        - Competition policies
    - International product and service marketers face special challenges
        - How to standardise or adapt their products and services for world markets
        - Packaging and labelling
        - Growth of global service companies – banking, airlines, professional services, etc.

Pricing Issues

- Price – amount of money charged for a product or service
- Factors affecting price setting
    - Internal
        - Company's marketing objectives
            - Survival – staying in business hoping conditions improve
            - Current profit maximisation – short-run > long-run
            - Market-share leadership – low prices to increase demand, volume and profit
            - Product quality leadership – niche strategy tends to push prices higher
        - Company's marketing-mix strategy
            - Position price then tailor other marketing mix decisions
            - Consistency within mix to support overall image
        - Costs – fixed/variable
        - Organisation for pricing
            - Small companies – top management
            - Large companies – divisional or product line managers
            - Industrial markets – negotiated between salespeople and customers
    - External
        - Market
            - Pure competition – pricing very important since products not differentiable
            - Monopolistic competition – pricing is less important since differentiable
            - Oligopoly – firms have market power, price can be easily manipulated
            - Pure monopoly – can set prices but overall revenue is limited by the ability/willingness of customers to pay
        - Demand
            - Price elasticity of demand (PED) = $\frac{\%\, change\ in\ quantity\ demanded}{\%\, change\ in\ price}$
                - ∞ perfectly elastic, >1 elastic
                    - use advertising and promotional techniques to reduce elasticity

        - = 1 unit elastic
        - <1 inelastic, 0 perfectly inelastic
      - Computation of PED
        - Midpoint – 2 points on demand curve

$$\mathbf{PED} = \frac{[(Q_{D2} - Q_{D1}) \div (Q_{D2} + Q_{D1})/2]}{[(P_2 - P_1) \div (P_2 + P_1)/2]}$$

        - Point-price elasticity

$$\eta = \frac{\partial Q}{\partial P} \times \frac{P_0}{Q_0}$$

    - Economic conditions
      - Key is to not cut prices but value for money
      - Consider other parties e.g. resellers and government
      - Social concerns
- Main pricing strategies
  - Customer value-based pricing – based on buyer's perception of value rather than seller's cost
    - Good-value pricing – combination of quality and good service at a fair price
    - Value-added pricing
  - Cost-based pricing
    - Cost-plus pricing

$$\textit{Mark-up \% on Cost} = \frac{\textbf{Mark-up on Sale.}}{\textbf{100\% – Mark-up on Sale}}$$

$$\textit{Mark-up \% on Sales} = \frac{\textbf{Mark-up on Cost.}}{\textbf{100\% + Mark-up on Cost}}$$

      - Covers costs, steady profits
        - If all firms use this strategy, prices are similar and price competition is minimised
      - Not flexible does not consider demand, competitions, product life cycle, product's image
    - Breakeven pricing and target-return pricing

$$\frac{\textbf{Break-even point in units}}{\textit{(With target return)}} = \frac{\text{Total fixed costs + Target profit}}{\text{Contribution margin per unit}}$$

  - Competition-based pricing – based on competitors' strategies, costs, prices and market offerings
    - Outprice competitors
    - However, giving customers superior value for price is more important
- New-product pricing strategies
  - Market-skimming pricing – high prices
    - High quality and image

        - Costs of producing a small volume cannot be so high that they cancel the advantage of charging a higher price (diseconomies of scale)
        - Need high barriers to entry
        - Speed of skimming strategy – accompanied with same pace promotion
            - Rapid e.g. Apple
            - Slow e.g. Mercedes Benz
    - Market-penetration pricing – low prices
        - Market must be highly price sensitive
        - Economies of scale
        - Low price must keep out competition
- Product-mix pricing
    - Product-line pricing – variations in price due to the different features each product offers
    - Optional product pricing – additional accessories to a main product
    - Captive product pricing – products that must be used along with a main product
        - e.g. printer cartridges, razor blades, staples, software