

Price & Pricing

- ▶ Price is the amount we pay for a good or service.
- ▶ Pricing is the art of translating the value of the product or service into monetary terms.

Importance of pricing.

- ▶ Revenue generation
- ▶ Pricing helps in regulating demand.
- ▶ Price is a competitive weapon.
- ▶ Pricing determines productivity and profitability.
- ▶ Product differentiation

Objectives of pricing

- ▶ Survival objective.
- ▶ Target return on investment.
- ▶ Market share.
- ▶ Cash - flow management.
- ▶ Meeting competition.
- ▶ Maintaining the image.

Factors influencing the pricing decisions.

Internal factors

- ▶ Organizational factors.
- ▶ Marketing mix.
- ▶ Product differentiation.
- ▶ Product costs.
- ▶ Product life cycle.
- ▶ Pricing objectives.

External factors

- ▶ Product demand.
- ▶ Competition.
- ▶ Economic conditions.
- ▶ The buyer behaviour.

Steps in pricing

- ▶ Identify the potential customers.
- ▶ Estimate the demand.
- ▶ Determine competitors price.
- ▶ Identify alternative basic prices.
- ▶ Calculate manufacturers net price.
- ▶ Estimate cost.
- ▶ Calculate expected profit
- ▶ Repeat the analysis for each major segment.

Pricing policies and strategies

A. Price variation policy

1. Variable price policy.
2. Non-variable price policy.
3. Single price policy.

B. Geographic price policy

1. Point of origin price policy
2. Freight absorption price policy

C. Price differential price policies

1. Discounts
2. Rebates
3. Premiums

D. New product pricing policies

1. Skimming price policy
2. Penetration price policy

E. Leader price policy.

F. Psychological pricing.



Channels of distribution

- ▶ An organized network or system of agencies and institutions which in combination perform all the activities required to link producers to users and users to producers to accomplish the marketing task.

Types of channels of distribution

- I. Direct
- II. Indirect
 1. One-level Channel (Manufacturer to Retailer to Customer)
 2. Two-Level Channel (Manufacturer to Wholesaler to Retailer to Customer)
 3. Three-Level Channel (Manufacturer to Agent to Wholesaler to Retailer to Customer)

Importance of Distribution channel

- ▶ **Provides Market Information**
- ▶ **Timely Delivery Of Products**
- ▶ **Maintain Stock Of Products**
- ▶ **Promotion Of Goods**
- ▶ **Provide Finance**
- ▶ **Generates Employment**
- ▶ **Distribution Of Risk**

Factors Determining The Choice Of Distribution Channels

▶ **Market Characteristics**

includes the number of customers, their geographical location, buying habits, tastes and capacity and frequency of purchase, etc.

▶ **Product Characteristics**

Product cost, technicality, perishability and whether they are standardised or custom-made play a major role in selecting the channel of distribution for them.

▶ **Competition Characteristics**

▶ **Company Characteristics**

Financial strength, management expertise, and the desire for control act as important factors while deciding the route the product will take before being available to the end user.

Functions of Middlemen:

1. **Information provider**
2. **Promotion**
3. **Financing**
4. **Title**
5. **Help in production function**
6. **Pricing**
7. **Matching Buyers and Sellers**

Wholesalers and Retailers

- ▶ Wholesalers are the one who sells to other middlemen , institutions and individuals usually in large quantities.
- ▶ Retailers are one who sell to customers a wide variety of goods which are assembled at his premises as per the needs of final users. The term retail implies sale for final consumption rather than for resale or further processing.

Functions of wholesalers.

- ▶ Assembling and buying.
- ▶ Warehousing
- ▶ Transporting
- ▶ Financing
- ▶ Risk bearing
- ▶ Grading, packing and packaging
- ▶ Dispersing and selling
- ▶ Providing market information.

Types of wholesalers

- ▶ Full function- a wholesaler who buys and sells the products on his own account, assembles products from different sources in bulk, carries stocks, sells in smaller lots , grants credit and renders valuable counsel and advice. Because of wide range of functions, he performs and service renders, he is called a full line wholesaler.
- ▶ Converter- a converter is that full line wholesaler who buys and sells products to the subsequent channel members after processing them.
- ▶ Drop shipper- one who neither store the products nor delivers them to the buyers from his own stock but books orders and directs manufacturers to the retailers to that effect.

Functions of retailers

- ▶ Buying and assembling
- ▶ Warehousing
- ▶ Selling
- ▶ Risk shouldering
- ▶ Packing
- ▶ Financing
- ▶ Advertising
- ▶ Supply of market information.

Types of retailers

- ▶ Small scale retailers.
 - ▶ Unit stores
 - ▶ Street traders
 - ▶ Market traders
 - ▶ Hawkers and pedlars
 - ▶ Cheap jacks
 - ▶ Syndicate stores



▶ Large scale retailers

- ▶ Departmental stores
- ▶ Multiple shops and malls
- ▶ Mail order houses
- ▶ Consumer cooperatives
- ▶ Fair price shops

Physical distribution

- ▶ Physical distribution is a marketing activity which is concerned with the handling and movement of goods. It involves all those activities connected with the efficient movement of goods from place of production to the place of consumption.

Difference between channels of distribution and physical distribution.

- ▶ Channels of Distribution mean the intermediaries or the process through which the products are transferred from the producers to ultimate users. They are distributors, retailers, agents, bankers etc.
- ▶ Physical Distribution is concerned with the flow of goods to the ultimate consumers which includes transportation, warehousing and inventory management.

Role of physical distribution

- ▶ Creation of utilities
- ▶ Improved consumer services
- ▶ Cut in distribution costs
- ▶ Increased market share
- ▶ Price stabilization

Components of physical distribution

- ▶ Order processing

Order processing includes the activities of receiving, recording, filling and assembling orders for shipment.

- ▶ Inventory management

Inventory management means management of the goods on move. It is the task of planning and controlling of finished goods after they have been brought out from production centers and before their deliveries to the users.

- ▶ Materials handling

It stands for the product movement after it gets out from the manufacturing plant but before it is loaded on the transport mode to the destination of consumers

Warehousing

- ▶ Act of storing and assorting the finished goods so as to create maximum time utility at minimum cost.
- ▶ Warehousing covers two functions- movement and storage of finished goods.
- ▶ Movement refers to the receipt of goods from the manufacturing centers, their transfer into warehouse and stocking the products at designated place, assorting according to the orders of customers and transferring them to common carriers on their way to customers.
- ▶ The storage function is basically concerned with holding the carrying the goods from the time they are placed in and till they are placed out in common carriers. It is mainly a safety and preservation function.

Features of an ideal warehouse

- ▶ Safety
- ▶ Proper location
- ▶ Sufficient space
- ▶ Scientific layout
- ▶ Economy
- ▶ Other service

Types of warehouse

- ▶ On the basis of ownership
 - private warehouse
 - public warehouse
 - cooperative warehouse
 - household warehouse
 - bonded and duty paid warehouse

- ▶ On the basis of service rendered
 - special commodity warehouse
 - cold storage and refrigerated warehouse
 - bank warehouse
 - general merchandise warehouse
- ▶ On the basis of structure
 - classical warehouse
 - silo
 - bins
 - elevator
 - Portable warehouse
 - automatic warehouse

silos



Bins



Elevator



Portable



E-tailing

- ▶ The **Electronic Retailing**, is the process of selling the goods and services through electronic media, particularly the internet.

The e-retailers can be of two types:

- **Pure Play e-retailers** such as Amazon, that emerged as the online bookseller. It is present only online and do not have any physical outlet for the customers.
- **Brick and click e-retailers** such as Dell, that sells computers through the internet as well as has the physical store front for the customers.

Advantages of Electronic Retailing

1. Through electronic retailing, customers can save both the efforts and time.
2. The wide range of products is available online, so the comparison can be made easily before the purchase.
3. The customer can shop anytime and from anywhere, the facility is available 24*7
4. The huge discounts can be availed while shopping online.
5. The detailed information about the product is available online; that helps the customer to make the purchase decision.
6. The electronic retailing offers the easy payment terms such as payment on delivery that instigate the customer to shop online.

Disadvantages of Electronic Retailing

1. The customers may not be sure of the quality of the products offered online.
2. It is the tendency of every individual to bargain before making the final purchase, but this quotient is missing in electronic retailing.
3. Also, the customers may not trust on the payment gateways and fear the misuse of credit cards or any other mode of payment.
4. Every customer wants to see and feel the product that he purchases, but it is not possible in case of electronic retailing where the customer makes the decision just by looking at the image.
5. The product is not readily available; the customer has to wait for some time to get the product in his hands.
6. The customer misses the emotional attachment with the seller that leads to less faith on the offerings.