MBA- I semester, Paper- Marketing Management, MB 105, TOPIC-Types of Pricing Strategies.

1.Skimming Pricing: This is pricing policy in which a very high price is fixed in the beginning that skim the demand at the side by this policy the company earns a huge amount of profit in the initial marketing of the product. When the competitors enter in the field, the prices are allowed to fall gradually. The company is able to recover the investment made in the product in a short period. This type of policy is used in the case of products when the company expects heavy competition after sometime, and wants to take cream before it happens.

2. Penetration Pricing: The market penetration pricing method is just the opposite of skimming pricing. Here, the objective is to penetrate the market as much as possible. Hence, a low price is fixed for the product. This type of policy is useful when there is a possibility of large potential demand. Large scale economies can be achieved if products are made on a large scale, and there exists a high short run price elasticity of demand

Penetration pricing strategy is useful in capturing a share of market from a competing product. A low-price policy also has an advantage of discouraging competitors from entering the market.

3. Product line Pricing: There are a set of strategies which a multi-producer firm can usually adopt. An important fact to be by noted is that these products have to be related, in other words, belonging to the same product family. For example, the firm may have different types of shampoos, normal, conditional egg or clinical. Within each of these, it may have different brands or a restaurant that has different types of food-Mughlai, Chinese, continental etc. and has a fluctuating demand. Faced with multiproduct and fluctuating demand, the firm may adopt a combination of following strategies to effectively manage its producer line.

a) Premium pricing: This is a strategy used by a firm that has heterogeneity of demand for substitute products with joint economies of scale. For example, in case of of a colour television set, there are different models available with different features, like the one with a remote control and another without it. Both are substitutable and satisfy the customer needs. But the firm may for premium pricing for the first model and position it at the top product line for high income or upper income group of customers the strategy is also used in retail marketing where merchandise may be offered at a high price in a premium store an at a lower or market price in a relative low store catering to the mass market. Premium pricing strategy applies to complement products also.

(b) Price bundling: This is strategy used by a firm to even the demand for its product. This is a useful strategy for perishable that are non-substitutable like a package of stereo music system. the latter case, stereo music equipment like the disc player equalizer, speakers and amplifier may be sold at different price individually which taken together may amount more than what system customer has to pay if he buys it as a composite music Similarly, a restaurant may charge a lower rate for a buffer me than a la carte' meal. Off season discounts, season tickets for music festivals and the like are examples of price building strategy. This a passive strategy aimed at correctly bundling the prices of relate items so that the firm is able to maximise its profits.

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