SECTION – 1

QUESTION-2.

ANSWER:-

Types of Pricing Strategies:-

Pricing is the process where a business sets a specific price for selling its products and services. This price is arrived at after considering a few things, such as how much it cost to manufacture the products or services, the marketplace and conditions; the business brand; the competition; the quality of the goods and services; and how much they can get the products or services for. There are four main aspects of financial modeling, and pricing is just one of them. The others are product, promotion, and place.

Pricing is a very important aspect of marketing. Wholesale businesses also need to select the pricing strategies that will enable them to grow and expand in the long-term. How you price your products and services can actually determine if your wholesale business will stay open or flop due to low returns and possible bankruptcy.

There are different types of pricing strategies you can use in wholesale marketing. The list is rather long, but a few will be outlined for you to see what pricing strategies would work best for your wholesale business.

Types of Pricing Strategies

Demand Pricing

Demand pricing is also called demand-based pricing, or customer-based pricing. This pricing method uses consumer demand of a product or service as the main element of setting a price for a product or service. Also known as dynamic pricing. It is affected by consumer demand. Which is based on the perceived value of a product or service. Includes price skimming, price point, bundle pricing, penetration pricing, and other pricing strategies. Prices of products or services can increase due to bad weather, festive periods, or in the case of natural disasters. The price of a product or service increases as there is a likelihood that the price will also increase.

Competitive Pricing

Also called the strategic pricing. Competitive pricing is a method that uses the prices set by other businesses (i.e. the competition). More or less using competitor’s price to price your own products. Give or take a little percentage to fit what your product or service is worth.

Cost-Plus Pricing

This pricing strategy is a cost-based one for setting prices of products and services. When setting the cost-plus price, you take the cost of the raw materials and the cost of production and add them to the overhead costs of a product or service. To this total, you add a markup percentage (this is your profit margin) and this total sum is your cost-plus price. As long as all the costs and sales have been accurately calculated, you will always run at a profit.

Penetration Pricing

This pricing strategy uses low prices to enter a new market or to launch a new product or service. This strategy is used to entice customers to patronise a certain product or service. It also serves as a deterrent to the competition. To prevent them from entering the market with a similar product, because they will have to make their prices lower. Once a customer base has been established, you can subtly move your prices higher, to a moderate price for a longer-term strategy.

Price Skimming

Also called the skim-the-cream pricing. This pricing strategy is used by businesses with a strong competitive advantage. They enter the market with high-priced products and services. This is to gain the most revenue. To get an immediate return on production costs before other businesses can come in with similar, cheaper products or services. Later in the product cycle, the companies will gradually moderate their prices to accommodate customers with more moderate price tastes.

Economy Pricing

A very familiar pricing strategy with retailers and wholesalers. Economy pricing is a basic, low-cost marketing method. It keeps the prices of goods low, targeting sales at a particular segment of the market that is very price-sensitive.

Psychological Pricing

This is a common pricing technique used by businesses. A minor difference in prices is a huge difference for customers. For example, an item whose price is listed as $399.98 may be seen as much cheaper than a product or service priced at $400.

Discount Pricing

A pricing strategy that offers products and services at a reduced price. Discount prices can come in the form of seasonal discounts, loyalty rebates, et cetera.

Geographic Pricing

This pricing strategy is one where different prices are charged in different geographical locations or markets for the exact same product or service. For example, instructional materials sold in Canada will be sold at a cheaper rate in Cameroun due to the disparity in wages, the economy, et cetera.

Price Bundling

Also known as product bundling. This is a strategy is used when two or more products or services a priced together as a package, with a single price. These product bundles come in two types: pure bundles are products or services that are sold and bought only as a package; and mixed bundles, which are products or services that can be bought and sold as a package, or as individual products. Usually, the bundle prices are less when the products or services are bought separately.