Subject Content	What students need to learn?
2.2.2 Price	Pricing strategies Influences on pricing strategies; technology, competition, market segments and the product life cycle

Pricing Strategies

Broadly there are two different types of pricing:

- Pricing low for high volume but low profit margins
- Pricing high for low volume but high profit margins

The choice between these two will depend on a range of factors however the biggest influence will be branding. Strong brands are able to set their own prices, whereas weaker ones have to follow the lead set by others

Pricing Strategy for Different Market Segments

Mass Market

Mass market products are aiming their products at a wide range of customers and are likely to be experiencing high levels of competition. As a result pricing is likely to be ensure that they can compete. Due to the wide number of customers there is still a good likelihood of profit overall, even though profit per item will be low.

Examples include New Look, Primark, Lidl and Aldi.

Niche Market

A niche market is based on a particular type of customer who wants something different from the majority. Due to this difference there is likely to be less competition and customers will be more willing to pay more which ensures that although there are low sales volumes, profits can still be made.

Examples include Alpro or Jaguar

"I like it, but I'm looking for more of a status symbol. Any way you can double the price?"

How Technology Influences Pricing Strategies

Due to the access of ecommerce there is more ability to shop around and try to get the best deal on products, which means that firms have more competition than just their local area and need to be more price competitive.

On the other hand, ecommerce has also expanded the market making it easier to attract customers, this means that some businesses can charge more for their products because the demand is higher

Pricing Strategies at Different Stages of the Product Life Cycle

Introduction

Lots of businesses will choose a low price initially to encourage customers to try their product, especially if it is an unknown product or brand. If the product is popular the price will start to rise. However some businesses will start with a high price if they are looking to create an image of quality and expense rather than cheap. In addition products with good branding, especially technology will start expensive to ensure high profit margins from the keen before lowering the pricing for everyone else.

Growth

In the early stages most businesses will be looking to keep prices low to ensure sales continue to grow and increase prices once the growth is more established.

Maturity

When growth is at an end, new pricing decisions may be needed. If during growth prices were kept low to encourage sales there may be an incentive to raise prices to try and improve profit margins now that sales are no longer growing so fast. This may be important if new products are needed before the current product goes into decline, meaning investment.

Decline

During decline, profits will be falling, this means that firms need to make a decision about pricing. If an extension strategy is being planned such as adapting the product there may be a basis to increase the price. If there are loyal customers to the product but few new customers, the business may be able to increase prices assuming the loyal customers will still want the product. However some businesses may choose to put deals into place to encourage last ditch sales before it is taken off the market.