Commercial Studies Management part (3) Week 12, Lecture 12

Dr. Sally Amer

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Chapter Six
Marketing

Learning Objectives:

- What are the major pricing strategies?
- Differentiate direct marketing channel from indirect marketing channel.
- What is the promotion mix?
- What are the promotion strategies?

Major pricing strategies

Customer perceptions of the product's value set the ceiling for prices.

- If customers perceive that the product's price is greater than its value, they will not buy the product.
- Product costs set the floor for prices. If the company prices the product below its costs, the company's profits will suffer.

Major pricing strategies

In setting its price between these two extremes, the company must consider several internal and external factors, including competitors' strategies and prices, the overall marketing strategy and mix, and the nature of the market and demand.

- ***There are three types of pricing strategies: customer value-based pricing, cost-based pricing, and competition-based pricing.***

1- Customer value-based pricing

1-Customer value-based pricing: ***is setting a price based on buyers' perceptions of value rather than on the seller's cost.***

According to value-based pricing, ***the company first assesses customer needs and value perceptions.***
Then, it sets its target price based on customer perceptions of value. Determine costs that can be incurred.
Finally, design products to deliver the desired value at the target price.

2-Cost based pricing

2-Cost based pricing: ***is setting prices based on the costs for producing, distributing, and selling the product plus a fair rate of return for effort and risk.***

Cost-based pricing is often product-driven. The company designs what it considers to be a good product, adds up the costs of making the product, and sets a price that covers costs plus a target profit.

Marketing must then convince buyers that the product's value at that price justifies its purchase.

3-Competition-based pricing

3-Competition-based pricing: involves setting prices based on competitors' strategies, costs, prices, and market offerings.

Consumers base their judgments on a product's value on the prices that competitors charge for similar products.

If consumers perceive that the company's product or service provides greater value, the company can charge a higher price.

If consumers perceive less value relative to competing products, the company must either charge a lower price or change customer perceptions to justify a higher price.

The factors that affect the company's pricing decisions

There are two types of factors (internal and external) factors that influence pricing decisions.

1) Internal factors that influence pricing decisions include the company's overall marketing strategy, objectives, and marketing mix, as well as organizational considerations.
2) Other external pricing considerations include the nature of the market and demand and environmental factors such as the economy, reseller needs, and government actions. The seller's pricing freedom varies with different types of markets.

3-Distribution

Few producers sell their goods directly to final users. Instead, most use intermediaries to bring their products to market by using a ***marketing channel (or distribution channel)***—a set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user.

Companies should determine the channel level as the number of intermediary levels indicates the length of a channel.

If the marketing channel has no intermediary levels called direct marketing channel.

If the marketing channel contains one or more intermediary levels called indirect marketing channel.

4-Promotion mix

Promotion mix includes five tools;

4.1- Advertising: Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.
Advertising includes broadcast, print, Internet, outdoor, and other forms.

4.2-Sales promotion: Short-term incentives to encourage the purchase or sale of a product or service.
Sales promotion includes discounts, coupons, and displays.

4-Promotion mix (Cont.)

4.3-Personal selling: Personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Personal selling includes sales presentations, trade shows, and incentive programs.

4.4-Public relations (PR): Building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events. Public relations (PR) include sponsorships, special events, and Web pages.

4.5-Direct marketing: Direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships. Direct marketing includes catalogs, telephone marketing, the Internet, mobile marketing, and more.

Promotion Mix Strategies

Marketers can choose from two basic promotion mix strategies:

1) ***Push strategy*** is a promotion strategy that calls for using the sales force and trade promotion to push the product through channels.

2) ***Pull strategy*** is a promotion strategy that calls for spending a lot on consumer advertising and promotion to induce final consumers to buy the product.


Thank you!