

# OBJECTIVES OF PRICING STRATEGY

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## What is Pricing Strategy?

A business can use a variety of pricing strategies when selling a product or service. The Price can be set to maximize profitability for each unit sold or from the market overall. It can be used to defend an existing market from new entrants, to increase market share within a market or to enter a new market. Businesses may benefit from lowering or raising prices, depending on the needs and behaviors of customers and clients in the particular market. Finding the right pricing strategy is an important element in running a successful business.

## Pricing Strategy Objectives

- Long Run Profits
- Short Run Profits
- Increase Sales Volume
- Company Growth
- Match Competitors Price
- Create Interest & Excitement about the Product
- Discourage Competitors From cutting Price
- Social, Ethical & Ideological Objectives
- Discourage New Entrants
- Survival

# Decisions in Pricing Strategy

- Fixed & Variable Cost
- Competition
- Company Objectives
- Proposed Positioning Strategies
- Target Group & Willingness to Pay
- External Market Demand
- Internal Factors; Product Cost & Objectives of Company

# Pricing Strategy for Challenging Economic Times

- Pricing is a market consideration, not a cost consideration.
- Understand your customers' primary goals. Be clear on what the customer wants first, then set pricing and bundling decisions.
- Consider bundling products or services together. Always bundle a low- and high-valued product together. This will create higher sales and greater profitability.
- Understand your value proposition. Have a clear understanding of if and how your product or service is differentiated from the competition.
- Know where you are on the scale of "innovative-to-commoditized."
- Build the customers' perception of value. Constantly build on customer perception. The more subtle the differentiation of the product or service, the more often customers need to be reminded of the value of your product or service.

# Factors Affecting Pricing

