

E-Content (m.com sem 2)
Marketing Management...

2-0-1-8

JUNE

By -

Dr. Shweta Goel
Assistant Professor
Department of Commerce
S. Sinha College, Aurangabad

Factors influencing product pricing decisions

The marketing executives set the product prices between the upper and lower limits.
Upper limit → highest value a customer is ready to pay at a given point of time.

Lower limit → It is cost of producing, producing, promoting & distributing the product.

These factors can be categorised as internal factors & external factors

- | | |
|---|-----------------------------|
| ↓ | ↓ |
| (i) Organisational factors | (i) Product demand |
| (ii) Marketing mix | (ii) Competition |
| (iii) Product differentiation | (iii) Economic conditions |
| (iv) Product cost | (iv) Government regulations |
| (v) Product lifecycle | (v) Ethical factors |
| (vi) Pricing objectives | (vi) Suppliers |
| (vii) Functional positions/
channels of distribution | (vii) Buyers behaviour |

Internal factors

(i) organisational factors - pricing strategy is developed by top executives who determines the price range. however actual pricing is dealt at lower levels.

(ii) Marketing mix - pricing decisions are effected by any shift or change in other factors of marketing mix namely product, promotion & place.

(iii) Product differentiation - product differentiation is the ability to make product distinctive in market. ex - adding 'extra quality' can make a huge difference in price. The product differentiation may be real or imaginary but is meaningful.

(iv) Product cost - Price and cost bear close relationship. Every concern wants to cover the cost atleast though aiming at profit maximisation.

(v) Product life cycle (PLC) - At introduction stage, market penetration policy is followed i.e. keeping prices at minimum level. & building goodwill.

In growth stage prices are raised to the extent tolerated by consumers. In third stage product skimming policy can be adopted.

(vi) Pricing objectives - Though the firm has a basic pricing objective, each product is likely to have a specific price objective.

(vii) Channel of distribution - If firm have longer channel of distribution, the product price for consumer would be higher than in cases of smaller channels.