MBA- III semester, Specialisation- Marketing Management, Paper - Service Marketing, Paper code- MC 02, unit II, TOPIC- Pricing Strategies in service marketing.

(C).Pricing Strategies.

The pricing strategies that may be used to sell services are:

a) Differential or flexible pricing;

b) Discount pricing;

c) Diversionary pricing;

d) Guaranteed pricing;

e) High price maintenance pricing;

f) Loss leader pricing;

g) Offset pricing; and

h) Price bundling.

a) **Differential or Flexible Pricing** is used to reduce the 'perishability' characteristic of services and iron out the fluctuations in demand. Differential price implies charging different prices according to:

1) customer's ability to pay differentials (as in professional services of management consultant, lawyers);

2) price time differentials (used in hotels, airlines, telephones where there is the concept of season and off season and peak hours); and

3) place differential used in rent of property-theatre seat pricing (balcony tickets are more expensive than front row seats) and houses in better located colonies command high rent.

b) **Discount Pricing** refers to the practice of offering a commission or discount to intermediates such as advertising agencies, stock brokers, property dealers for rendering a service. It may also be used as a

promotional device to encourage use during low-demand time slots or to encourage customers to try a new service (such as an introductory discount).

c) **Diversionary Pricing** refers to a low price which is quoted for a basic service to attract customers. A restaurant may offer a basic meal at a low price but one which includes no soft drink or sweet dish. Once the customer is attracted because of the initial low price he may be tempted to

buy a drink or an ice-cream or an additional dish. Thus he may end up buying more than just the basic meal.

d) **Guaranteed Pricing** refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted.

e) **High Price Maintenance Pricing** strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.

f) **Loss Leader Pricing** is one in which an initial low price is charged in the hope of getting more business at subsequently better prices. The danger is that the initial low price may become the price for all times to come.

g) **Offset Pricing** is quite similar to diversionary pricing in which a basic low-price is quoted but the extra services are rather highly priced. A gynaecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but many charges extra for performing the actual delivery and post-delivery visits.

h) **Price Bundling:** Some services are consumed more effectively in combination with other services. When customer perceive value in package of services that are interrelated, price bundling is an appropriate strategy. It basically means pricing and selling services as a group rather than individually. In addition to deciding on what to charge, the pricing strategy of a service firm should also address the following issues: Who should collect payment? (Organisation or a specialist intermediary)

- Where should payment be made? (Location of service delivery or a convenient outlet or customer's home)
- Where should payment be made? (Before or after delivery, timings)
- How should payment be made? (Cash, credit card, third party payment etc.)
- How should prices be communicated to the target market? (Communication medium, message content etc.).

Dr. Faiyaz Hussain

Department of Management,

MMHA&P University, Patna.

Email.id.mbafaiyaz@gmail.com.