 - Especially online

Background

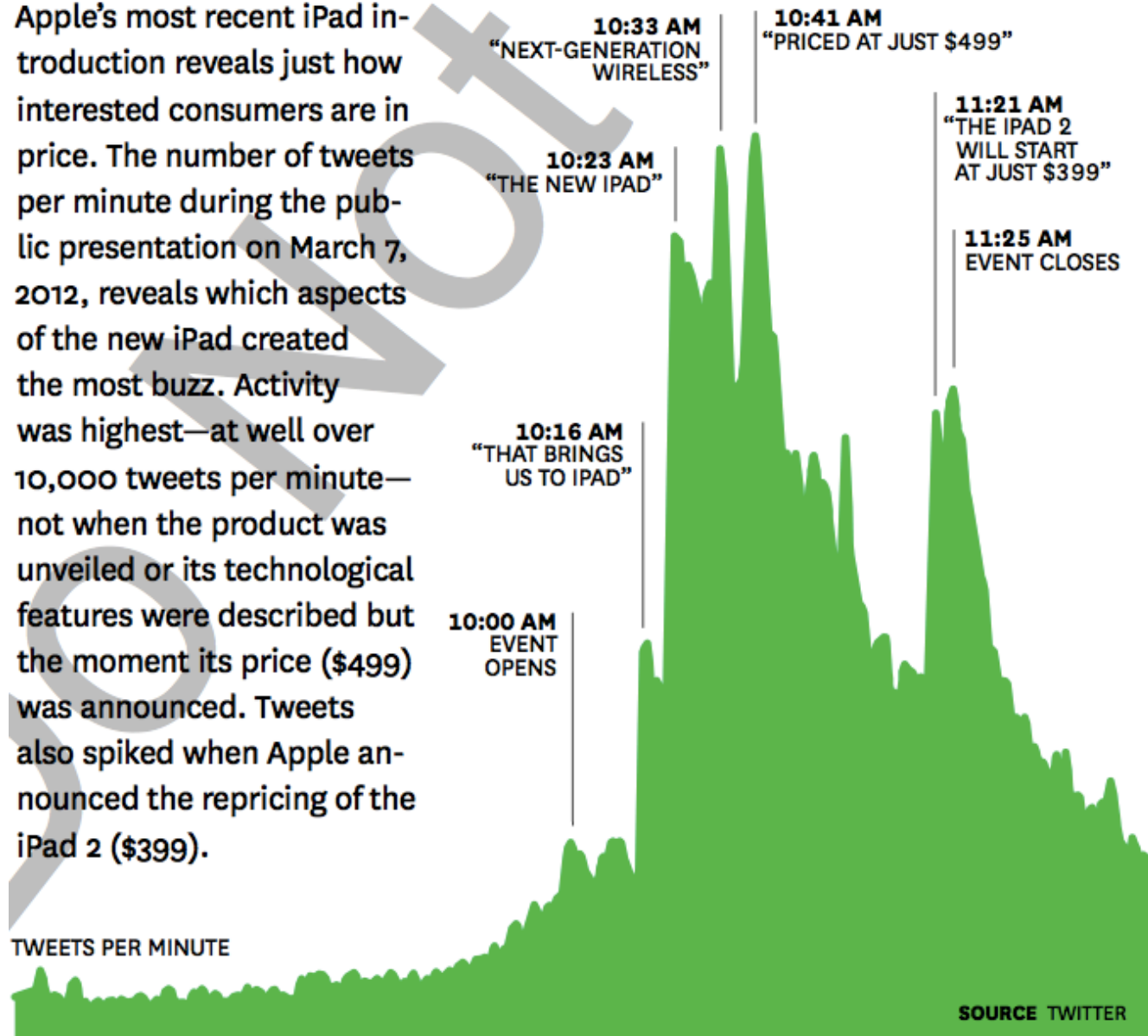
- Bank of America – Case in Sept. 2011
- Netflix – Case in July 2011

Source: Bertini & Gourville, 2012

- PayPal (www.sequoiacap.com/grove/posts/afed-pricing-your-product)
- FlipKart.com (Shipping Costs!)
- Apple's Launch of iPad 3 – 7th March 2012
 - Tweet pattern

The Importance of Price

The reaction on Twitter to Apple's most recent iPad introduction reveals just how interested consumers are in price. The number of tweets per minute during the public presentation on March 7, 2012, reveals which aspects of the new iPad created the most buzz. Activity was highest—at well over 10,000 tweets per minute—not when the product was unveiled or its technological features were described but the moment its price (\$499) was announced. Tweets also spiked when Apple announced the repricing of the iPad 2 (\$399).



Price and Marketing Mix



Importance of Pricing

A. In the economy:

1. Regulates the economic system.
2. Influences factors of production ????
3. Must be established in a socially responsible manner.

Importance of Pricing

B. In the customer's mind:

1. Most consumers are sensitive to price.
2. Typically price and quality are assumed to correlate.
3. Price concerns consumers as it represents a component of **value**—the ratio of perceived benefits to price and any additionally incurred costs.

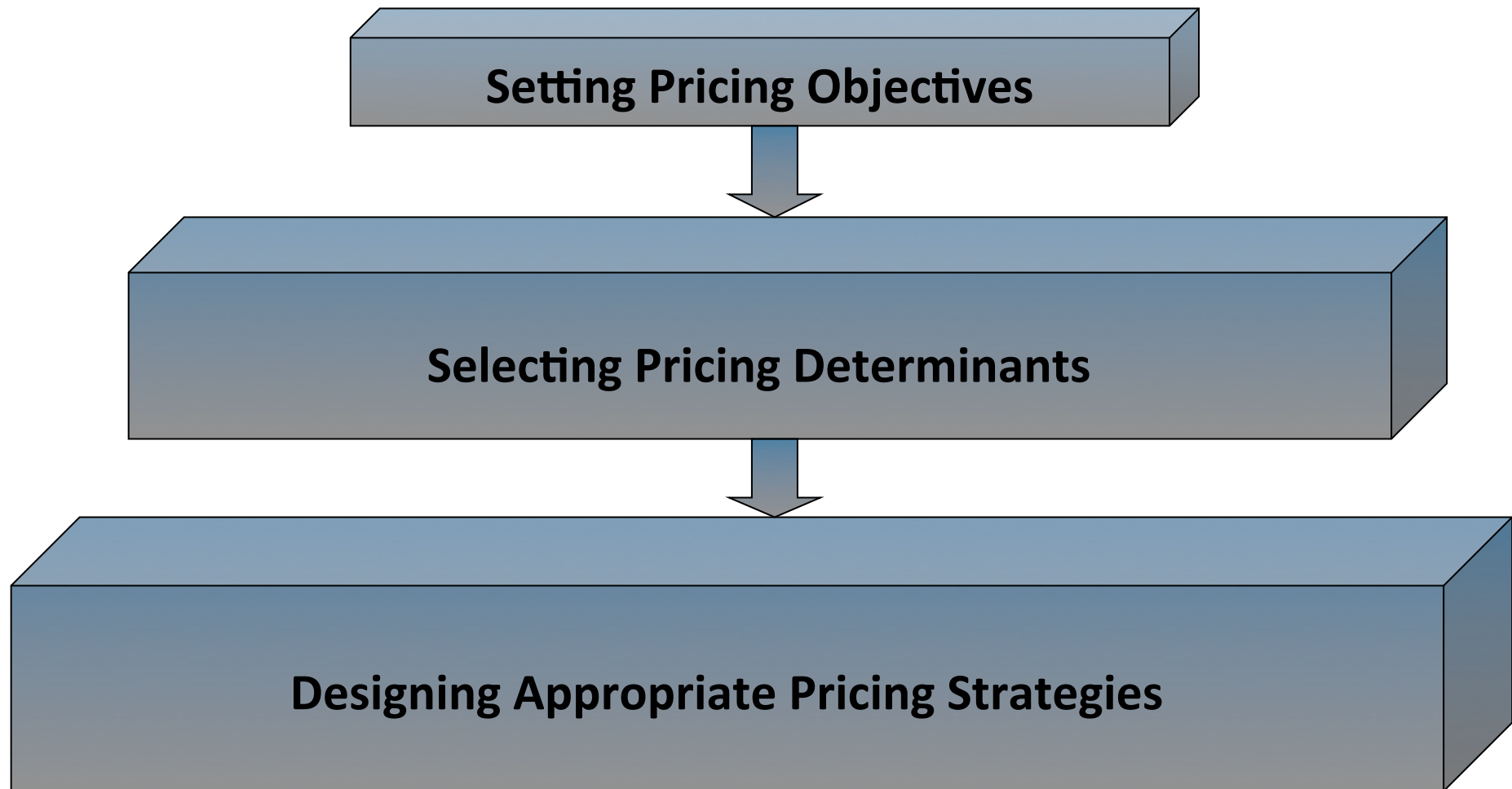
E.g.: Time represents a cost (i.e., shopping time, travel time, etc.).

Importance of Pricing

C. In the individual firm:

1. Price is a major determinant of demand for any given product.
2. Price is very important, but not the only factor in a product's success; brand, quality, convenience and/or other attributes mediate the effect of price on purchase.

Price Determination Process



Pricing Objectives

- Pricing for Profit
 - You set a price such that you maximize current profit
 - Which PLC phase?
- Pricing for Maximizing Market share
 - This price means foregoing current profit
 - But several companies feel this is worth it

Pricing Objectives

- Pricing for Social Goals
 - Somewhat similar except that you have certain social goals in mind
 - Examples would be?
- Pricing for Positioning
 - How do you know Armani or Scotch whiskey is premium?!
 - Again, when one has a product line, one must be careful in pricing

Factors Influencing Price (3C' s)

**Customers
(DD)**

Expected price

Demand curve

Price elasticity

Costs

Competitive Reactions

Similar products

Substitutes

Unrelated products

Pricing Objectives

- Pricing for **Profit**
 - You set a price such that you maximize current profit
 - Which PLC phase?
- Pricing for **Maximizing Market share**
 - This price means foregoing current profit
 - But several companies feel this is worth it

Pricing Objectives

- Pricing for **Social Goals**
 - Somewhat similar except that you have certain social goals in mind
 - Examples would be?
- Pricing for **Positioning**
 - How do you know Armani or Scotch whiskey is premium?!
 - Parle-G: VFM value proposition

Pricing Strategies

- Price vs. Non-price Competition
 - Price competition: Value Pricing (EDLP vs. High-low pricing)
 - Non-price competition: DC & TOI Vs. The Hindu Newspaper in the South
- Cost Plus Pricing (Tried the E.g.?)
- Price Discriminations
 - Customer segment pricing, Product-Form pricing, Image Pricing, Channel Pricing, Location Pricing, Time pricing
- Special Pricing Strategies (Loss Leader Pricing)
- Market Entry Strategies (Introduction Stage)
 - Market Skimming/Price Skimming
 - Penetration Pricing
- Price Bundling

Introductory Pricing Strategies

- Price Skimming
 - Did you try the example?
 - What do we mean by this?
 - When appropriate?
 - Advantages?

Introductory Pricing Strategies

- Penetration Pricing
 - What do we mean by this?
 - Examples?
 - When appropriate?
 - Dangers?

Penetration Pricing

- Several actors followed this e.g. SRK
 - Raised prices with increasing popularity
- Oftentimes, may be hard to raise prices later on
- Hopefully, costs will fall or volumes will increase
- But how to effect a price increase?
- Universally disliked after all

Penetration Pricing

- Price increase can be effected by
 - Being honest and fair across the board; one must be ethical right from the beginning
 - Else, can reduce size
 - Else, can remove some features
 - Quietly remove free service
 - All in all, an unpleasant decision, like sacking someone

Price Bundling

- Price Bundling
 - What is the rationale? Any examples?

Price Bundling

- Examples would be season tickets
 - Chennai is famous for its December Carnatic “season”
 - One day ticket is Rs. 50, 10 days’ is Rs. 400
 - Why?
 - After all, one can argue that one has reduced the search costs for consumers and hence, need to have a higher price
 - Reverse of the e.g. ...
 - Sunsilk shampoo 6 ml vs. 200 ml

Price Bundling

- The idea is you lock in a customer
 - Can also tell sponsors “1000 tickets sold”
- Besides, seats are perishable
 - Just like vegetables
 - Big problem in services since cannot inventory
- Demand may be asymmetric
 - For example, computer + scanner + printer

Consumer Psychology & Pricing

E.g. The Economist??

Reference Price

- What is a reference price?
- Why is it important?
- Do marketers want consumers to have strong reference prices?

ChromeFileEditViewHistoryBookmarksWindowHelp

Pendrives - Buy Products

www.flipkart.com/search?q=pendrives&as=off&as-show=off&otracker=start

psSNA TinyURL! YouTube Video Conv

flipkart.com

pendrives

SEARCH

CART0

BROWSE

ALL CATEGORIES

COMPUTERS (1520)

Storage (1513)

Pen Drives (1513)

MOBILES & ACCESSORIES (103)

Mobile Cases & Covers (2)

BOOKS (4)

HOME ENTERTAINMENT (3)

PENS & STATIONERY (2)

REFINE

Brand

Search by Brand

Sandisk (62)

Transcend (54)

Sony (66)

HP (100)

Toshiba (12)

Kingston (43)

Adata (22)

Price

Rs. 250 and Below (10)

Rs. 251 - Rs. 500 (283)

Rs. 501 - Rs. 1000 (675)

Rs. 1001 - Rs. 2000 (166)


Showing results for **pen drive**. Search instead for - **pendrives**

SEARCH: pen drive


Showing 1323 products

Found what you want? Yes / No


Sort by: Relevance




Sandisk Cruiser Blade - 16 GB 16 GB Utility Pendrive (Wh...
★★★★★ (151 ratings) ▶
in Pendrive
Rs. 999 44% OFF
Rs. 499
2 Sellers from Rs 499




SanDisk Cruiser Blade 16 GB Pen Drive (Black & Red)
★★★★★ (7856 ratings) ▶
in Pendrive
Rs. 699 35% OFF
Rs. 450
43 Sellers from Rs 424




HP V-220 W 16 GB Pen Drive
★★★★★ (2097 ratings) ▶
in Pendrive
Rs. 570
18 Sellers from Rs 479



Transcend Jet Flash - 16GB USB 3.0
★★★★★ (151 ratings) ▶
in Pendrive
Rs. 999 44% OFF
Rs. 499
2 Sellers from Rs 499




Transcend Jet Flash - 16GB USB 3.0
★★★★★ (151 ratings) ▶
in Pendrive
Rs. 999 44% OFF
Rs. 499
2 Sellers from Rs 499




SanDisk Ultra Fit - 16GB USB 3.0
★★★★★ (151 ratings) ▶
in Pendrive
Rs. 999 44% OFF
Rs. 499
2 Sellers from Rs 499


FEATURED PRODUCTS



SanDisk Cruiser Bla...
Rs. 2,999 Rs. 609 79%
WS Retail



HP V-220 W 16 GB ...
Rs. 3,000 Rs. 570 81%
WS Retail



Transcend Jet Flas...
Rs. 6,999 Rs. 588 91%
WS Retail



Price-Perceived Quality Correlation

- It is established that there is a price-perceived quality correlation
 - Why?
 - For what types of goods is it likely to be higher?
- E.g. Armani vs. Gap vs. H&M

Psychological Pricing

- Psychological Pricing
 - Examples would be?

Psychological Pricing

- Prices like Rs. 495 would be such types
- Also, perception of value may differ though actual costs need not
 - For instance, tailor charges more for suit though time required may be same as 3 pants
 - Customer values suit highly
- Psychological Discounting
 - E.g. Was Rs. 359/-; Now Rs. 299/-

Price Cues

- Prices ending with '9'
 - E.g. Rs. 2999/- instead of Rs. 3000/-
 - Why?
- 'Sale' Sign next to Prices

Summary – Key 5 Points

1. Focus on relationship, not on transaction

E.g. Airlines ☹️

2. Be proactive

E.g. London Olympics 2012 (bundle transportation with tickets and not bundling events)

3. Put a premium on flexibility

E.g. LinkedIn

4. Promote transparency

E.g. Use the media effectively

5. Manage the market's standards for fairness