Pricing Strategies

a) **Competition-based pricing:** Setting the price based on prices of similar competitor products.

b) **Cost-plus pricing:** A profit is added to the cost of producing the product; this is the price at which the product is available in the market.

c) **Creaming or skimming:** Selling a product at a high price, sacrificing volume of sales in favor of high profit, therefore ‘skimming’ the market. Commonly used in electronic markets when a new product is introduced.

d) **Loss leader:** A product sold at a low price (at cost or below cost) to stimulate other profitable sales (e.g. cell phones sold cheaply but tied to phone plans).

e) **Market-oriented pricing:** Setting a price based upon analysis and research compiled from the targeted market.

f) **Penetration pricing:** Setting the price low in order to attract customers and gain market share. The price will be raised later once this market share is gained.

g) **Price discrimination:** Setting a different price for the same product in different segments of the market. For example, cinema tickets have different prices depending on the time of screening.

h) **Premium pricing:** Premium pricing is the practice of keeping the price of a product or service artificially high in order to encourage favorable perceptions among buyers, based solely on the price.

i) **Psychological pricing:** Pricing designed to have a positive psychological impact. For example, selling a product at $3.95 or $3.99, rather than $4.00.

j) **Dynamic pricing:** Prices are adjusted according to a customer’s willingness to pay. The airline industry often uses dynamic pricing (similar to price discrimination).

k) **High-low pricing:** Product is priced higher than competitors, but lower prices are offered on key items or through sales offers.

l) **Premium Decoy pricing:** Price of one product is set high, to boost sales of a lower priced product.

m) **Value Based pricing:** Pricing a product based on the perceived value and not on any other factor.