

Price & Pricing

Factors that affect the price set include:

- Costs
- Demand
- Competition
- Taxes
- Subsidies
- Supply levels
- Quality
- Target market

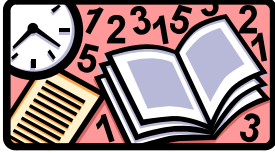
- Brand name
- Economies of scale
- Stage of life cycle
- Business objectives

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Which of the above apply to
CK One,
Cadbury chocolate,
Coca Cola,
School Canteen

Pricing strategies

1) Complete the table below - placing the correct pricing strategy with the explanation



The strategies you can select from are as follows:

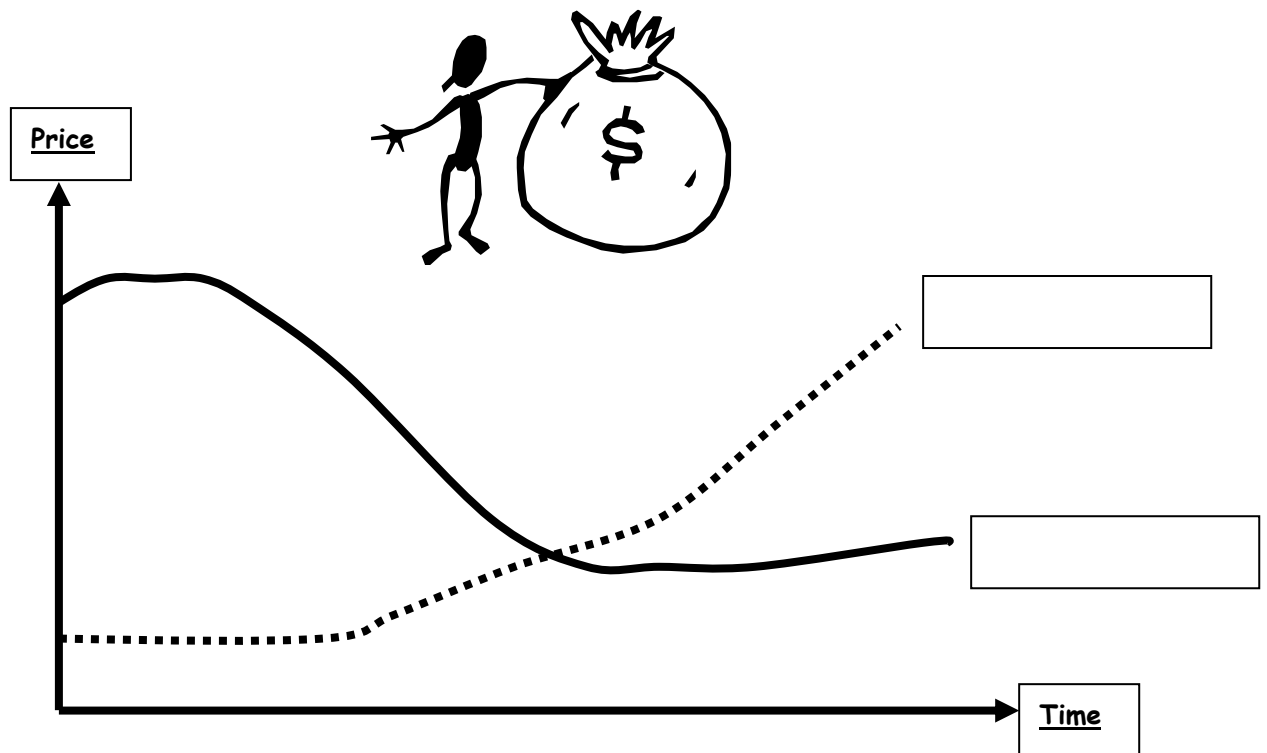
Skimming, penetration, predatory, discrimination, competitor based, demand based, cost based, psychological pricing, loss leading

Name of strategy	Explanation	Examples of use
	A firm undercuts competitors to force them out of the market. Once this has happened they put their prices back up	
	This means that different people are charged different amounts at different times for exactly the same product	
	This is when a product is sold at a loss to generate interest from customers in other products that are sold by the company	
	This is when a company uses the price of £99.99 rather than £100 to try to get people to think it is a little cheaper than it is	
	This is when a firm works out what it costs to produce an item and then adds an amount on top of this to contribute towards profits. This is a simple method and is therefore used quite often	
	Firms try to work out what people are prepared to pay (perhaps using market research) and then charge that amount	
	This is done by looking at what other similar products are priced at and then setting a similar price	
	This involves setting a low price at first to gain market share as quickly as possible before raising it a little later	
	This is the opposite to the above and involves setting a very high price at first before bringing the price down as competition in the market increases	



P.T.O

2) Copy out the graph below and label the two methods of pricing shown



- 3) Explain why different pricing strategies are used over the period of the product life cycle.
- 4) Make a list of 5 goods that you think are price sensitive and 5 that you think are not price sensitive

Price sensitive means that a rise in price will probably see a fall in demand for the good

- 5) Why does Stella Artois let everybody know their product is "reassuringly expensive"?
- 6) Give examples of how the price set for a product is dependant on the target market for the goods

