



# **Marketing part 5**

## **Price and Promotion**

---

# Price concepts

---

- In narrowest sense, price is the amount of money charged for a product or service. Broadly, price is the sum of all the values that customers give up to gain the benefits of having or using a product or service.
- price is the one element that produces revenue, the other elements produce costs.
- Traditional view is consumers are 'Price Takers'
- Marketers now believe that consumers actively process price information
- Consumers often have a lower price threshold, below which prices signal inferior quality
- Consumers often have a Upper price threshold, above which prices are prohibitive and consumers may think that the product is not worth the money.



# Consumer psychology and pricing

---

## **REFERENCE PRICES**

When examining products, they often employ reference prices, comparing an observed price to an internal reference price which they remember or an external frame of reference

## **PRICE QUALITY INFERENCES**

Many consumers use price as an indicator of quality

## **PRICE ENDINGS**

Many consumers believe that price should end in an odd number. In case of high end brand, it should avoid this tactic

# Setting the Price

---

## 1. Selecting the pricing objective

Survival, Maximum Current Profit, Maximum Market Share (Market penetration pricing) Maximum Market Skimming ( Pricing high which slowly drops overtime)

## 2. Determining demand

## 3. Estimating costs

Estimating total, variable, fixed cost

## 4. Analyzing competitor's costs, prices, and offers

## 5. Selecting a pricing method

- ✓ Markup pricing
- ✓ Target- return pricing
- ✓ Value pricing
- ✓ Every Day low pricing
- ✓ Going rate pricing
- ✓ Auction type pricing

## 6. Selecting a final price

# Setting the Price

---

1. Markup pricing- Here a standard markup can be added to the product's cost. Valuable cost per unit (\$10), Fixed cost ( \$300,000), expected unit sales (50,000).  
Unit cost= variable cost + (fixed cost/Unit sales) = \$10+ (\$300,000/50,000)  
With a 20% markup ,Markup Price = Unit cost / ( 1- desired return on sales) = \$16/(1-0.2)=
2. Target- return pricing- This price gives the owner desired return on the investment.  
Target-return Price= Unit cost+ ((desired return\* invested capital)/Unit sales), With a \$1 million investment, where the desired ROI 20%.
3. Perceived value pricing- here the customers perception plays a very important role. Charging for product's superior quality, service, reliability,
4. Value pricing- offering a high quality product at low price.

# Setting the Price (continued)

---

5. Every Day low pricing- Instead of offering discounts, it focuses on consistently low price
6. Going rate pricing- matching competitors prices.
7. Auction type pricing
  - *English auction ( Ascending bid)*
  - *Dutch auction ( descending bid)*
  - *Sealed-bid auction*

# Promotion/ Marketing Communication

---

Means by which firms attempt to inform, persuade and remind consumers-directly or indirectly about the products and brands they sell.

# Promotion/ Marketing Communication Mix

---

- 1) **Advertising**-refers to any paid promotion of products, services or ideas by an identified sponsor. It is non personal in nature. Organizations can advertise in a number of ways, such as on television, radio, magazines, newspapers, billboards and online.
- 2) **Sales Promotion**-are short-term incentives the company offers relating to their products or services.
- 3) **Events & Experiences**- Company-sponsored activities and programs designed to create daily or special brand-related interactions with consumers, including sports, arts, entertainment, and cause events as well as less formal activities.
- 4) **Public relations (PR) and publicity**-A variety of programs directed internally to employees of the company or externally to consumers, other firms, the government, and media to promote or protect a company's image or its individual product communications.
- 5) **Direct marketing**-Use of mail, telephone, fax, e-mail, or Internet to communicate directly with or solicit response or dialogue from specific customers and prospects
- 6) **Personal selling**-Face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.



# Promotion/ Marketing Communication Mix



- 7) **Personal selling**-Face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.
- 8) **Mobile Marketing**- using consumer's cell phones, smart phones or tablet
- 9) **Online and Social Media Marketing**- online activities and programs directed to engage consumers or prospects.