

# Consumer Behavior

Lecture # 4

List of important pricing factors

# What is marketing mix?

The answer is...

# Marketing Mix

- Product
- Price
- Place
- Promotion

# How is the pricing decision made in international market?

It is made under the influence of many factors.

# 16 factors that can affect the pricing decision:

You need to know these important factors.

# 1. Supply

- Too many of the products or the oversupply of the products means the price will be low.
- Example: the oversupply of “Jatukram” means the price per unit of jutukram is very low.

# 1. Supply

- If the product can be mass production with low cost, the price is often low such as a cheap digital watch such as Casio and Timex.

## 2. Demand

- High demand often means high price whereas low demand often means low price.
- Example, during the high season, the demand for hotel is high and the price per room is also high.

## 2. Demand

- If the demand of some new innovative product or new technology product is high, the price is also high such as new I-phone 3 G, I-pod.

# 3. Substitution

- If the product has a lot of substitutions, this means consumers have many choices to choose from and the price of the product is often low.
- Example: There is no substitution for gasoline, and this means consumers often have to pay high price.

# 3. Substitution

- If the product is simple and has a lot of substitution, the price can not be high because if the firm offers high price, consumers will switch to other brands.

## 4. Necessity

- How important of the product to a customer in a particular time?
- If the product is important, consumers are willing to pay high price.
- Example: a cancer medicine is very expensive, consumers who need this medicine will have to pay a very high price for it.

# 5. Total cost of production

- If the cost of the product is low, the firm has a tendency to offer the low price. On the contrary, if the cost of the production is high, the firm has a tendency to offer the high price.

Example: imported BMW has to pay high imported tax, then the price of imported BMW will be very high also.

## 6. Competitors

- In a very high and many competitors, the firm often has to offer low price. Whereas, in a very low competitor, the firm can charge a very high price.

# 7. Economic recession

- In an economic recession, customers will buy more products only with high discount or low price.
- Example: consumer will not buy a new car in economic recession unless they have been offered a good deal or very low price.

## 8. Perception in the market

- Consumers often have some perception and price of the product.
- Example: the food items such as egg, noodle, meat, the price should be low, but the cosmetic products or medicine products the price can be high and acceptable.

# 9. Product life cycle

- If the product is new and innovative, such as I-pod, I-phone the price can be very high.
- If the product is out of date, the price can be very low.

# 10. Government regulation

- Some products are controlled by the government such as cooking oil, egg, pork, the price can not be too high.
- It is often required government's permission to increase the price.

# 11. Company desire's pricing decision

- Some companies want to maintain high price and high quality such as Rolex.
- Other companies want to maintain low price and low cost such as Air Asia.

# 12. Globalization

- For many products, the price has to be related to world market price such as oil, gasoline, gold, rice, rubber.

# 13. Market penetration pricing

- This happens when the firm wants to low its price in order to gain large market share.
- Example: Tescos Lotus offers very low prices on the opening month of a new branch to attract customers and gain market share.

# 14 Product line pricing

The firm sets a price steps between product line items.

Example: Honda Jazz

- Jazz with manual gear 550,000 baht
- Jazz with automatic gear 600,000 baht
- Jazz with auto + navigator 650,000 baht.

# 15. Optional product pricing

- The firm sets a price with accessory product sold with the main products.
- Example: Honda Jazz
- Jazz with special metallic color, pay another 5,000 baht, but it is optional.

# 16. Product bundle pricing

- To combine several products and offering the bundle at a reduce price.
- Example: back to school campaign, Lotus put pen, pencil, books, other stationary together and sell at lower price.

# Assignment # 7

- 1. List and explain with your own example for each of the 16 factors that affect the pricing decision.