Penetration Pricing

What is it?

Price is set just above total unit cost to develop a wedge in the market and quickly achieve a high volume of sales.

When it's used?

To gain quick acceptance and extensive distribution to a large market

Example

Answers will vary

Non-Example

Answers will vary

Price Skimming

What is it?

Pricing product at a high/premium price in an attempt to make more profit off of each unit sold

When it’s used?

Often is used when a company introduces a new product into a market with little or no competition or to establish the company and its products or services as unique and superior to those of its competitors

Example

Answers will vary

Non-Example

Answers will vary

Life Cycle Pricing

What is it?

Using this technique, a company introduces a product at a high price. Then technological advances enable the firm to lower its cost quickly and to reduce the product's price before its competition can.

When it's used?

When technology is expected to advance quickly, allowing products to be produced more economically in the future.

Example

Answers will vary

Non-Example

Answers will vary

Odd Pricing

What is it?

Pricing strategy that involves setting prices that end in odd numbers

When it's used?

To create the psychological impression of lower prices.

Example

Answers will vary

Non-Example

Answers will vary

Freemium Pricing

What is it?

A pricing strategy that involves providing a basic product or service to customers for free but charging a premium for expanded or upgraded versions of the product or service.

When it’s used?

When portions of a product/service can be monetized to provide a better user experience or more user satisfaction

Example

Answers will vary

Non-Example

Answers will vary

Price Lining

What is it?

Pricing strategy that greatly simplifies the pricing function by pricing different products in a product line at different price points, depending on their quality, features, and cost.

When it's used?

To make goods available to a wide range of shoppers, simplify the purchase decision for customers, and allow them to choose products with prices that fit within their budgets.

Example

Answers will vary

Non-Example

Answers will vary

Price Anchoring

What is it?

The tendency that people have to rely heavily on the first piece of information they receive (the anchor) when faced with a decision and to evaluate subsequent information by comparing it to the anchor.

When it's used?

To make more expensive items seem more budget-friendly or to sell more middle-tier products

Example

Answers will vary

Non-Example

Answers will vary

What is it?

A customer or organization to purchases or subscribes to a company's goods or services for a specific period of time for an agreed upon set price

When it's used?

To provide simpler, more convenient shopping experiences.

Subscription Pricing

Example

Answers will vary

Non-Example

Answers will vary

Dynamic Pricing

What is it?

A technique in which a company sets different prices for the same products or services for different customers by using the information collected about the customers.

When it’s used?

When prices of materials OR prices of the goods/services themselves change based on supply and demand

Example

Answers will vary

Non-Example

Answers will vary

What is it?

A technique that involves marking down the normal price of a popular item in an attempt to attract more customers who make incidental purchases of other items at regular prices.

When it's used?

When the business has a high-demand product and wants to draw people into its store in an attempt to sell them other products while they are there

Leader Pricing

Example

Answers will vary

Non-Example

Answers will vary

Geographic Pricing

What is it?

When the prices of goods or services change based on the geographic location they are sold at

When it's used?

Small businesses whose pricing decisions are greatly affected by the costs of shipping merchandise to customers across a wide range of geographic regions rely on geographic pricing

Example

Answers will vary

Non-Example

Answers will vary

Discounts

What is it?

Reductions in list prices

When it’s used?

To decrease the price and encourage consumers to make a purchase

Example

Answers will vary

Non-Example

Answers will vary

Bundling

What is it?

Grouping together several product or services or both into a package that offers customers extra value at a special price.

When it's used?

Another way to offer discounts without damaging the company's reputation

Example

Answers will vary

Non-Example

Answers will vary

Optional-product Pricing

What is it?

A technique that involves selling a base product for one price but selling the options or accessories for it at a much higher markup. The base product is still functional.

When it's used?

To reduce the price of the product itself while attempting to profit off of the optional products customers can add on

Example

Answers will vary

Non-Example

Answers will vary

What is it?

A technique that involves selling a product for a low price and charging a higher price for the accessories that accompany it. The base product is not functional without the accessories.

When it's used?

To make the base product cheaper while continuing to earn a profit off of the accessories.

Captive-product Pricing

Example

Answers will vary

Non-Example

Answers will vary

By-product Pricing

What is it?

Technique in which a company uses the revenues from the sale of by-products to be more competitive in pricing the main product.

When it's used?

When the production of a good or service creates an undesirable by-product, company's attempt to find uses for it to increase their profits.

Example

Answers will vary

Non-Example

Answers will vary

What is it?

Offering a suggested retail price for a good and often negotiating a lower price with each consumer.

When it’s used?

Many manufacturers print suggested retail prices on their products or include them on invoices or in wholesale catalogs to make customers feel like they are getting a good deal.

Suggested Retail Price

Example

Answers will vary

Non-Example

Answers will vary