PERCEIVED VALUE PRICING

The presence of certain brands determine how high or low customers are willing to pay for the product. The price tag they attach to the product is based on their interpretation of quality, durability, reliability among others. This is usually arrived at from direct consumption or opinions of close friends and relatives. Perceived value pricing therefore is that value that customers will pay because of their perception of the product.

It is an important marketing strategy that is used to price products in the market. Marketers go about it by showing customers the true value they are likely to get. A firm sets the price of a product by considering what product image a customer carries in his mind and how much he is willing to pay for it.

The perceived value is made up of several elements such as buyer's experience with the product, service support, warranty quality, channel deliverables, customer support, supplier´s reputation, trustworthiness etc. Many times, the customer is not aware of the cost incurred by the firm in producing the product, but what they only care about is the final price and how much it varies from the competitor´s product. The company must inform customers of the additional value that their product is offering and for which extra amount is being charged.

This method suffers from several limitations; sometimes a customer may suspect that the company has exaggerated its product quality and services. Also, there is a segment of buyers who are price conscious and do not want to pay extra for a product. Companies benefit from this method only when a company offers more value than the competitors.