

## **Task 12: Price**

Price is another one of the 4P's which is very important in marketing as most people cannot afford to buy anything no matter what the price is instead people's decision on buying a product is usually if the price right and if they can afford it. For price businesses use different types of strategies to price their products, incorrect pricing leads to costumers not buying their products therefore will loose income and turn bankrupt if a sol trader like I am.

Price has always been a very important factor in the marketing mix but it's even more vital in today's competitive environment when businesses have to compete ruthlessly with their competitors. There are many factors that affect the price a business might charge. A business usually will look at its competitor's prices and see what they are charging then they can price their according. Also for a new business like mine I'm going to keep in mind that I am a new company without a reputation so I must have low prices other wise consumers will prefer to go to a well known brand so I have to try and get consumers attention. Other factors include looking at supply and demand once they research this they have to choose their strategies depending on the time and product.

There are seven main strategies I will be looking at and comparing which one is best for my business and when.

**Penetration pricing:** This is when a price is set low when the product is new to get consumers interested. When the price is below cost it's called a lost leader. Once this product has become established the firm will increase the price. This happens with new consumer products where existing products have brand loyalty- e.g. magazines. I might use this method when I first set up as I will price my new products low to attract costumers and my business will gain economies of scales which help it keep the price low. The low price will hopefully gain a high market share.

**Skimming:** Is the opposite of penetration instead you price a new, unique product at a high cost to begin with, this is done to make it more desirable for people with high incomes. The early market leader enables the price to be high because there is no competition with that product; once the product becomes known with competitors then the firm can lower the price and get more consumers because of the lower price. This is a great method to use but I will not use this method as I don't think I can compete with the big firms with getting the newest products before them.

**Competitor pricing:** This is when a business looks at its competitors prices and then has an idea of how to charge their products. I will deiffently be using this method when I first start my business as it's a good way of getting a new business started after I see my competitors prices I will charge a little less and may then use penetration pricing.

**Cost plus pricing:** This is when the business looks at its total cost(fixed + variable cost) and add the profit they would like to make, and that will be the cost but also depending on other aspects like the supply and demand then the business will add a bit more on the price if they think consumers will pay. The problem with this is that competitor's prices might be lower but I will be doing this as it's a good way of making sure I will make a profit if I sell the amount I need to.

consumers for the same product e.g cheaper rail tickets for OAP's. I will not be using this method as I don't think it's appropriate for my products and my business and unfair.

**Promotional pricing:** This method is when you reduce a price to either attract consumers with the low prices and to get rid of old stock during a sale for room for the new stock or a boost for more profits this will help the business. I will be using this method as it's a great way to increase sales when business is failing also when I will be receiving new stock at the beginning of a new year or at times of needs of a sale. Also it's a good way to encourage new consumers to come into the store e.g. two for the price of one

**Psychological pricing:** This method is very popular and I will be using this it's a clever way of making consumers they are saving money instead its usually only a couple of pennies they do this buy pricing products below a significant whole number e.g. £9.95 rather £10.00. Unlike the other strategies I'm going to use this method all the time as its an easy quick method.