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