Ch 10

**Price** is the amount of money charged for a product or service, is the sum of all the values that customers give up in order to gain the benefits of having or using a product or service.

Price is the only element in the marketing mix that produces revenue.

Price is one of the most flexible marketing mix elements.

**MAJOR PRICING STRATEGIES**

1. Customer Value-Based Pricing

Uses buyers’ perceptions of value, not the seller is cost, as the key to pricing

1. Cost-based pricing

Involves setting prices based on the costs for producing, distributing, and selling the product plus a fair rate of return for its effort and risk

1. Competition-based pricing involves setting prices based on competitors’ strategies, costs, prices, and market offerings

Two types of value-based pricing are good-value pricing and value-added pricing

Good-Value **Pricing**is offering just the right combination of quality and good service at a fair price.

Everyday low pricing(EDLP*)* involves charging a constant, everyday low price with few or no temporary price discounts.

High-low pricing involves charging higher prices on an everyday basis but running frequent promotions to lower prices temporarily on selected items.

Value-added pricing is the strategy of attaching value-added features and services to differentiate their offers and thus support higher prices.

Types of Costs

**Fixed costs** (also known as overhead) are costs that do not vary with production or sales level.

**Variable costs** vary directly with the level of production. They are called variable because their total varies with the number of units produced.

**Total costs** are the sum of the fixed and variable costs for any given level of production.

Cost‑Plus Pricing

The simplest pricing method is **cost‑plus pricing**—adding a standard markup to the cost of the product

**Break-even pricing** is the price at which total costs are equal to total revenue and there is no profit

**Target return pricing** is the price at which the firm will break even or make the profit it is seeking