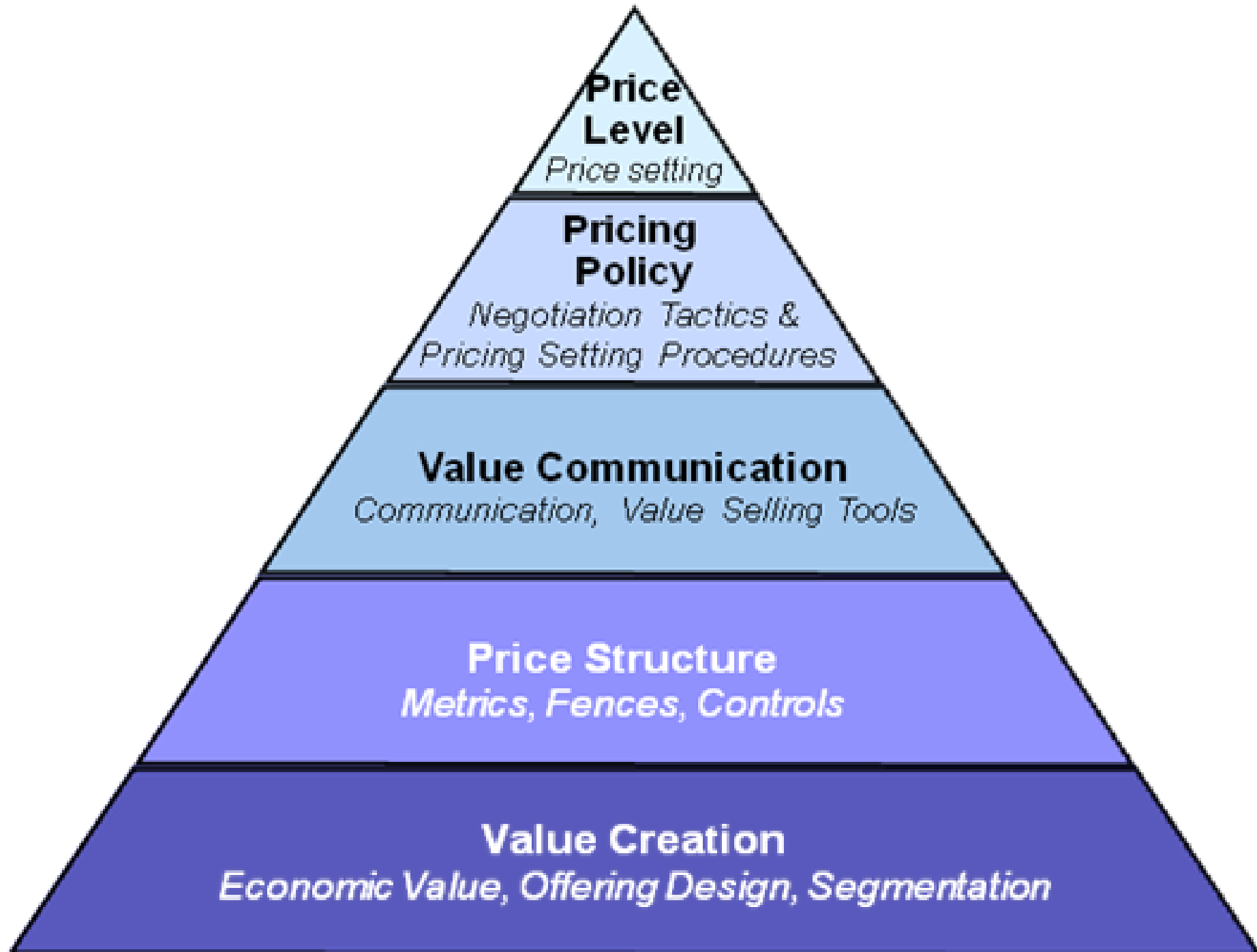


Understanding Pricing Strategy

Pricing

Elvis Fuamba, Kalliola, Spot Yrittäjyysvalmentamo 2024





Overview:



Session 2: Whats is pricing Strategy



- Definition of pricing strategy: Pricing strategy refers to a plan or approach that businesses use to set and adjust prices for their products or services.
- Components:
Cost-based pricing; value-based pricing
competition-based pricing.



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Kalliola



Penetration pricing



Promotional pricing



Economy pricing



Value pricing



Premium pricing



Captive pricing



Price skimming



Dynamic pricing



Psychological pricing



Competitive pricing



Bundle pricing



Cost-plus pricing



Geographical pricing



Freemium pricing

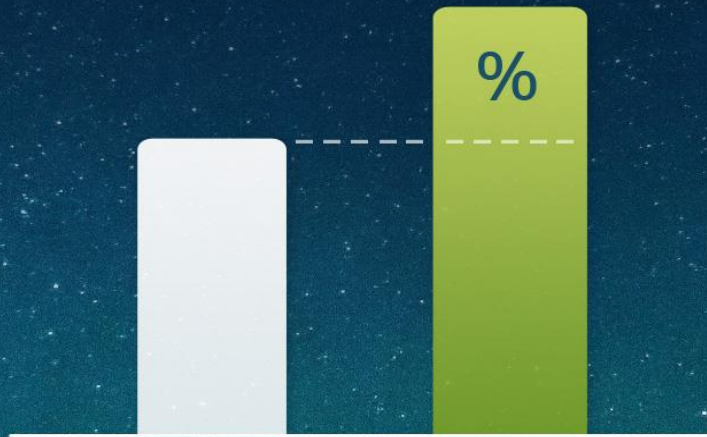
Session 2:

Types of pricing Strategies

5 Session 2: Types of pricing Strategies

Cost-plus Pricing

Pricing your product at a certain margin above your costs.



 Cheddar

a. Cost-Plus Pricing

- Adding a standard markup to the cost of the product

Example:

- Manufacturing cost + 20% markup

6 Session 2: Types of pricing Strategies

Competitive Pricing

Pricing your product relative to a competitor's product on the market



b. Competitive Pricing

- Setting prices based on competitors' strategies
- **Example:**
 - Price matching with similar products



Session 2: Types of pricing Strategies

c. Penetration Pricing



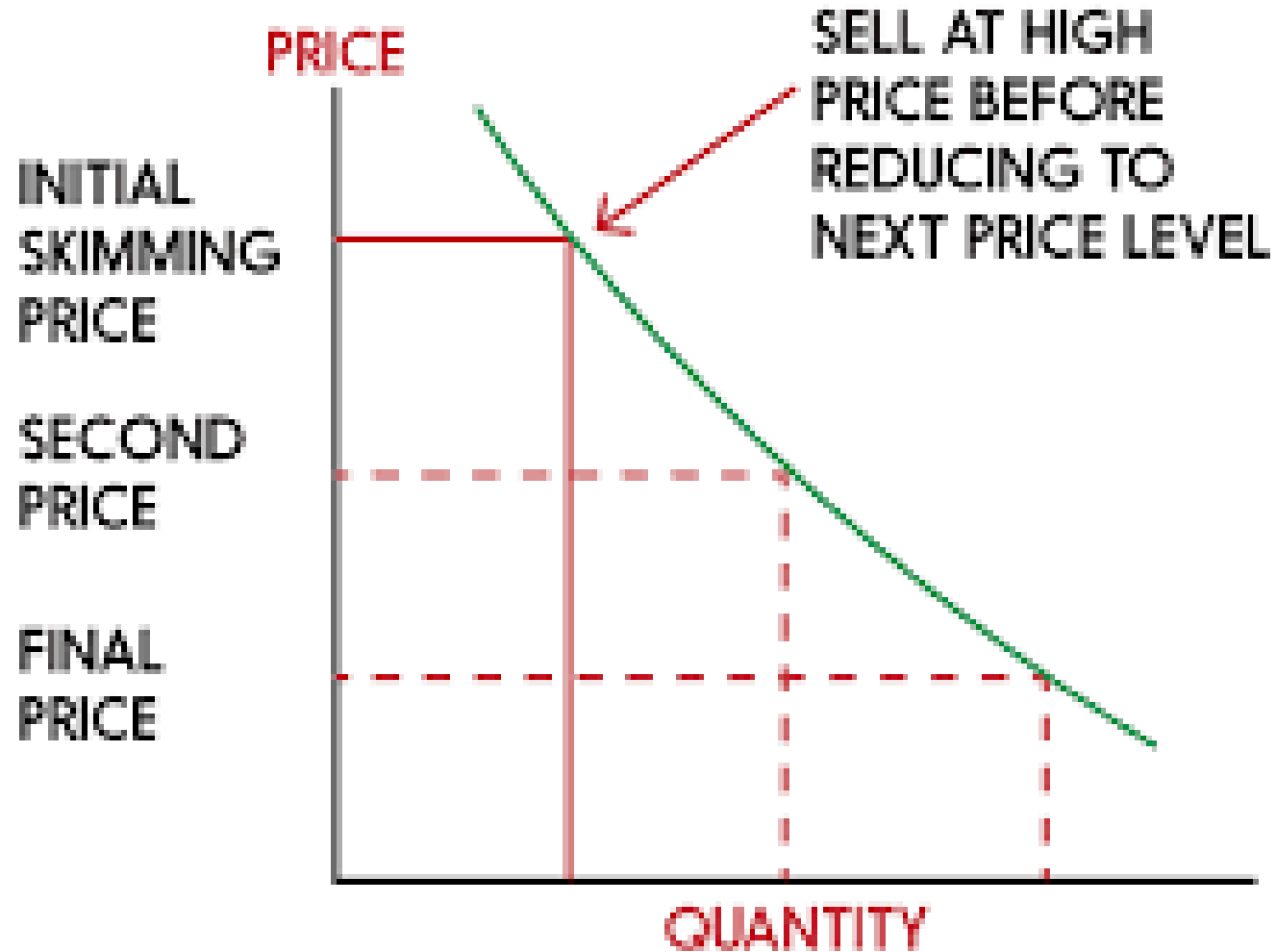
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- Setting a low price to enter a competitive market and gain market share

- **Example:**

- Initial low prices for new software subscription services

Session 2: Types of pricing Strategies



d. Skimming Pricing

- Setting high prices initially and then gradually lowering them
- **Example:**
 - Technology gadgets like smartphones

Session 2: Types of pricing Strategies

e. Dynamic Pricing



- Adjusting prices based on demand and supply conditions

- **Example:**

- Airline tickets, ride-sharing apps

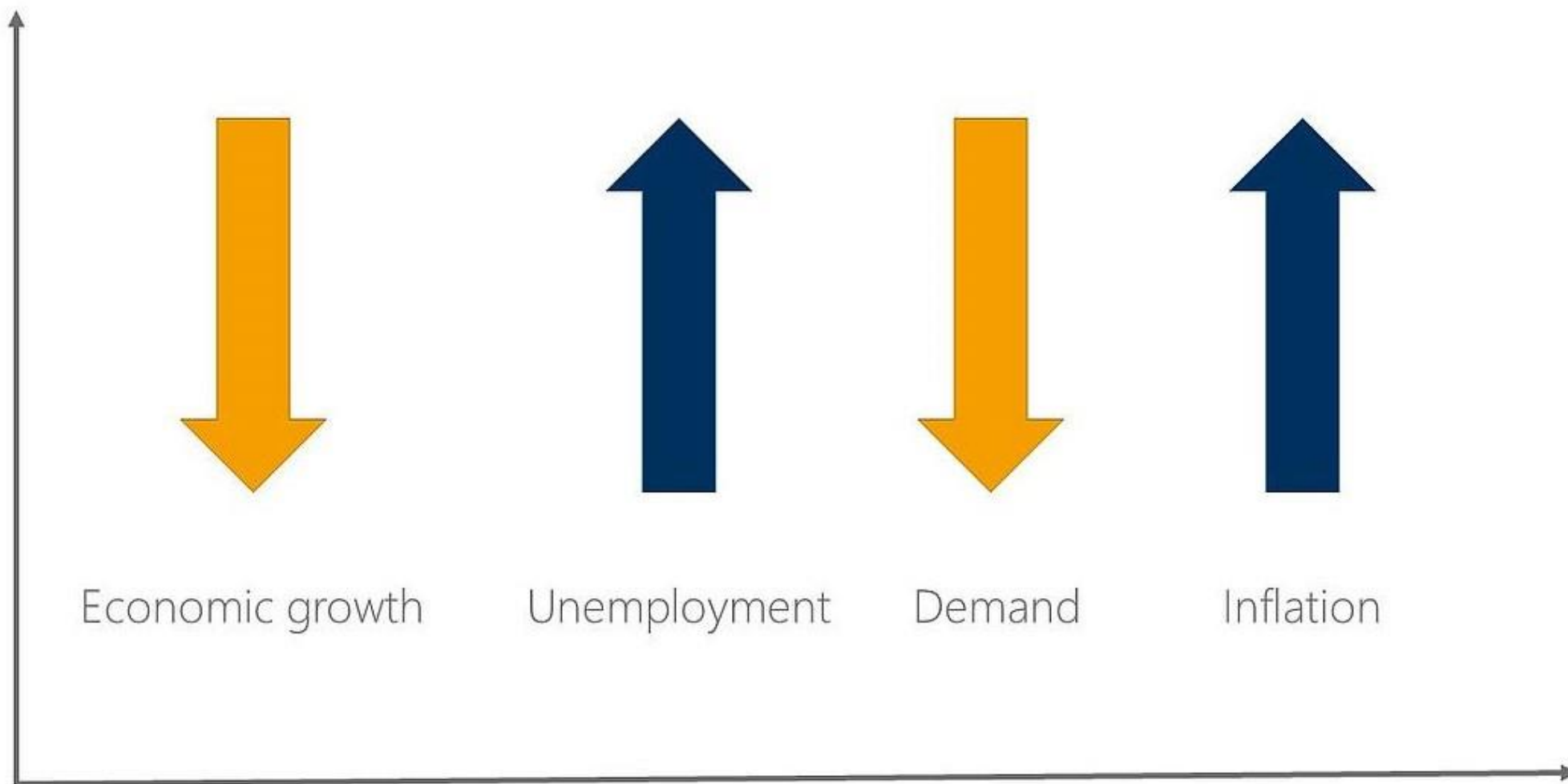
Session 2: Types of pricing Strategies



f. Bundle Pricing

- Offering several products for sale as one combined product
- **Example:**
 - Fast food combo meals

Session 2: How Prices Affect Your Business



12 Session 2: How Prices Affect Your Business

- **Revenue Impact:**
 - Direct correlation between pricing and revenue (inflation)
- **Profit Margins:**
 - Importance of covering costs and achieving profit margins



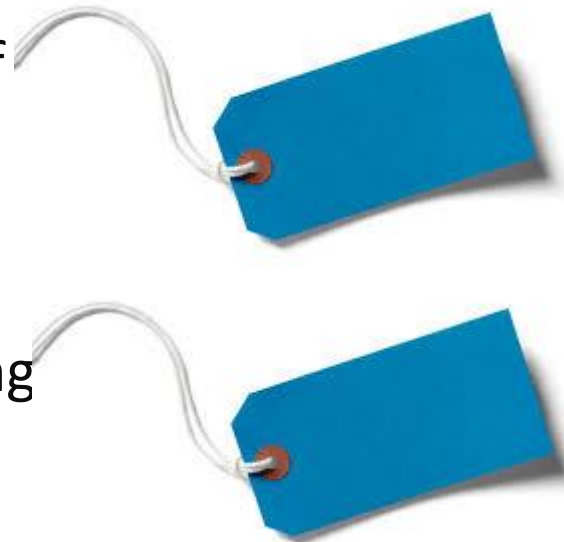
Customer Perception

- **Perception of Value:**

- How pricing affects customer perception of quality

- **Price Sensitivity:**

- Influence of pricing on consumer purchasing behavior



14 Session 2: How Prices Affect Your Business

•Competitive Advantage



•Market Positioning:

- Using pricing to position the brand in the market

•Attracting Customers:

- Gaining competitive edge through strategic pricing

Session 2: Pricing and Creating a Pricing Strategy

Analyzing the market and customer demand, understanding customer needs, evaluating production costs, and setting competitive prices that maximize profits.



Session 2: Pricing and Creating a Pricing Strategy

- **Market Research:**

- Analyzing market trends and competitor prices



- **Customer Segmentation:**

- Understanding different customer segments and their willingness to pay



- **Competitor analysis:**

- Understanding your competition



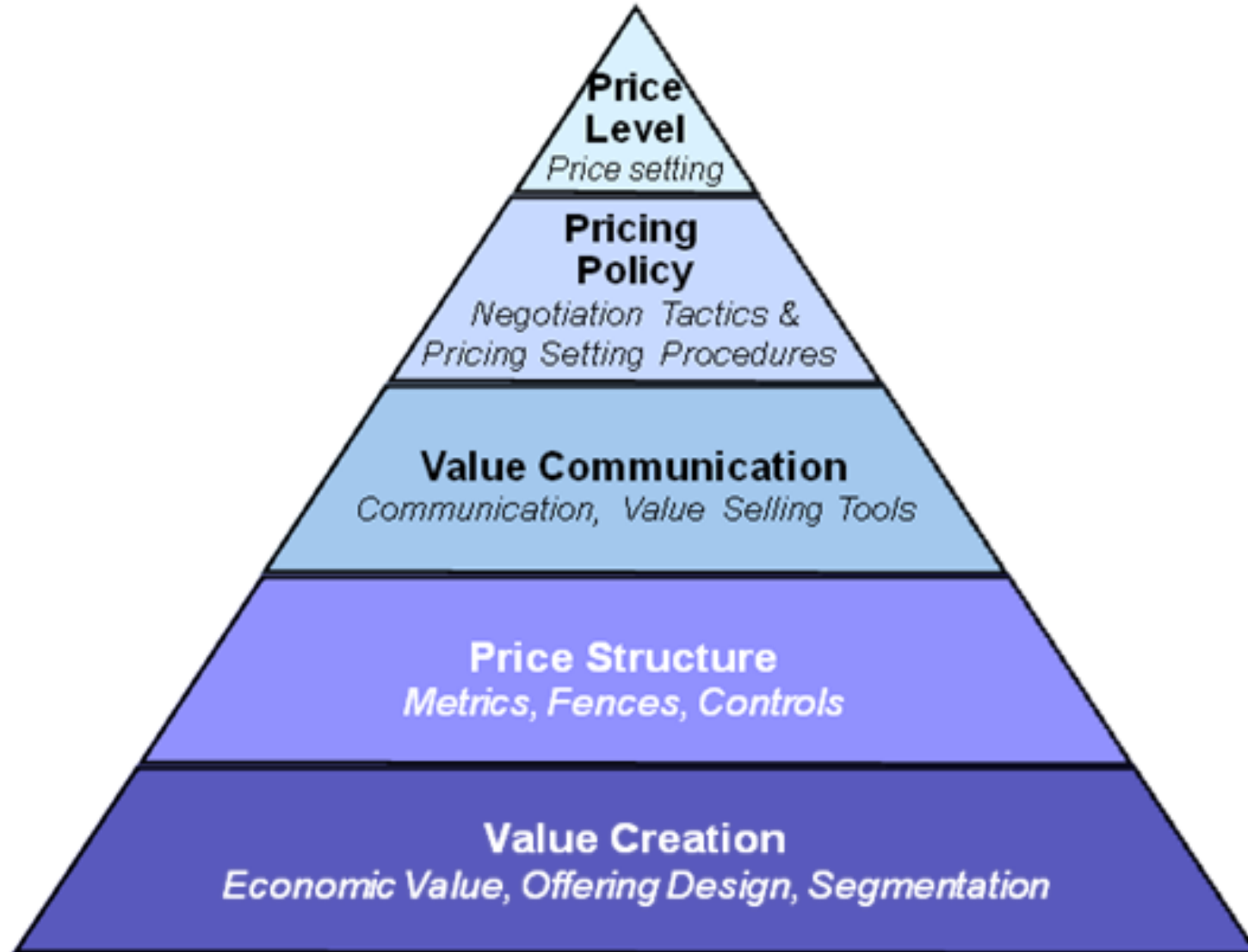
Session 2: Pricing and Creating a Pricing Strategy

Setting Pricing Objectives

- **Objectives:**
 - Profit maximization, market penetration, survival, product line promotion
- **Strategic Goals:**
 - Aligning pricing with overall business strategy



18 Session 2: Pricing and Creating a Pricing Strategy



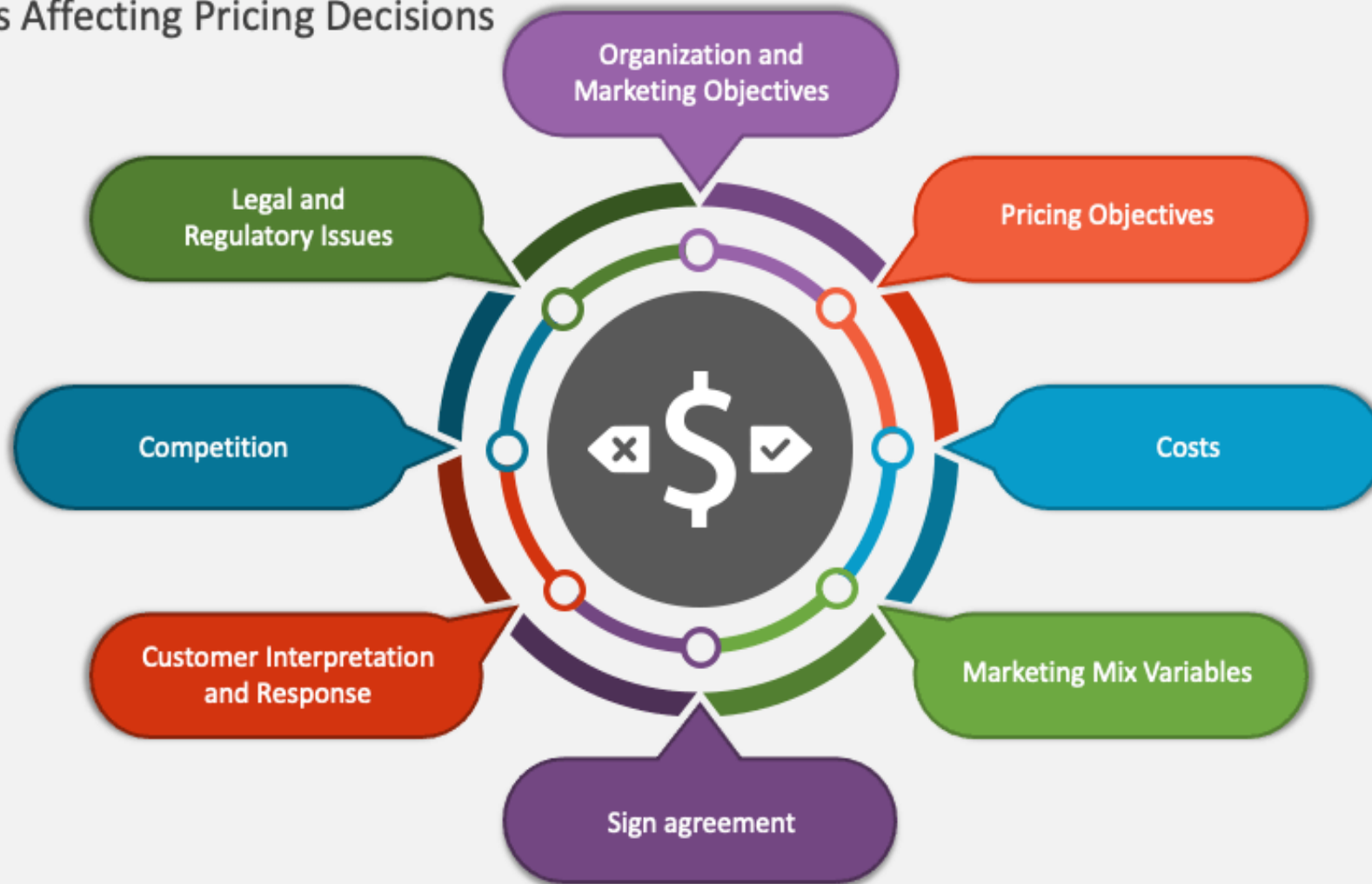
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19 Session 2: Factors Influencing Pricing Decision

PRICING DECISIONS

Factors Affecting Pricing Decisions



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Session 2: Factors Influencing Pricing Decisions

Setting Pricing Objectives

- **Internal Factors:**

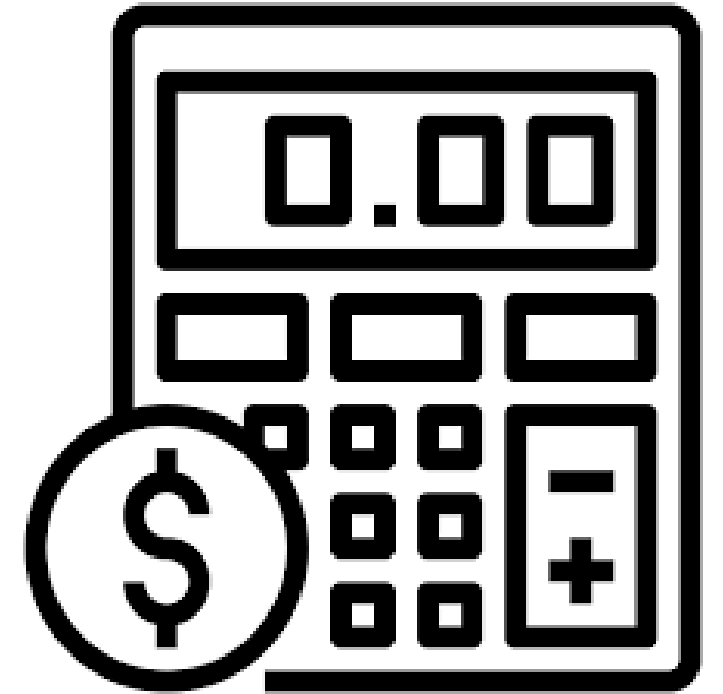
- Cost structure, marketing strategy, business objectives

- **External Factors:**

- Market demand, competition, economic conditions

20 Session 2: Equation to Calculate Your Price

- **Basic Formula:**
 - $\text{Price} = \text{Cost} + \text{Markup}$
- **Detailed Calculation:**
 - $\text{Price} = \text{Cost of Goods Sold (COGS)} + (\text{COGS} * \text{Desired Profit Margin})$



Session 2: Monitoring:

- Regularly review and adjust prices based on market feedback

PRICING EFFECTIVENESS



- Monitoring and analyzing pricing performance

- Strategies for optimizing prices based on data-

How to Choose a Pricing Model

