

P R I N C I P L E S O F  
**Marketing**

## **Chapter Eleven**

### **Pricing Strategies**



# Price-Adjustment Strategies

## Pricing Strategies

- **Freight-absorption pricing** means the seller absorbs all or part of the actual freight charge as an incentive to attract business in competitive markets



# Price-Adjustment Strategies

## Pricing Strategies

**Dynamic pricing** is when prices are adjusted continually to meet the characteristics and needs of the individual customer and situations



# Price-Adjustment Strategies

## Pricing Strategies

**International pricing** is when prices are set in a specific country based on country-specific factors

- Economic conditions
- Competitive conditions
- Laws and regulations
- Infrastructure
- Company marketing objective



# Price Changes

## Initiating Pricing Changes

- Price cuts
- Price increases



# Price Changes

## Initiating Pricing Changes

### Price cuts occur due to:

- Excess capacity
- Increased market share

### Price increase from:

- Cost inflation
- Increased demand
- Lack of supply



# Price Changes

## Buyer Reactions to Pricing Changes

### Price increases

- Product is “hot”
- Company greed

### Price cuts

- New models will be available
- Models are not selling well
- Quality issues



# Price Changes

## Responding to Price Changes

### Questions

- Why did the competitor change the price?
- Is the price cut permanent or temporary?
- What is the effect on market share and profits?
- Will competitors respond?





# Price Changes

## Responding to Price Changes

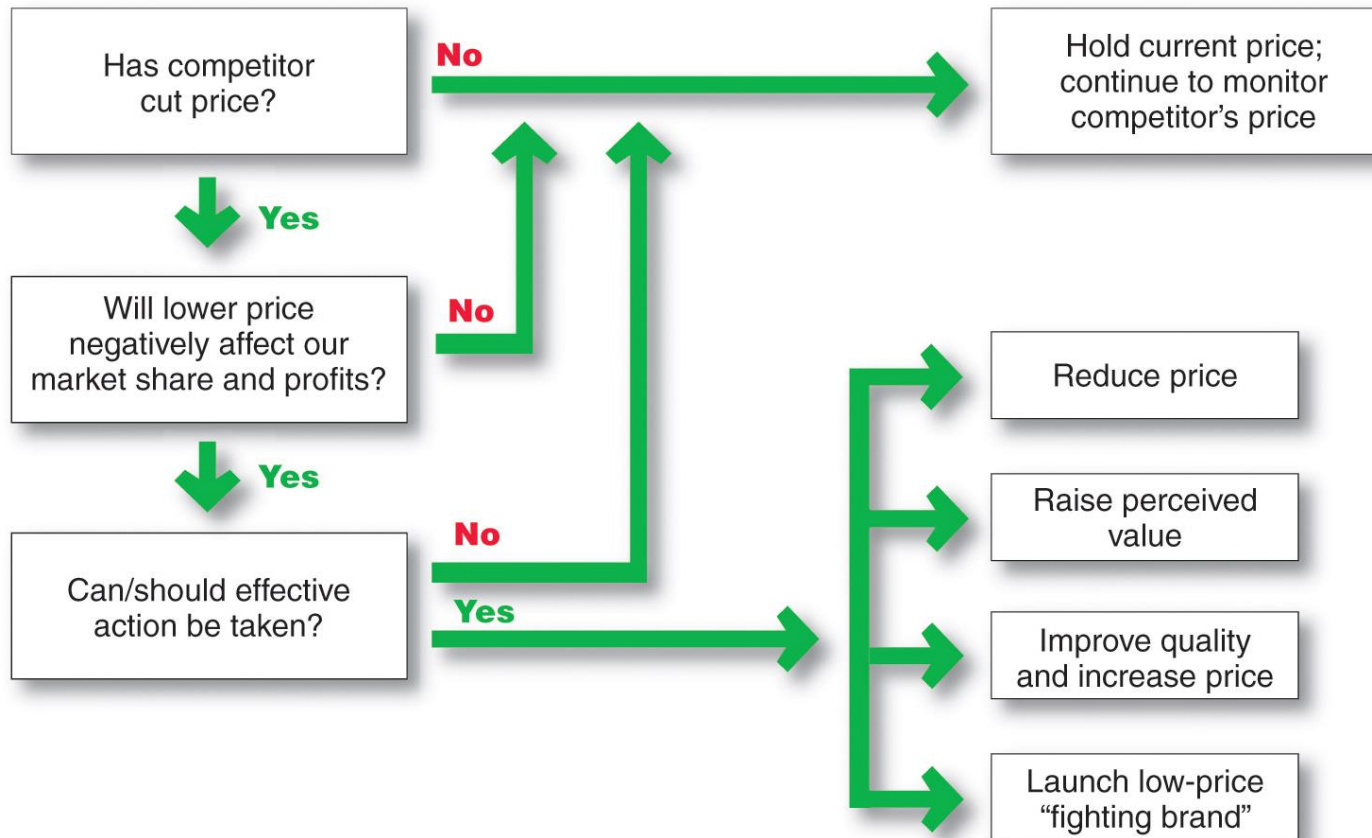
### Solutions

- Reduce price to match competition
- Maintain price but raise the perceived value through communications
- Improve quality and increase price
- Launch a lower-price “fighting” brand



# Price Changes

## Responding to Price Changes



# Public Policy and Pricing

## Pricing Within Channel Levels

**Price fixing:** Sellers must set prices without talking to competitors

**Predatory pricing:** Selling below cost with the intention of punishing a competitor or gaining higher long-term profits by putting competitors out of business



# Public Policy and Pricing

## Pricing Across Channel Levels

**Robinson-Patman Act** prevents unfair price discrimination by ensuring that the seller offer the same price terms to customers at a given level of trade



# Public Policy and Pricing

## Pricing Across Channel Levels

### Robinson-Patman Act

- Price discrimination is allowed:
  - If the seller can prove that costs differ when selling to different retailers
  - If the seller manufactures different qualities of the same product for different retailers



# Public Policy and Pricing

## Pricing Across Channel Levels



**Retail (or resale) price maintenance is when a manufacturer requires a dealer to charge a specific retail price for its products**



# Public Policy and Pricing

## Pricing Across Channel Levels

**Deceptive pricing** occurs when a seller states prices or price savings that mislead consumers or are not actually available to consumers

- Scanner fraud failure of the seller to enter current or sale prices into the computer system
- Price confusion results when firms employ pricing methods that make it difficult for consumers to understand what price they are really paying

