

Pricing strategies

Jan 31, 2016

Markup pricing

Markup pricing is a strategy in which a company first calculates the cost of the product, then adds a proportion of it as markup.

Premium Pricing

This strategy requires the company to use a high price that shows off the uniqueness of the product or service. The approach has competitive advantages, but it can be tricky to implement.

Penetration Pricing

This strategy is used to put low prices on a product in order to gain a fair share of the market. Once the market share has been achieved, the price can be heightened.

Price Skimming

This strategy is when a company charges a high price because there is a large competitive advantage. The advantage is not one the company will likely hold, however, once customers realize how high the prices are compared to other similar products and services.

Psychological Pricing

The company will use the consumer's emotional response to the product to set the price. This is often why items are priced at 0.99 instead of \$1.

Perceived Value Pricing

The valuation of good or service according to how much consumers are willing to pay for it, rather than upon its production and delivery costs. Using a perceived value pricing technique might be somewhat arbitrary, but it can greatly assist in the effective marketing of a product since it sets product pricing in line with its perceived value by potential buyers

Target return pricing

The process of setting an item's price by using an equation to compute the price that will result in a certain level of planned profit given the sale of a specified amount of items. By using a target return pricing method, a business is able to set its products' prices at such levels that its corporate profit objectives are likely to be met if sales continue to run at or above the amount specified.

Going rate pricing

Setting a price for a product or service using the prevailing market price as a basis. Going rate pricing is a common practice with homogeneous products with very little variation from one producer to another.