Lecture 9 - Pricing and Communications Strategy

Price is the marketing mix tool that produces revenue and must be treated as part of the overall brand strategy.

The concepts of price are the:
- Customers and their ability to afford and willingness to pay
- Competitors and their pricing strategies
- Costs of production

The objectives of pricing is:
- Maximising profitability
- Return on investments
- Increase cash flow
- Grow market share
- Optimise production capacity
- Product perception
- Barrier to entry

Pricing decisions are determined by both internal and external factors.
**Internal factors** consist of:
- Marketing objectives
- Costs, brand image
- Target market
- Marketing mix

**External factors** would be the:
- nature of the market,
- price elasticity of demand,
- competition and
- other environmental factors.

Pricing approaches can either be a **premium pricing** strategy, where price is high to signify highest quality

or **Economy pricing** low and affordable prices

The key elements to pricing are:
**Value** - perceived value to customers
**Variable** - whether prices can change over time or in terms of payment
**Variety** - can be set at different levels, such as bundling
**Visible** - they may be open and visible or hidden and confusing
**Virtual**

Pricing decisions for new products can either choose to be:

**Market skimming**: High initial prices before being reduced due to demand

**Market penetrating**: Low initial prices before being raised. Used to attract clients and new customers