UNIT - III

MBA - IInd Sem.

Price :- # It is a critical element of marketing mix.

It is the exchange value of good and generally in terms of money

Price is the sum of all values that customer give up to gain benefits of having or using the Product or services

Price is the easiest marketing variable to change and also easiest to copy

factor affecting Pricing :-

02 factors — Internal factors / External factors

Internal factors :-

(1) **Company objectives :-**

Pricing Policy and strategies must be in conformity with firm's pricing objectives.
Eg - if company wants targeted rate of return on capital investment then pricing decisions are so made that total sales revenue exceeds cost by sufficient margins to provide desired return.

(2) **Organisation Structure :-** Generally Top manag has full authority for framing Pricing objectives. Some firms also allow worker participation in decision making and here representatives of employees give their views for pricing policy

Similarly marketer also helps firms in

framing Pricing policies
Sometime cost accountant also make contribution by giving cost estimation to management.

(3) Marketing Mix :-

Product, Price, Physical distribution, Promotion are the main Component of marketing mix.
Pricing Decision must Consider other component of marketing mix
These factors changes as their is change in market condition and so there is change in Pricing Decisions.

(4) Product Differentiation :-

If a Product is different from its competitive Product, in features like style design, Pacakage etc. then Company can put any price of its choice.

ie Product differentiation allows firms to freedom in fixing prices.

(5) Cost of Product

Pricing decisions are also based on cost of Production.
If Product Priced less than cost then firm has to suffer less.

External factors.

① **Demand** :- Good / more demand then high Price can be fixed.
and if no demand, no product will be sold.

② **Competition** :- If Product is differentiated from Competitors then firm can charge high Price than competitor.
If Product is not differentiated and competition is tough then firm has to change its pricing Policy ie to reduce Price.

③ **Buyers** :- Price depends on nature, Number and Preference of buyers.
like Price sensitive Customer = less Price to be fix.
Bulk purchaser = low price Preferred.
Premium Product liker = high Price can be charged.

④ **Suppliers** :- If supply is regular and at economic rate then cost of Production is low, then low Price can be fixed
If supply is irregular, then high Price can be charged due to high cost of Production.

⑤ **Economic Condition** :- In depressed economy demand is less so in order to accelerate business one can sell goods at lesser price but in boom period goods can be sold at high Price.