Unterrichtsmodul:

Price Mix

PRICE MIX

Price is the amount of money charged for a product or service or the value exchanged for the benefits of the product or service. There are many ways to price a product.
For a new product, you must understand your positioning before you set a price. Make sure it is not too low, or the product will not be taken seriously. If it is too high, the potential customer will not take the risk.

TASKS

1. <u>Price Competition – Pricing Strategies Memory</u>

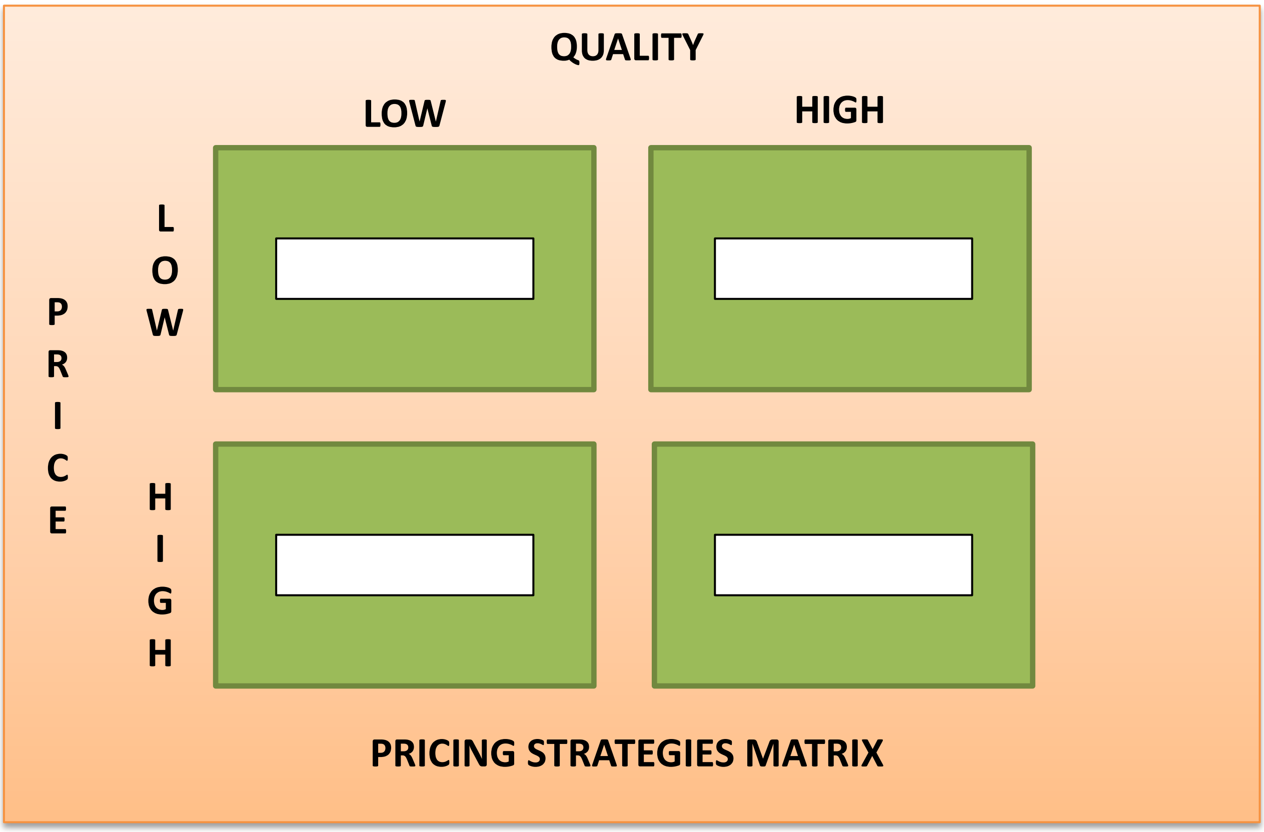
Sit in groups of four. Students A and B compete with students C and D. Which couple is the first to finish the following task?

a. Match the headings cards with the respective definitions cards and examples cards.
b. Then compare with your rival group. You get 1 credit for every correct match. Ask your teacher for the solution grid.

2. <u>Test your knowledge and discuss your results in class</u>

Premium pricing, economy pricing, penetration pricing, and price skimming are the four main pricing policies/strategies. How do price and quality relate in the respective strategies. Fill in the pricing grid with the following terms:

penetration	skimming	economy	premium



Pricing Strategies Memory

Cut out the different pricing strategies, definitions and examples and match them correctly.

PRICE STRATEGY	DEFINITION	EXAMPLE

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Captive Product Pricing	**Charge a high price if you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply.**	Cunard Cruises, Savoy Hotel rooms, space flights
Discount & Allowance Pricing	**Companies will attempt to increase the amount customers spend once they start to buy. Optional 'extras' increase the overall price of the product or service.**	telecommunication services and private television channels
Discriminatory Pricing	**Here sellers combine several products in the same package. This also serves to move old stock.**	Supermarkets often have economy brands for soups, spaghetti, etc.

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Economy Pricing	**If products have complements, companies will charge a premium price once the consumer is captured.**	The invention of MP3 players, the first navigation systems for cars
Optional Product Pricing	**Prices are adjusted to allow for differences in customers, products, and locations.**	The price is set at $ 2.99 cents not at $ 3.00.
Penetration Pricing	**Prices are being reduced to reward customer responses such as paying early or to promote the product.**	Basic car wash could be $ 2, wash and wax $ 4, and the package including under seal $ 6.
Premium Pricing	**The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased.**	Some airlines charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.
Price Skimming	**This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis.**	DVDs, video games or CDs are often sold using this approach.

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Product Bundle Pricing	**This is a no frills low price. The cost of marketing and manufacturing are kept at a minimum.**	Mövenpick sells its ice-cream in both gourmet temples and – using a different label – discount stores.
Product Line Pricing	**Use a high price if the product or service is unique. This approach is used where a substantial competitive advantage exists. Such high prices are charged for luxury goods.**	A razor manufacturer will charge a low price for the razor and reap a high profit from the sale of the only design of blades which fit the razor.
Psychological Pricing	**Where there is a range of products or services the pricing reflects the benefits of parts of the range.**	A rebate of 2 % on plumbing services is granted for immediate payment.

TASK 1: Pricing Strategies Memory – Solution Grid

PRICE STRATEGY	DEFINITION	EXAMPLE
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Price Skimming	**Charge a high price if you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market and the price inevitably falls due to increased supply.**	The invention of MP3 players, the first navigation systems for cars
Product Bundle Pricing	**Here sellers combine several products in the same package. This also serves to move old stock.**	DVDs, video games or CDs are often sold using this approach.
Product Line Pricing	**Where there is a range of products or services the pricing reflects the benefits of parts of the range.**	Basic car wash could be $ 2, wash and wax $ 4, and the package including under seal $ 6.
Psychological Pricing	**This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis.**	The price is set at € 2.99 cents not at € 3.00.

Solution – TASK 2