

Pricing Considerations and Price Planning

Disarikan dari : **Amstrong dan** Evans & Berman

Chapter Objectives

- **To define the terms price and price planning**
- **To demonstrate the importance of price and study its relationship with other marketing variables**
- **To differentiate between price-based and nonprice-based approaches**
- **To examine the factors affecting pricing decisions**

What is a Price?

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- **Narrowly**, price is the amount of money charged for a product or service.
- **Broadly**, price is the sum of all the _____ that consumers exchange for the benefits of having or using the product or service.
- **Dynamic Pricing**:

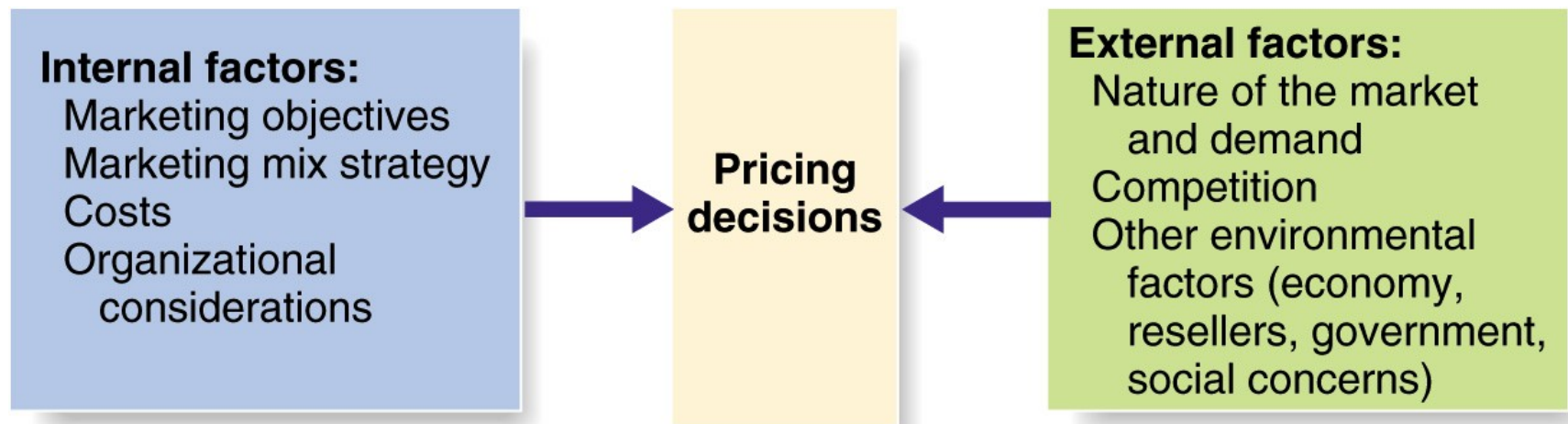
Price Planning

Through price planning, each **price** places a value on a good or service.

Price represents the **value** of a good or service for both the buyer and seller.

Pricing can involve both **tangible** and **intangible** factors.

Factors Affecting Pricing Decisions



Internal Factors Affecting Pricing Decisions

Marketing Objectives

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graph LR; A[Marketing Objectives] --- B[Survival]; A --- C[Current Profit Maximization  
Choose the Price that Produces the  
Maximum Current Profit, Etc.]; A --- D[Market Share Leadership  
Low as Possible Prices to Become  
the Market Share Leader.]; A --- E[High Prices to Cover Higher  
Performance Quality and R&D.]
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Survival

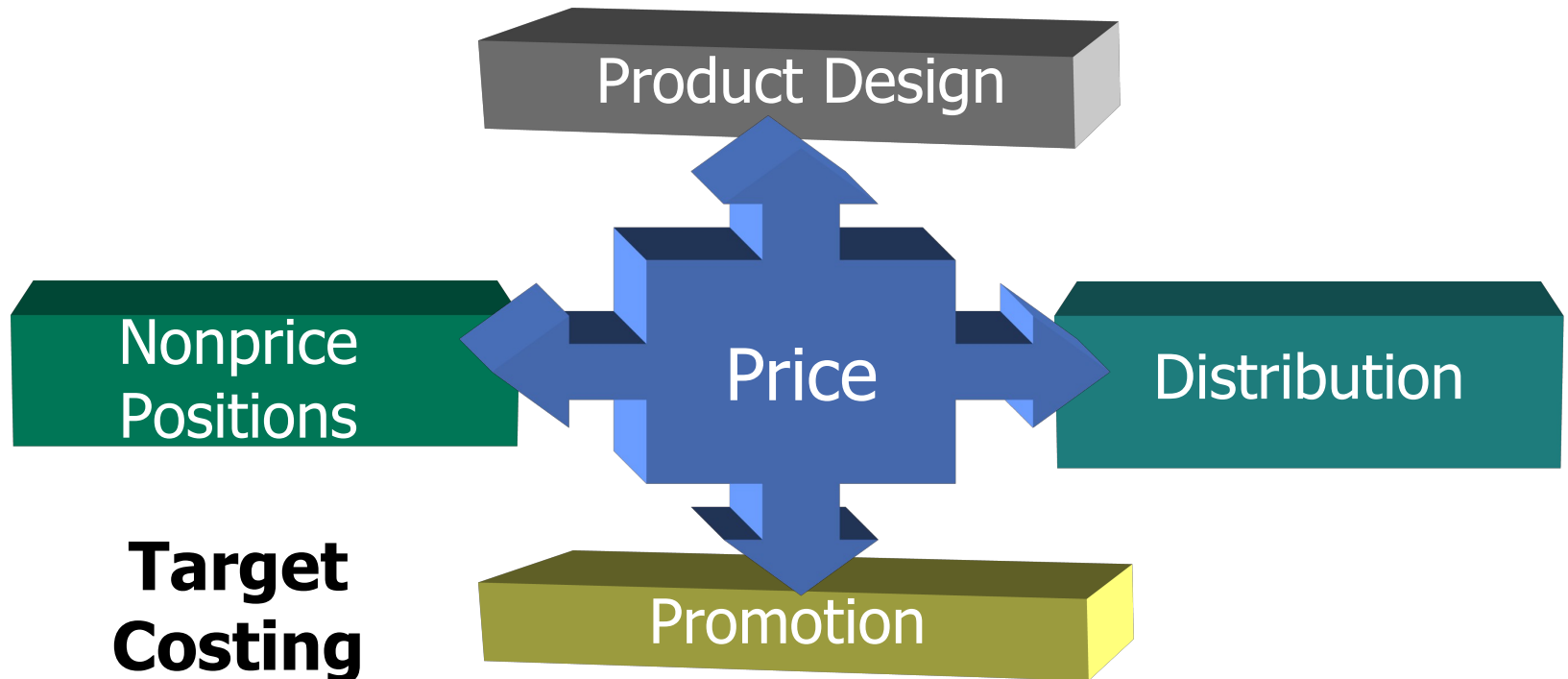
Current Profit Maximization
Choose the Price that Produces the
Maximum Current Profit, Etc.

Market Share Leadership
Low as Possible Prices to Become
the Market Share Leader.

High Prices to Cover Higher
Performance Quality and R&D.

Internal Factors Affecting Pricing Decisions: Marketing Mix Strategy

Customers Seek Products that Give Them the Best Value in Terms of Benefits Received for the Price Paid.



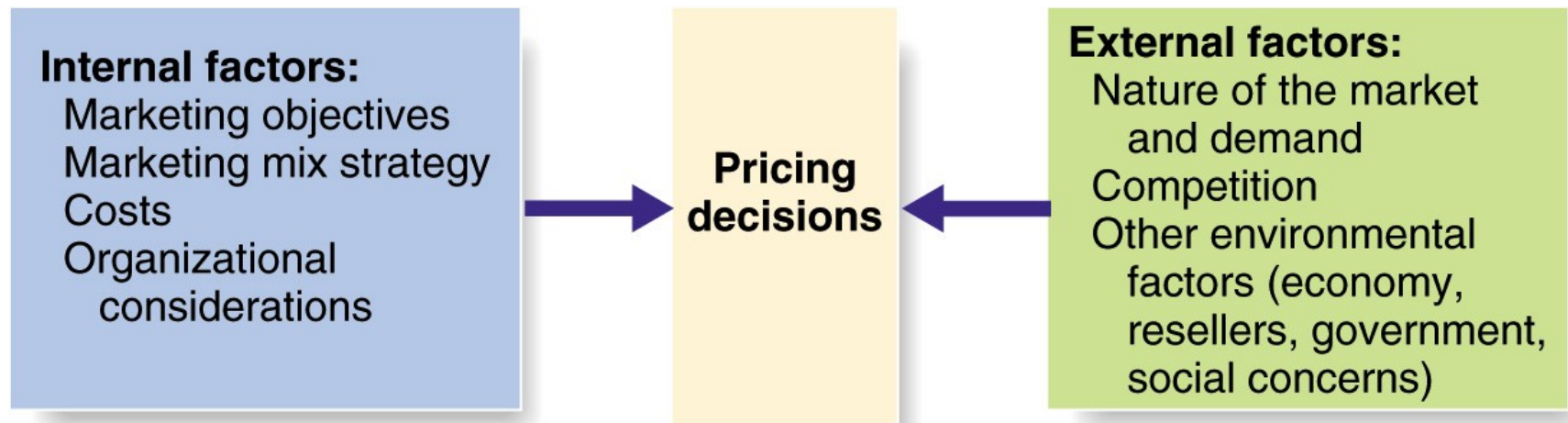
Internal Factors Affecting Pricing Decisions

- **Costs:**
 - **Fixed Costs:**
 - Costs that do not vary with production or sales level.
 - **Variable Costs:**
 - Costs that vary directly with the level of production.

Internal Factors Affecting Pricing Decisions

- **Organizational Considerations:**
 - Must decide who within the organization should set prices.
 - This will vary depending on the size and type of company.

Factors Affecting Pricing Decisions



External Factors Affecting Pricing Decisions

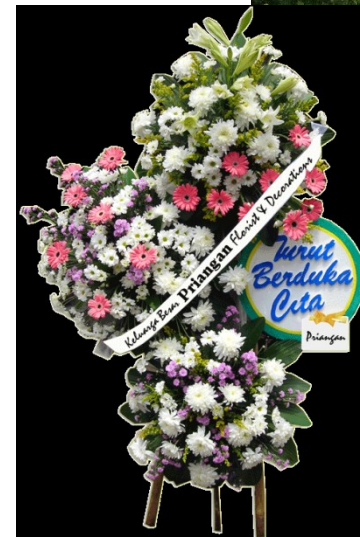
- The Market and Demand:
 - Costs set the lower limit of prices.
 - The market and demand set the upper limit.

Value Added and Pricing

- Firms benefit by increasing the the value added at any/each stage of an item's production.
- The food industry adds value by processing products to save consumers *time*.
- Carrots/lettuce—when washed, cut, and packaged—have significant value added for consumers.



id.88db.com



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cihideung.com

Examples of Value-Added Products



mantpi-media.blogspot.com



unic77.blogspot.com

Each of these products has differential advantages that lead to greater company control over prices and improved profits:

- Variety and types of bread, milk, and vegetables
- Unique restaurants/food
- Convenience stores
- Trendy fashions
- Sports equipment

Value Subtractors

Value may also be diminished at any stage of an item's production or distribution, such as with processed food—which will adversely affect a firm:

- Contaminated products, such as meat, or any questionable issues may become prime value subtractors.
- Negative PR, ads, and independent media reports on other issues, such as human rights, insider trading, and discriminatory actions, may result in severe consequences.



By [dee_gunz](#)

Price Elasticity Ranges

- Elastic demand

% change in $Q >$ % change in P ; $E_p > 1$

- Unit elastic

% change in $Q =$ % change in P ; $E_p = 1$

- Inelastic demand

% change in $Q <$ % change in P ; $E_p < 1$

Extreme Price Elasticities

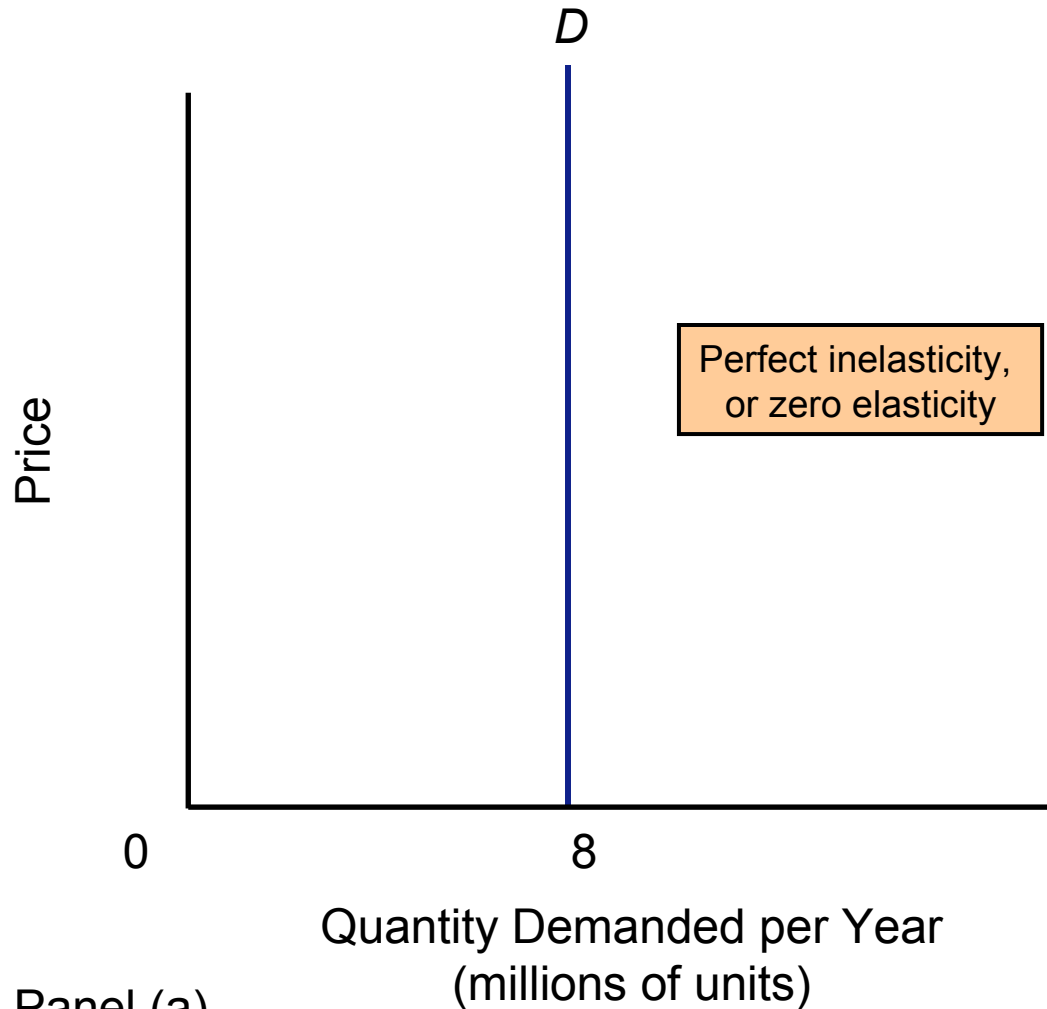


Figure 21-1, Panel (a)

Extreme Price Elasticities

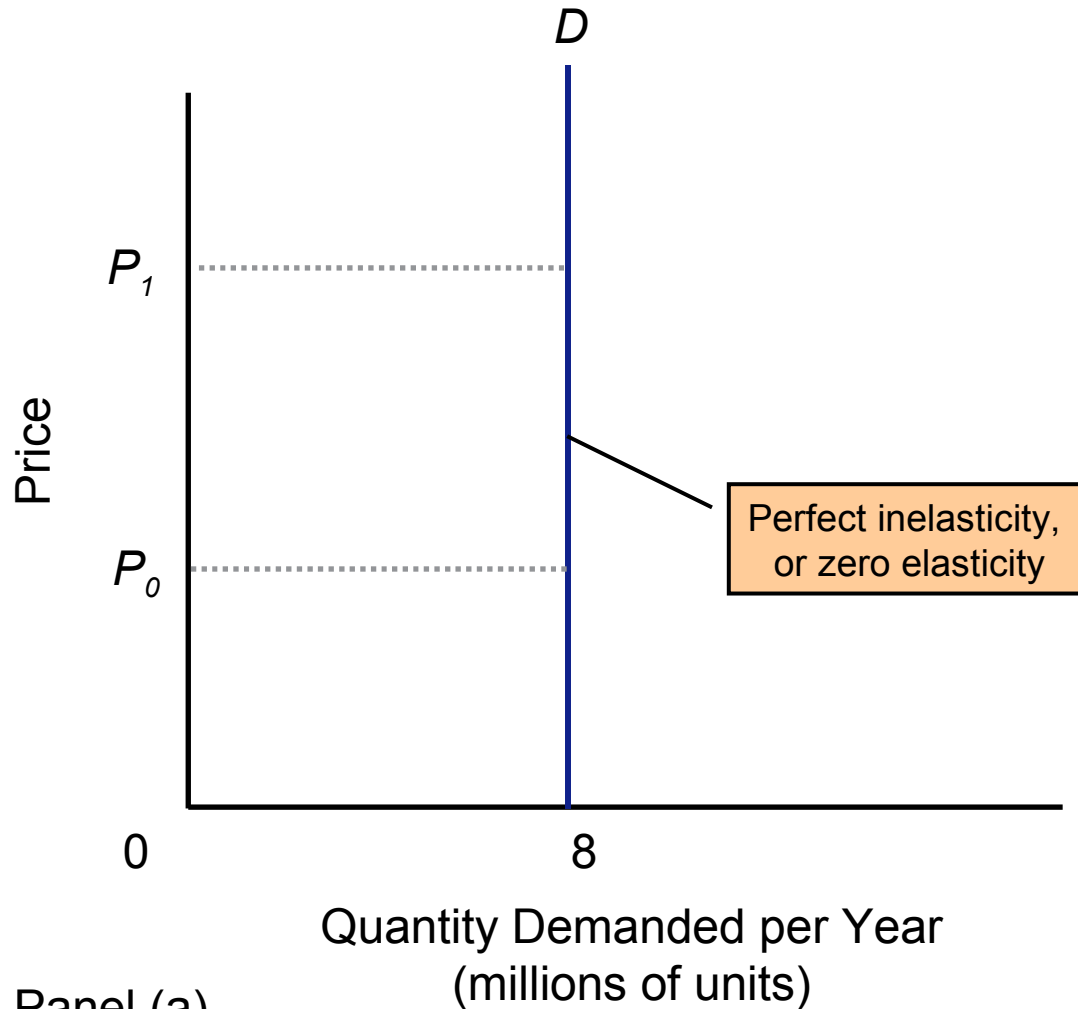


Figure 21-1, Panel (a)

Extreme Price Elasticities

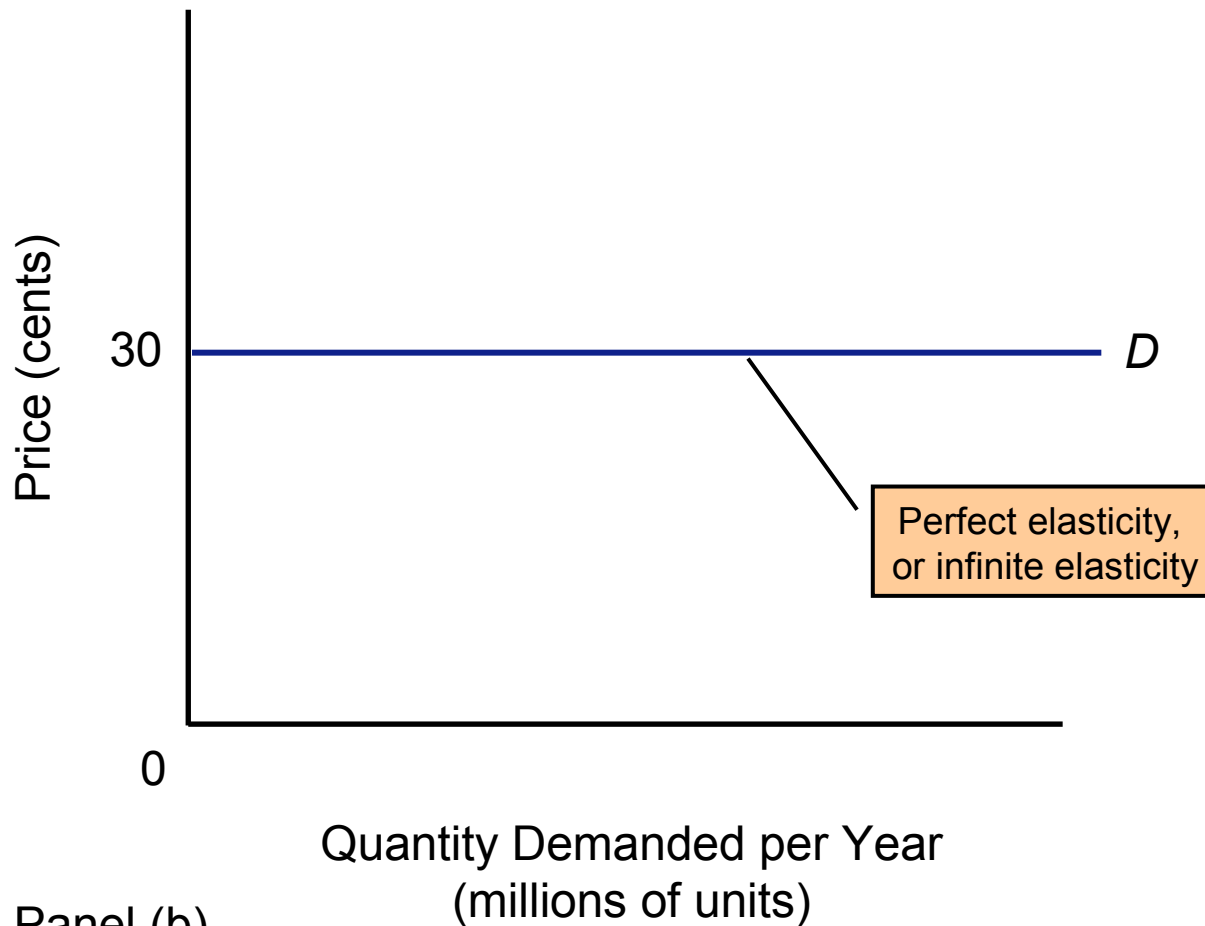
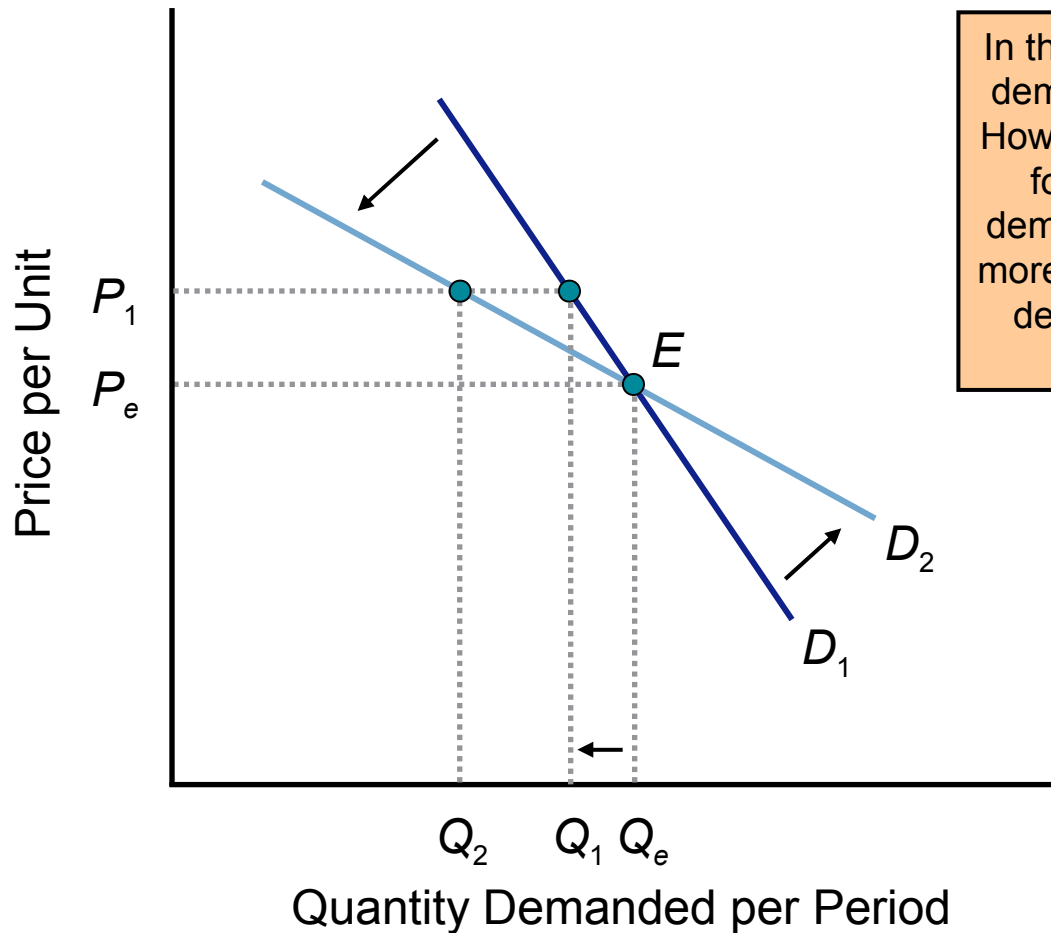


Figure 21-1, Panel (b)

Short-Run and Long-Run Price Elasticity of Demand



In the short run, quantity demanded falls slightly. However, with more time for adjustment the demand curve becomes more elastic and quantity demanded falls by a greater amount.

Figure 21-4

Short-Run and Long-Run Price Elasticity of Demand

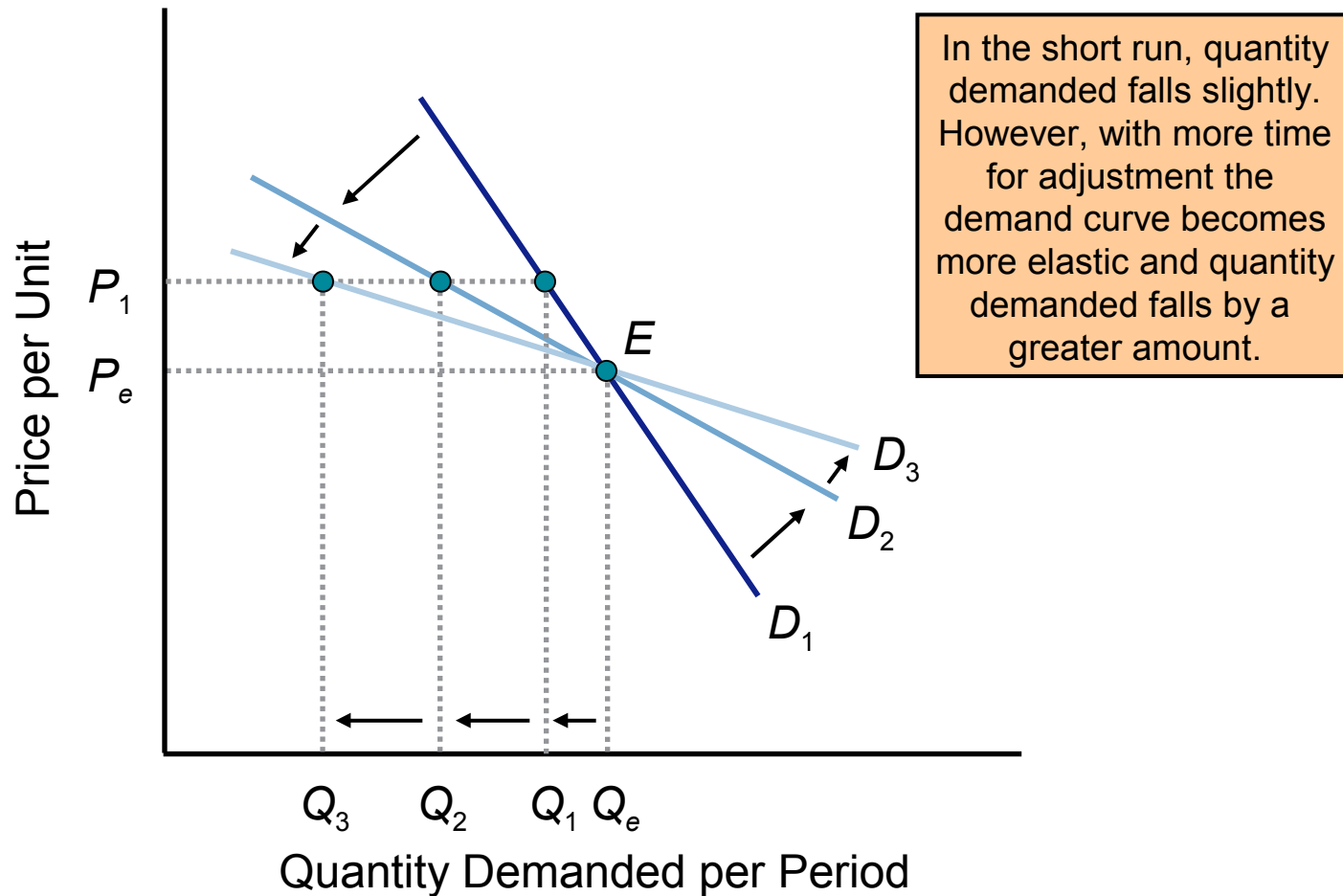
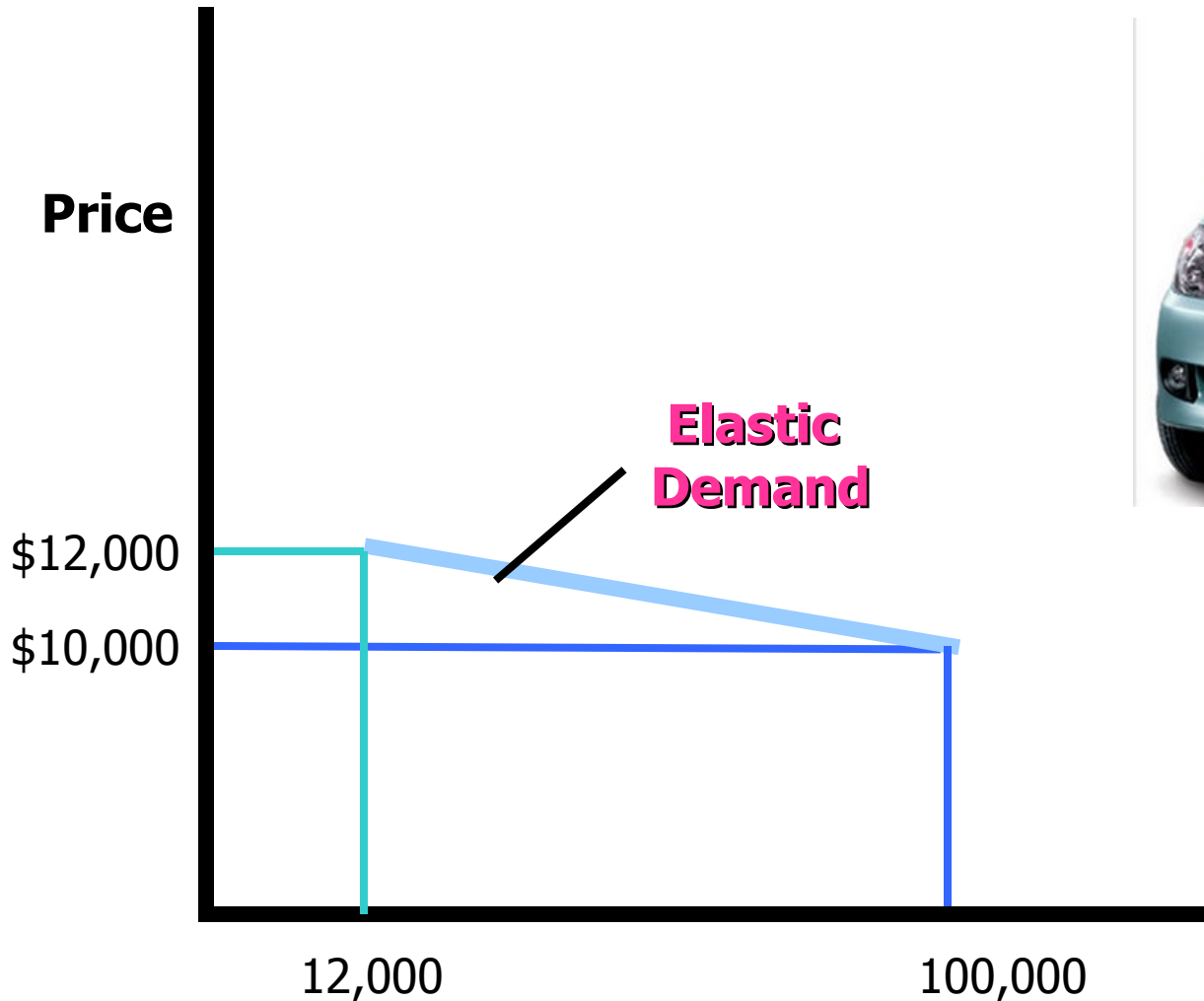


Figure 21-4

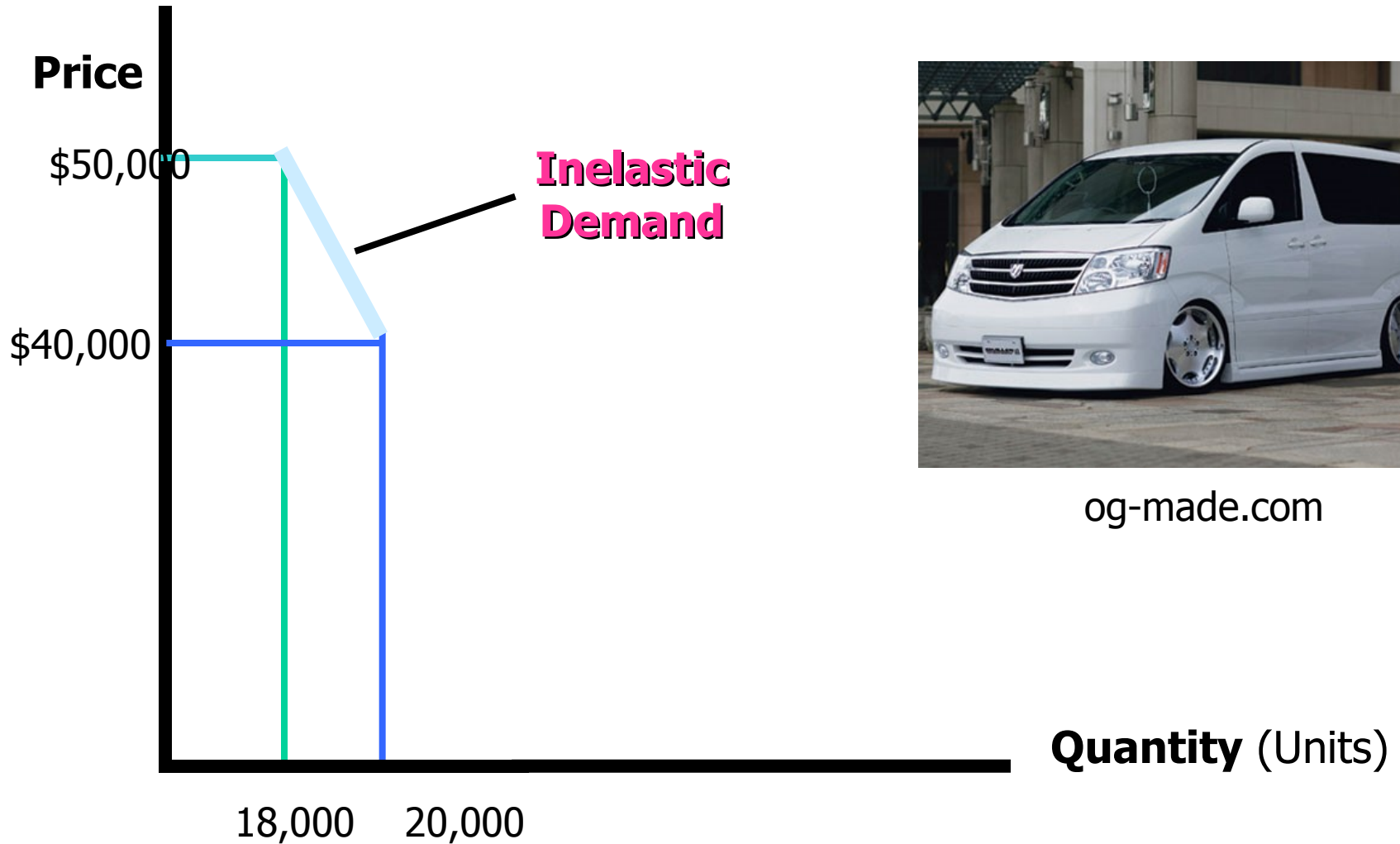
Economy Car = Elastic Demand



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Quantity (Units)

Luxury Car = Inelastic Demand



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Example: Real-World Elasticities of Demand

Category	Estimated Elasticity	
	Short Run	Long Run
Air travel (business)	0.4	1.2
Air travel (vacation)	1.1	2.7
Beef	0.6	N.A.
Cheese	0.3	N.A.
Electricity	0.1	1.7
Fresh tomatoes	4.6	N.A.
Gasoline	0.2	0.5
Hospital services	0.1	0.7
Intercity bus service	0.6	2.2
Physician services	0.1	0.6
Private education	1.1	1.9
Restaurant meals	2.3	N.A.
Tires	0.9	1.2

Table 21-2

Tugas

- Pada pertemuan berikutnya setiap mahasiswa harus dapat menjelaskan inti dari materi yang ada dalam Bab ini, oleh karena itu ...diskusikan dengan teman atau kelompoknya.....