

# Price Setting

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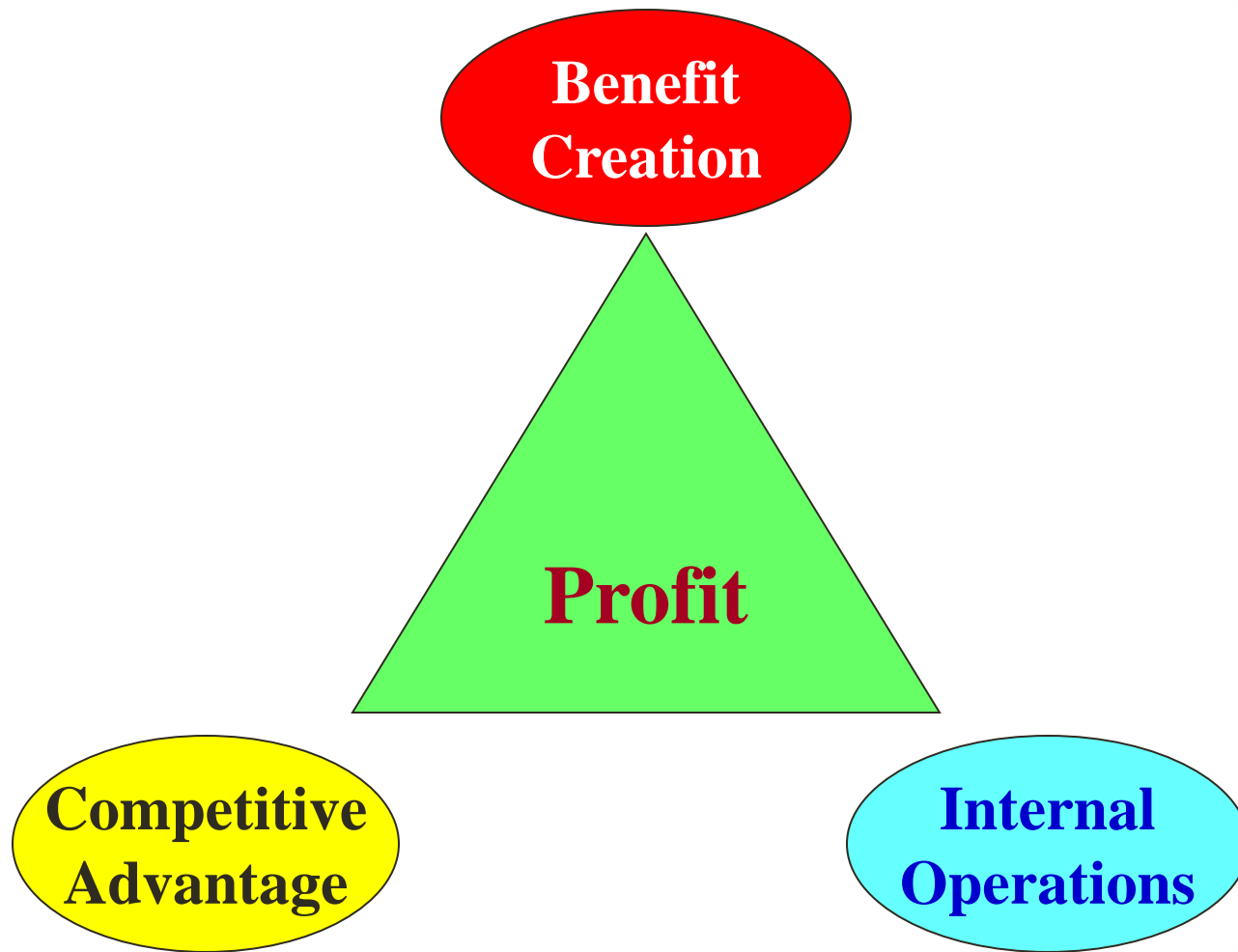
**Alaska Sea Grant Marine Advisory Program**

**University of Alaska Fairbanks**

**Kodiak**

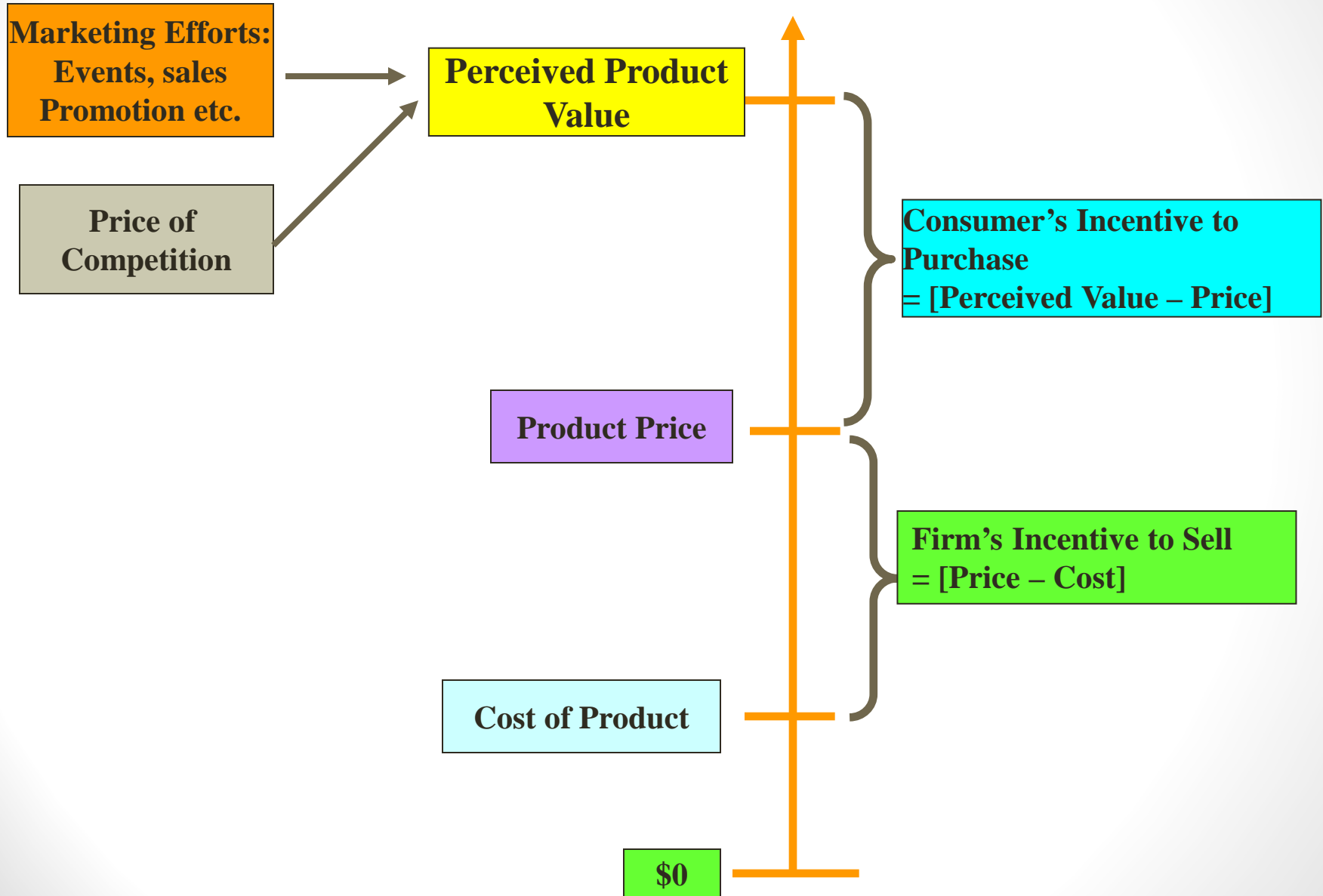


# The Profit Triangle



# Summary on Pricing

Source: Svoboda & Haws, 2005



# Marketing Mix

```
graph TD; MM([Marketing Mix]) --> P[Product]; MM --> PL[Place]; MM --> PR[Price]; MM --> PROM[Promotion]; P --> TM([Target Market]); PL --> TM; PR --> TM; PROM --> TM;
```

## *Product*

- *Quality*
- *Design*
- *Packaging*
- *Size*

## *Place*

- *Channels*
- *Coverage*
- *Assortments*
- *Locations*
- *Inventory*
- *Transport*

## *Price*

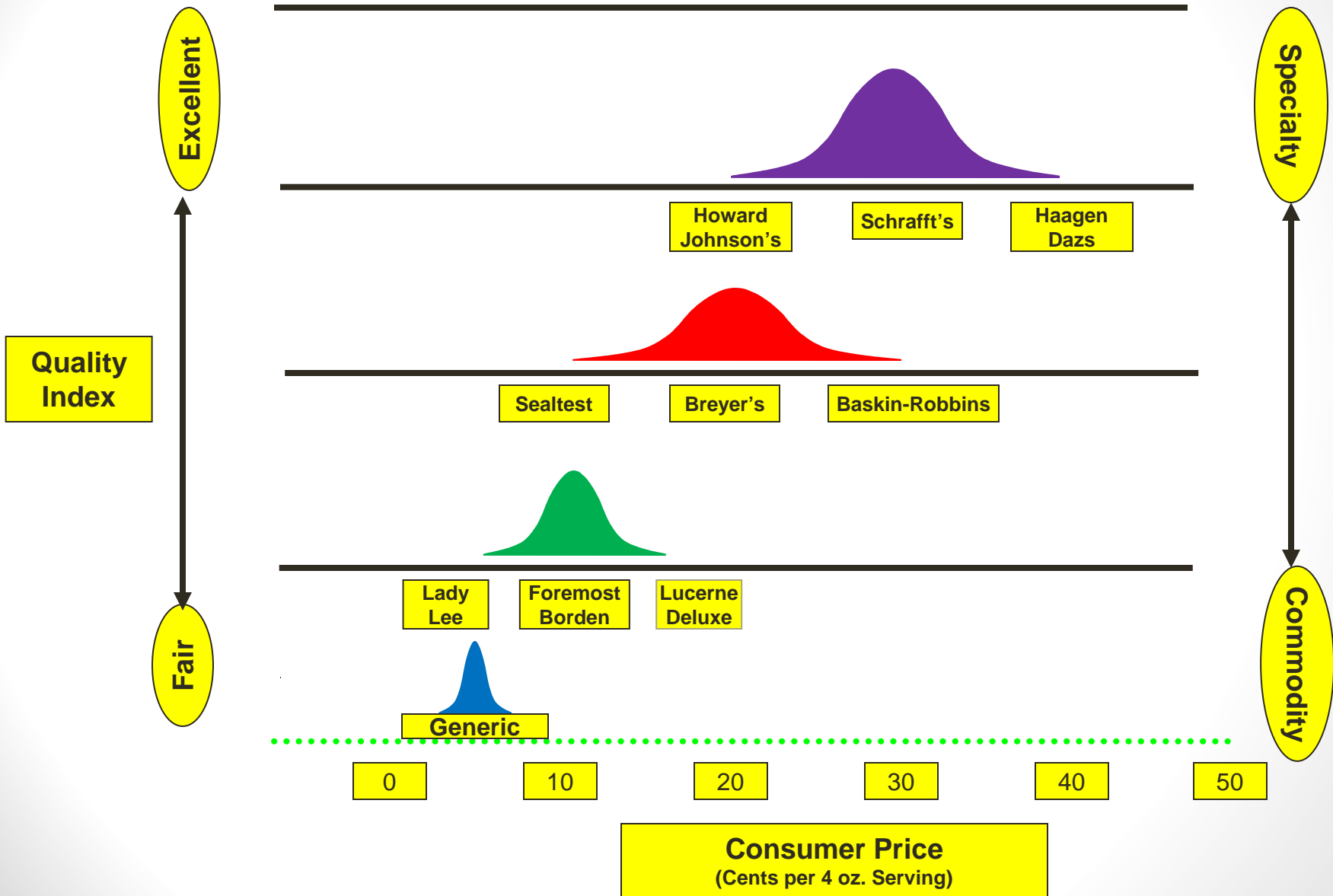
- *List Price*
- *Discounts*
- *Allowances*
- *Payment*  
*Period*
- *Credit Terms*

## *Promotion*

- *Sales*  
*Promotion*
- *Advertising*
- *Sales Force*
- *Public*  
*Relations*

# Target Market

# Price Band in Ice Cream



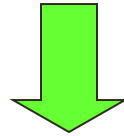
# Example: Alaskan Oyster

The relative importance of eight attributes to the overall evaluation of product

<u>Attributes</u>	<u>Avg. Score</u>
Confidence in Vendor	9.1
Shelf-life	8.9
Supply Consistency	8.9
Price	8.1
Product Form	8.0
Oyster Size	7.4
Region of Origin	6.8
Method of Production	6.0

# Setting Price

Set Pricing Objectives



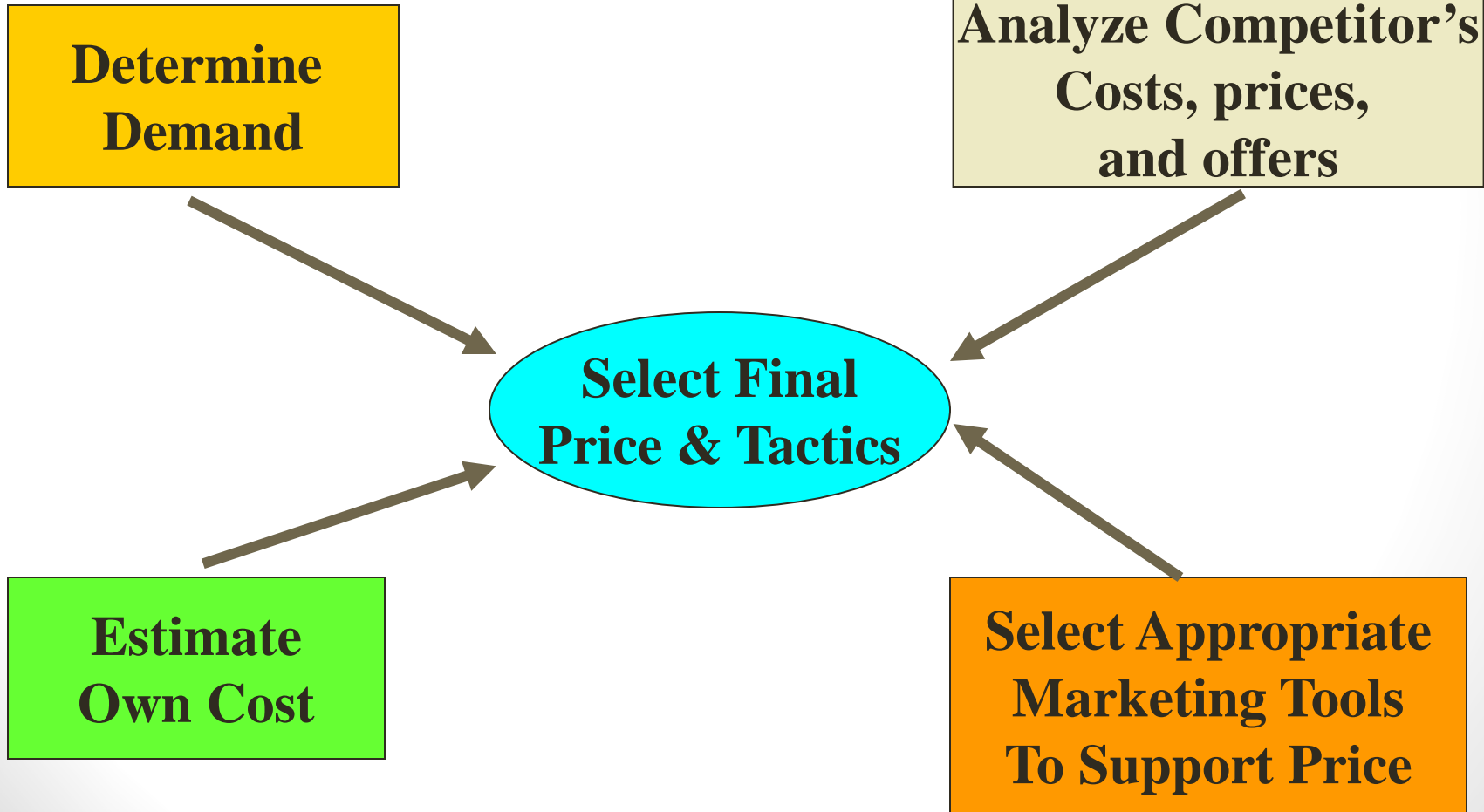
Determine Demand

Analyze Competitor's Costs, prices, and offers

Select Final Price & Tactics

Estimate Own Cost

Select Appropriate Marketing Tools To Support Price



# Pricing Methods

- **Markup pricing** – standard markup (e.g. 5 %) is added to the product's cost.
- **Target-return pricing** – charging a price that will provide a target rate of return on investment for a given period.
- **Value pricing** – a firm charges a low price for a high quality product.
- **Going-rate pricing** – a firm prices its products based on competitors' prices. It may price a product the same, at a slight premium (discount) to its competitors, and adjust accordingly when the competitors change their prices.
- **Perceived – value pricing** – Price is set according to customer's valuation of non-price variables such as image, product attributes, and services i.e. total product offering.



# Thank You!

