



Practice Your Pricing Techniques

New Opportunity, New Price

“The moment you make a mistake in pricing, you’re eating into your reputation or your profits.”

—Katherine Pain, Founder of The Delahaye Group

Instructions:

Review the example below. Notice how Jenny prices her new product based on different pricing strategies. Then, use the tool provided to write about a new product/service you’re considering launching for your business. Finally, develop potential price points based on the pricing strategies you’re interested in exploring more.

Example: Jenny’s Home Air Conditioning Services—Pricing for a New Opportunity

Jenny, the owner of Jenny’s Home Air Conditioning Services, decided to add portable solar generators to her product portfolio. After reviewing the market, she determined that mid-range solar generators are the best products for her target market. These generators typically sell for between \$1,220 and \$3,000. To figure out the best price, she went through various pricing strategies.

Pricing Strategies and Potential Selling Price for Portable Solar Generators

Bundling: Selling packages of products or services at a lower price than if they were bought separately

If a customer buys a new generator when they buy a new air conditioner, then the generator will cost \$1,600.

If a customer buys a new generator separately, then it will cost \$1,850.

Premium: Pricing a product at the high end of a price range

Sell the generator for \$1,950.

Freemium: Either offering the product for free or at an extremely low price, and encouraging customers to buy premium features

Sell the generator for \$1,200. Customers can then buy prepaid maintenance plans, extra storage batteries or extra solar cells.

Penetration: Maximizing the quantity sold and increasing market share by selling products at low prices

Sell the generator at \$1,000 so it can sell at a higher quantity.

Skimming: Selling a product at the highest possible price

Sell the generator for \$2,200 because there is no other local provider.

Psychological: Using the theory that certain prices have a psychological impact that increases the chances of customers making a purchase

Sell the generator for \$1,699, as customers may consider it a better value than \$1,700.

Economy Pricing: Assigning a low price to selected products

Sell the generator for \$1,200, and keep other products at their original prices.

Quantity Discount: Offering discounts to customers who buy in bulk

Sell the generator for \$1,600.

If a customer buys two or more generators, the price drops to \$1,300 each.

If a wholesaler buys 10 or more generators, the price drops to \$1,000 each.

Cumulative Quantity Discount: Offering discounts to customers who buy large quantities over a period of time

Sell the generator for \$1,600.

If a wholesaler buys 10 or more generators over the course of a year, they will receive a discount of \$150 per generator as a cash rebate.

Seasonal Discount: A discount that is only offered during certain times or “seasons”

Sell the generator for \$1,600.

In the fall and winter, sell the generator for \$1,300.

Cash Discount: A discount that is offered to customers who pay their bill with cash or before a specified date

Sell the generator for \$1,600.

If a customer pays in cash, sell for \$1,450.

Trade Discount: A discount offered to members of a distribution channel

Sell the generator for \$1,600.

Customers or wholesalers who are a part of the Solar Energy Industries Association will receive a \$150 discount.

Disclaimer: The business appearing in this work is fictitious. Any resemblance to an actual business is purely coincidental.

Pricing for Your New Product/Service

Now that you've reviewed how Jenny priced her new product based on different pricing strategies, use the tool below to describe a new product or service you plan to launch for your business. Next, identify potential price points for each pricing strategy.

Product/Service _____

Market Price Range _____

Bundling

Potential Price _____

Premium

Potential Price _____

Freemium

Potential Price _____

Penetration

Potential Price _____

Skimming

Potential Price _____

Psychological

Potential Price _____

Economic Pricing

Potential Price _____

Quantity Discount

Potential Price _____

Cumulative Quantity Discount

Potential Price _____

Seasonal Discount

Potential Price _____

Cash Discount

Potential Price _____

Trade Discount

Potential Price _____