Pricing decision Chapter 7

Cost based pricing

- Cost plus pricing
- Rate of return.
- Variable Cost pricing

Value based pricing

- True Ecc. Value
  = Next best alternative price + addl. value of our product
- perceived value
  ↓
  - Cost of goods sold
    ↓
    Seller View
  - ↓ Selling price
  - perceived value
    ↓
    Customer View

Competition based pricing

- Going Rate pricing
  ↓
  avg. price charged by the other competitors in the same industry
  ↓
  Homogeneous product
- Sealed bid pricing
  ↓
  price is based on how competitors will price rather than our costs incurred.

> Theory of price
> Profit - max model } Ignore

> Diff. markets

- Monopoly
- Monopolistic Competition
- Oligopoly
- Perfect Competition

> Strategies for pricing New Product :

- Revolutionary product
- Evolution product
- Me - too product

> Market Entry Strategies :-

- Skimming Strategies ↓ Latest Mobile phones
- Penetration Strategies ↓ Reliance Jio