Study Guide: Product-Pricing lesson

Product types

Consumer products - Goods intended for the final consumer
Industrial products- Goods to be used for further processing before it reaches the consumer
  
  o Convenience products – frequent with minimal comparison, immediate, low price, e.g. soap, candy, newspapers
  
  o Shopping products – products that require a process of selection where products are compared by suitability, quality, price, and style etc. i.e. Furniture, clothing, major appliances
  
  o Specialty products – products with unique characteristics. Requires more research and product comparison. Usually higher priced items. E.g. bond identification, cars, and designer clothes

Pricing Strategies

Cost–plus pricing- all costs and expenses are calculated, and then desired profit is added to arrive at a price

Competition-based pricing (Going Rate Pricing)- Pricing based on competition. Involves studying the competition’s prices to be sure one’s own prices are in line.

Market skimming (skimming pricing) - High price for new products. This strategy is designed to capitalize on the high demand for a product during its introductory period.

Market penetration (penetration pricing) - Low price to get market share. This is the opposite of market skimming. The purpose of this strategy is to encourage as many people as possible to buy the product to penetrate the market.

Product bundling pricing- combining several products and offering it at a lower price

Psychological Pricing – refers to techniques that create an illusion for customers or that make shopping easier for them. Appeals to particular market segments.
  
  o Odd-Even pricing – a technique that involves setting prices that all end in either odd or even numbers. Odd numbers ($0.99, $1.99, $99.99) convey a bargain image. Even numbers ($1, $10, $100) convey a quality image
  
  o Prestige Pricing – setting prices higher than average to suggest status and prestige to the consumer. Consumers assume higher prices mean higher quality
  
  o Multiple pricing – suggest bargains and helps increase sales volumes. (3 for $0.99)
  
  o Promotional pricing –
    Loss leaders selling a product at little or no profit to attract customers
    Special-event pricing – reduced pricing for a short period of time.