**COMSATS University Islamabad, Virtual Campus**

**MGT210 Principles of Marketing**

**Lecture 18 Handouts**

**Pricing Strategies**

**New Product Development Strategies**

There are two broad strategies of new product development strategies:

* **Market-skimming pricing** (price skimming) means setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price, the company makes fewer but more profitable sales.
* **Market-penetration pricing** means setting a low price for a new product to attract a large number of buyers and a large market share.

**Product Mix Pricing Strategies**

There are five product mix pricing situations.

* Product line pricing: setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features and competitor’s prices.
* Optional product pricing: the pricing of optional or accessory products along with a main product.
* Captive product pricing: setting a price for products that must be used along with a main product.
* By-product pricing: setting a price for by-products to make the main product’s price more competitive.
* Product bundle pricing: combining several products and offering the bundle at a reduced price.

**Price Adjustment Strategies**

There are also seven price adjustment strategies that can be used.

* Discount: a straight reduction in price on purchases during a stated period of time or of larger quantities. Allowance is promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer’s products in some way.
* Segmented pricing: selling a product or service at two or more prices, where the difference in prices is not based on costs. Customer-segment pricing involves different types of customers paying different pricing. Product-form pricing involves different prices for different versions of the same product. Location-based pricing involves different prices for different locations, while time-based pricing involves different prices for different moments in time.

Rest of the five strategies shall be explained in the next lecture.