MARKETING PRICING STRATEGIES

There are many ways to price a product.   Consider this matrix:

Premium Pricing.
Use a high price where there is a uniqueness about the product or service. This approach is used where a a substantial competitive advantage exists. Such high prices are charge for luxuries such as Cunard Cruises, Savoy Hotel rooms, and Concorde flights.

Penetration Pricing.
The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased. Airlines trying to enter established route markets use this approach.

Economy Pricing.
This is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc.

Price Skimming.
Charge a high price because you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply. Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches are implemented.

Psychological Pricing.
This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example 'price point perspective' 99 cents not one dollar.

Product Line Pricing.
Where there is a range of product or services the pricing reflect the benefits of parts of the range. For example car washes. Basic wash could be $2, wash and wax $4, and the whole package $6.

Optional Product Pricing.
Companies will attempt to increase the amount customer spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.

Captive Product Pricing
Where products have complements, companies will charge a premium price where the consumer is captured. For example a razor manufacturer will charge a low price and recoup its margin (and more) from the sale of the only design of blades which fit the razor.

Product Bundle Pricing.
Here sellers combine several products in the same package. This also serves to move old stock. Videos and CDs are often sold using the bundle approach.

Promotional Pricing.
Pricing to promote a product is a very common application. There are many examples of promotional pricing including approaches such as BOGOF (Buy One Get One Free) or Loss Leader Pricing with grocery stores.

Geographical Pricing.
Geographical pricing is evident where there are variations in price in different parts of the world. For example rarity value, or where shipping costs increase price.

Value Pricing.
This approach is used where external factors such as recession or increased competition force companies to provide 'value' products and services to retain sales e.g. value meals at McDonalds.

	Low Price	Medium Price	High Price
High Value	Underpriced: value undercut by price. "What's wrong with this picture" pricing strategy."	Attractive pricing: ideal for market penetration. "More for your money" pricing strategy.	Premium pricing: prestige, prominence. "Connoisseur" pricing strategy.
Medium Value	True bargain: may be a temporary special to raise revenue or to move discontinued items. "Inventory sale" strategy.	Price and value are in balance, exclusive of other factors. "Square deal" pricing strategy.	Overpriced: informed buyers will stay away; sales may be made to unsophisticated market. "Infomercial" pricing strategy.
Low Value	Cheap stuff. Often sold with lots of "bonus" items or features. "Tourist trap" pricing strategy.	Turns sales into complaints. "Caveat emptor" pricing strategy. ("Let the buyer beware.")	Don't even think about it: the "Fleece 'em and run" pricing strategy.