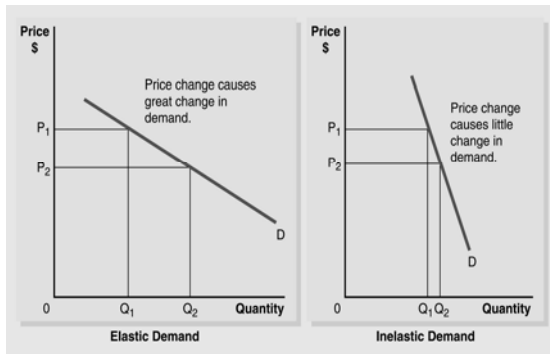


Break-Even Analysis

$$\text{Break-Even Point} = \frac{\text{Total Fixed Cost}}{\text{Contribution Per Unit to Fixed Cost (P-VC)}}$$

Price Elasticity of Demand



Pricing Setting Process

1. Selecting the pricing objective

2. Determining demand

3. Estimating costs

4. Analyzing competitors' costs, prices, and offers

5. Selecting a pricing policy and method

6. Selecting final price

Price - Quality Strategies

		Price	
		Higher	Lower
Quality	Higher	Premium Strategy	Good-Value Strategy
	Lower	Overcharging Strategy	Economy Strategy

Initial Product Pricing Strategies

Skimming Price

- > Setting a High Price for a New Product to **Skim** Maximum Revenues from the Target Market.
- > Results in Fewer, More Profitable Sales.
- > Ex.: Plasma HDTVs

Penetration Price

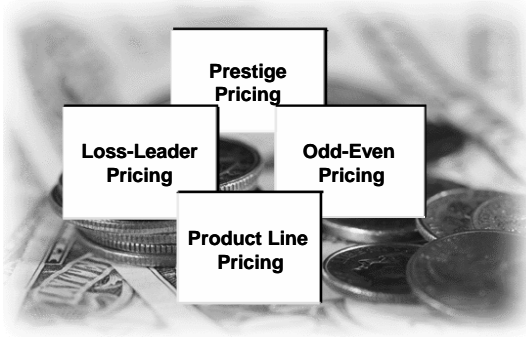
- > Setting a Low Price for a New Product in Order to Attract a Large Number of Buyers.
- > Results in a Larger Market Share.
- > Ex.: Generic drugs

Product Mix Pricing Strategies

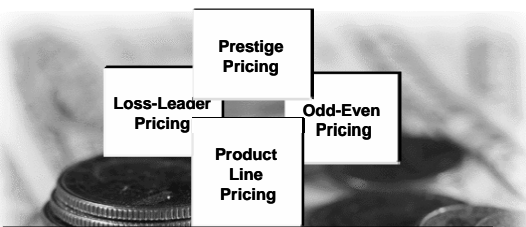
Product Mix Pricing Strategies



Psychological Pricing

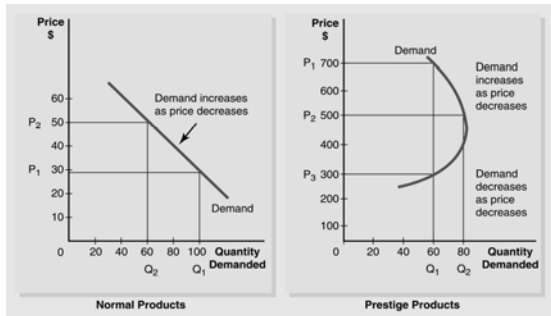


Psychological Pricing



↗ Pricing at relatively high levels so as to convey an image of high quality or exclusivity

Demand Curves for Normal and Prestige Products



Psychological Pricing

A diagram showing four overlapping boxes with the following text: 'Prestige Pricing' (top), 'Loss-Leader Pricing' (left), 'Product Line Pricing' (center), and 'Odd-Even Pricing' (right). The background is a stack of coins and a banknote.

➤ Offers products at prices below or near cost to attract consumers from competitors' stores

Psychological Pricing

A diagram showing four overlapping boxes with the following text: 'Prestige Pricing' (top), 'Loss-Leader Pricing' (left), 'Product Line Pricing' (center), and 'Odd-Even Pricing' (right). The background is a stack of coins and a banknote.

➤ Price lining is marketing multiple products at different price points
➤ Bundling is marketing two or more products in a single package for a special price

Psychological Pricing

A diagram showing four overlapping boxes with the following text: 'Prestige Pricing' (top), 'Loss-Leader Pricing' (left), 'Product Line Pricing' (center), and 'Odd-Even Pricing' (right). The background is a stack of coins and a banknote.

➤ Odd pricing refers to a price ending with an odd number just under a round number
➤ Even pricing is used to convey high quality

Professional Pricing

- Standard Fee regardless of the problem involved
- Used to convey an image of professional ethical responsibility
