MBA- I semester, Paper- Marketing Management, MB 105, TOPIC-Types of Pricing Strategies **II.(Remain part)**

c) Image pricing: The strategy is used when consumers infer quality from the prices of substitute models or competing products the firm varies its prices over its different brands of the same product items. This strategy is commonly.

(d) Complementary pricing: This is a strategy which is used by a firm that has customers with high transaction costs per one or more of its products. Transaction costs are all those costs that customer has to incur to buy the product like the registration fee that a flat buyer has to pay in order to be a legal owner or the processing fee that the bank may charge to give a credit card to the customer.

(e) Loss leader pricing: This strategy involves dropping the price on a well-known brand to generate demand or traffic at the retail outlet.

(f) Captive pricing: This strategy calls for giving a special price deal to loyal customers or those who are regularly buying one of the products of the firm. Typical example is shaving system of Gillette, which offers two thin blades free with a razor to make the buyers purchase its blades. Kodak adopted this strategy when it offered a film role free to all buyers who bought its camera as may be observed, this is a strategy aimed at building customer loyalty.

g) Two-part pricing: It is a strategy used by the product that can be divided into two distinct parts. For example, membership of library has two parts. One is membership fee, which is annual and other is rent for each time for which a book is hired. As may be observed, the price has two components-fixed fees and the variable usage fee.

4.Customary Pricing Customers expect a particular pricing to be charged for certain products. The prices are fixed to suit local conditions. The customers are familiar with the rates and market conditions. Manufacturers cannot control the price. Such products are typically a standardised one. Certain business people reduce the size of product, if the cost of manufacturing increases. Sometimes, the firm changes the price by adopting new package, size etc. For example, confectionary items.

5. Geographical Pricing: A company must decide how to price its products to consumers in different parts of the country. Often geographical pricing is not negotiated but depends upon the traditional practice in the industry in which the firm operates and all companies in that industry normally conform to the same pricing format. Followings are the common methods of geographical pricing.

(i) FOB (Free on-board pricing)

(ii) Uniform delivered pricing

(iii) Freight absorption pricing

(iv) Zone pricing

(v) Basic point pricing

(vi) Home delivered pricing

i) FOB (Free on-board pricing): Free on board (FOB) pricing implies that the entire freight cost will be borne by the buyer. The cost of handling and loading to be borne by the seller. Hence, it is called free on Board. The term FOB is always followed by the name of specific place such as FOB factory or FOB Calcutta. In case of FOB factory, the seller charges the same price from every buyer irrespective of their location. In other cases, price charged will include the freight charges from the factory to the place mentioned in the price quotation.

(ii) Uniform delivered pricing: The company charges the same price plus freight to all the customers regardless of their location. The freight charges set at the average freight cost. Here, the seller pays for the freight.

(iii) Freight absorption pricing: The method calls for absorbing all or part of the actual freight charges in order to get the business. It can be done with the reason that if we are able to get added business from that customer then the average cost would reduce.

(iv) Zone pricing: It falls between FOB origin pricing and uniform delivered pricing. In this type of pricing, goods are delivered at uniform delivered pricing to all the buyers within geographical zone. In a multiple zone system, delivered prices vary by zone.

(v) Basic point pricing: In this method the seller selects a given city as a basing point and charges all customers and freight cost from that city to the customer location regardless of the city from which the goods are actually shipped.

(vi) Home delivered pricing: When a store advertises that the price of T.V. is Rs. 10,000 delivered at home, that store is practising delivered pricing or freight allowed pricing. The delivery charges are built into the price paid by the customer. Such a pricing policy is usually valid for delivery within a particular city. For example, fast food restaurants like Mc- Donald, Narula, Pizza hut follow this pricing policy.

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