



Marketing Virtual Learning

HS/Marketing

Monday, April 27, 2020



Lesson Topic – Pricing

Lesson Objectives:

1. Understands concepts and strategies utilized in determining and adjusting prices to maximize return and meet customers' perceptions of value
2. Explain factors affecting pricing decisions

Lesson Instructions:

1. Take notes over the factors that affect pricing strategies.
2. There are questions on slides 6 & 7. Create a google doc with your answers and share with your instructor.

Factors affecting your pricing strategy

Supply and Demand

- Brand loyalty, price of products relative to income, availability of substitutes, luxury vs. necessity, urgency of purchase

Costs and Expenses

- The cost of producing the product and all the costs associated with the distribution of the product

Competition

- Price wars in certain sectors – airlines, gasoline, computers, etc.
- Keeping up with changes the competition makes. Example - phones

Cost-oriented pricing (Mark-up)

A method of setting prices that takes into account the company's profit objectives and that covers its costs of production.

- For example, simply adding a constant percentage markup to the amount that the retailer paid for each product.
- \$6.50 cost of trash cans.

If desire 10% profit then mark-up 10% from cost. What would the price be?

$$6.50 \times 1.10 = \$7.15$$

If desire 25% profit then mark-up 25% from cost. What would the price be?

$$6.50 \times 1.25 = \$8.12$$

Demand Oriented

We first determine the customer's willingness to pay for any good or service.

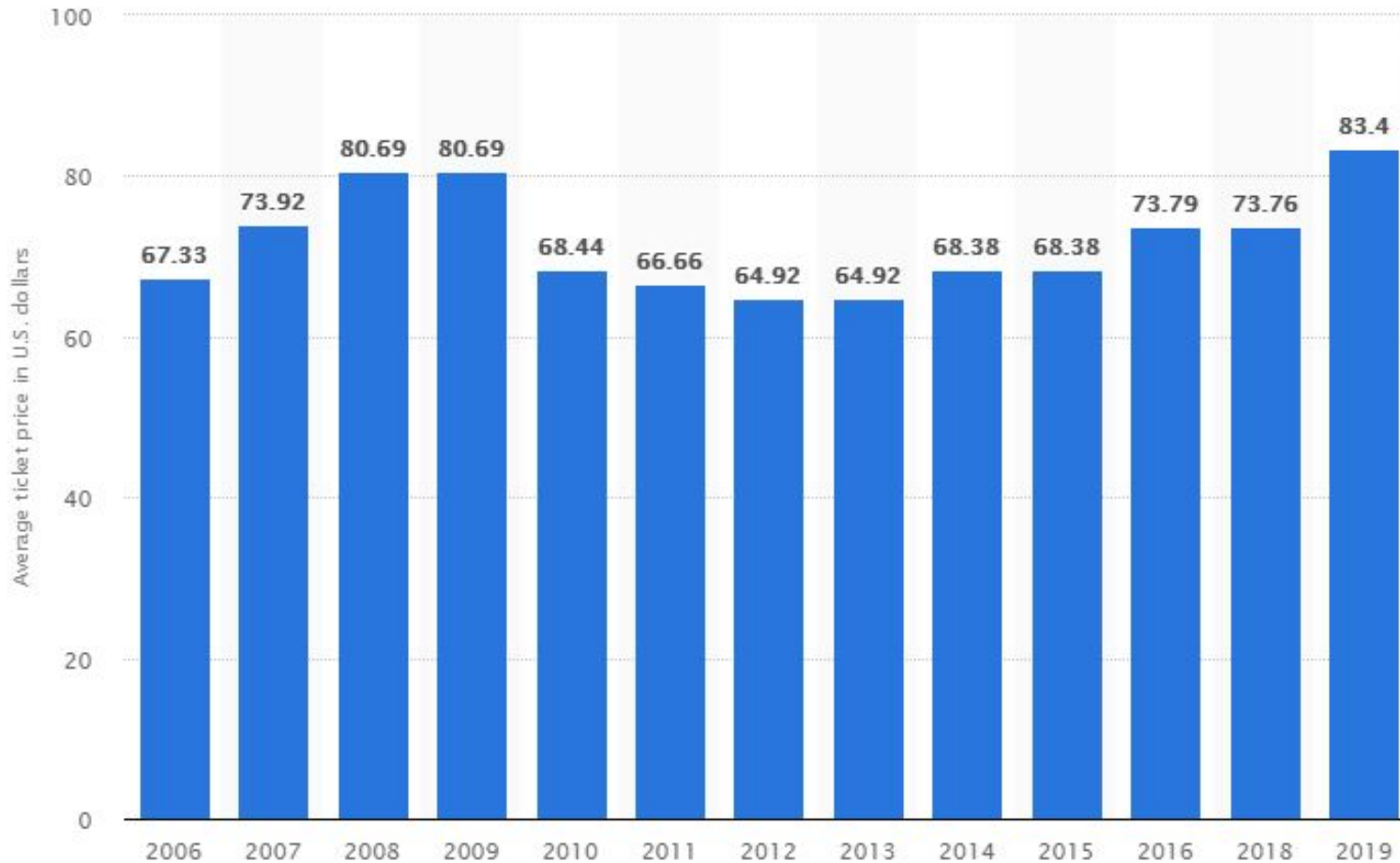
A high price is charged when the **demand is high** and a **low price** is charged when the **demand is low**.

Importance of a consumer's "perceived value of an item"

Effective when there are few substitutes and consumer is willing to pay higher prices because they believe an item is different from that offered by competition.

Companies try to achieve this status by developing **brand loyalty!**

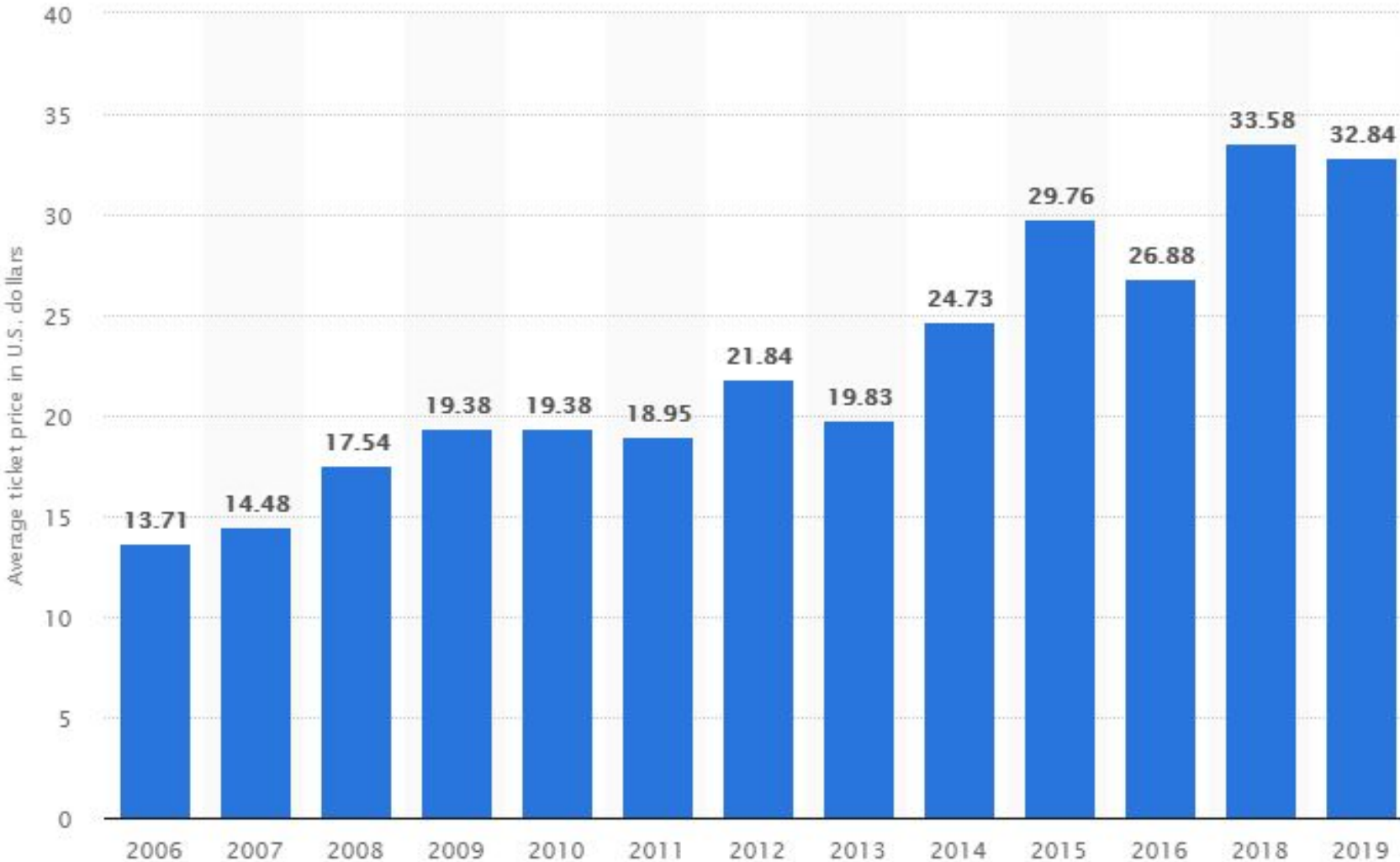
Average Price of Chiefs tickets from 2006 through 2019



Questions:

1. What do you think will happen to the price of chiefs tickets after the Super Bowl win last season? Explain your answer.
2. What do you think will happen to the price of the tickets if the NFL plays games with no fans for the first part of the season then lets fans come in for the 2nd half but with limited seating? Use what you know about supply and demand to explain your answer.

Average Price of Royals tickets from 2006 through 2019



Questions:

1. Why did ticket prices spike in 2014 & 2015? Explain your answer.
2. The Royals did not have winning seasons in 2018 or 2019, so why did the ticket prices go up? Explain your thoughts.

Competition-based pricing

- Set prices based on what the competitors charge. No relationship between cost and price.
- No relationship between demand and price.

Elect to take one of three actions using this pricing method:

Price above the competition

Price below the competition

Price in-line with the competition