A Pricing in Marketing

Price goes by lots of name in our economy likes rent, tuition, fee, rate, toll. In the narrowest sense, the price is the amount of money charged for the product or service, Price is around us, you pay for rent the apartment, tuition fee, supermarket bill, etc.

More broadly, price is the sum of all the values that consumer exchange for the benefit of having or using the product or service. But the most common mistakes are pricing that is too cost oriented rather than the customer- oriented and price that is not varied enough for a different product, market segment, and purchase occasions. So what factor small business must consider when the setting price to charge?

Historically, the price has been the major factor affecting buyer choice. Before setting the price, the company must decide on its strategy on a product which is target market and positioning carefully and ask themselves that “what is the price customer willing to pay for my product?”

If a product costs two dollars to make, many companies assume they should charge $4 for it. "That's what you call cost-plus pricing. Many companies do this, but it's not optimal," says Mark Stiving, author of Impact Pricing: Your Blueprint for Driving Profits.

This is the thing that Value-Based Pricing truly is, evaluating the ability to pay, willing to pay.

The information of competitor customer is considering that can enable you to know the amount to charge. If you know which market segment your customer is in, you will price more appropriately. In any case, if you want to be more profitable, if you want to catch up with the value you create, then accept value-based pricing. Value-based pricing enables more powerful pricing strategies, like price segmentation and product portfolio pricing. It has the energy to concentrate the entire company on creating more value. Value-Based Pricing may not be exact, but it is powerful.

"Pricing should be based on what the customer is willing to pay. If the customer is willing to pay $500 for a smartphone that costs you $20 or even $300 to make, you have a successful product. If the customer is willing to pay $1,000 for something that costs $1,000 to make, you don't raise your price -- you get out of that business." To help determine what a customer is willing to pay, you can conduct market surveys and focus groups and positioning their products on price and then base other marketing mix decisions on the price they want to charge.

If the price is positioning on non-price factor, then decisions about quality, promotion, and distribution will strongly affect the price. Instead, they seek products that give them the best value in terms of benefits received for the price paid.