PRICING OBJECTIVES

- Survival
- Maximize profit
- Target return
- Market share
- Status quo
- Non prove competition
SELECTING A PRICING POLICY

1. BREAK EVEN ANALYSIS
   - Is a comparison of alternative cost and revenue estimates in order to determine acceptability of each price.
   - Break even point is the point where company’s sales revenue equal to its production cost.
   - Two types of cost must be understood that are fixed cost and variables cost.
   - Computing break even point involve three major components that are, total fixed cost, selling price per unit and variable cost per unit.
BEP = TOTAL FIXED COST - SELLING PRICE - VARIABLE COST
Mark-up Pricing is the difference between the selling price of a good and its cost to the business.

Example:
- Cost = RM 1.40
- Mark-up = 30%
- Selling price = ?

### Table 4.1 A Mark-Up Table

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COMPETITION ORIENTED PRICING

• Matching competition
• Pricing below competition
• Pricing above competition
• Sealed bid pricing / tenders
THE PRICING SETTING DECISION PROCESS

1. Selecting price objectives
2. Assessment of target market’s evaluation of price and its ability to purchase
3. Determine demand
4. Analysis of demand, cost and profit relationships
5. Analyze competitor’s price
6. Select a pricing policy
7. Development of pricing strategy/method
SKIMMING PRICING

• Is the technique of selling high price to skim off strongest demand in the marketplace.
• This strategy is often only short range.
• Example:
  - Playstation
  - Flat screen tv
PENETRATION PRICING

• Is the strategy employing a low price that is competitive and designed both to stimulate demand and to discourage competition.
SLIDING PRICE STRATEGY

• Is a method of moving prices in relation to demand.
• This strategy is combination of skimming and penetration strategy.
ODD PRICING

• Is setting of a price just below the round number.
• Based on belief that customers perceive the odd price much lower than round number price.
• Example: RM1.99 rather than RM2.00
PRICING LINING

• Is the process of offering merchandise in several different price ranges.
• Quite often it is three ranges of low, medium and high.
• Example:
GEOGRAPHIC PRICING

• Is a technique of charging customers based on where they live.
• This pricing strategy passes the transportation cost of goods to buyers
• Example:
DISCOUNT

• Is reduction in the list price.
• Another strategy to encourage people to buy product or service.
• Example:
  – T-shirts price RM160
  – Discount 70%
  – How much new price???