

Chapter 12

Pricing in Business Marketing



DINH Tien Minh (Ph.D.)

Objectives



- 01 Examine the special meaning of price.
- 02 Understand and analyze the factors influencing the pricing decisions.
- 03 Study the different price-setting methods and pricing strategies.
- 04 Learn pricing policies for different types of customers
- 05 Examine the practical aspects of commercial terms and conditions.
- 06 Describe the role of leasing in business Marketing.



www.dinh tien minh.net



Content

- 01 Special Meaning of Price
- 02 Factors influencing Pricing Decision
- 03 Pricing Methods and Strategies
- 04 Pricing Policies
- 05 Commercial Terms and Conditions
- 06 Role of Leasing



1. Special meaning of Price

01

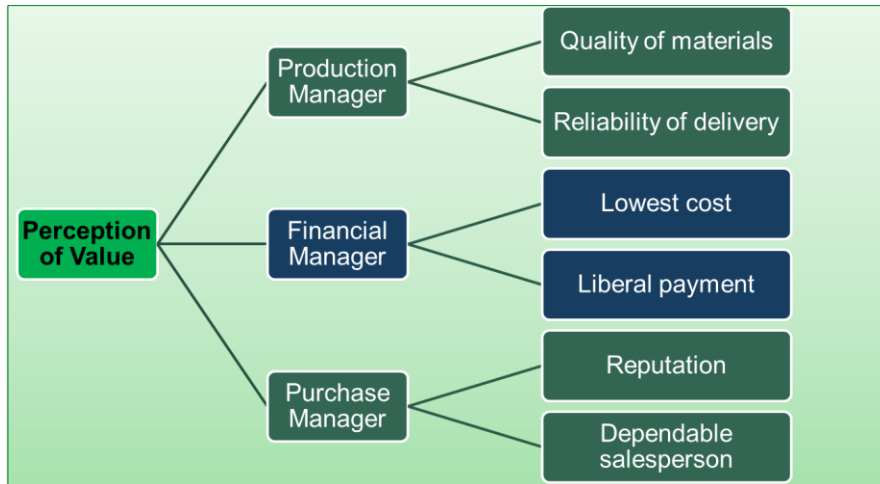


- ❖ What do you think when a business buyer buys a product from XYZ supplier which is in competition with several other suppliers of the similar product?

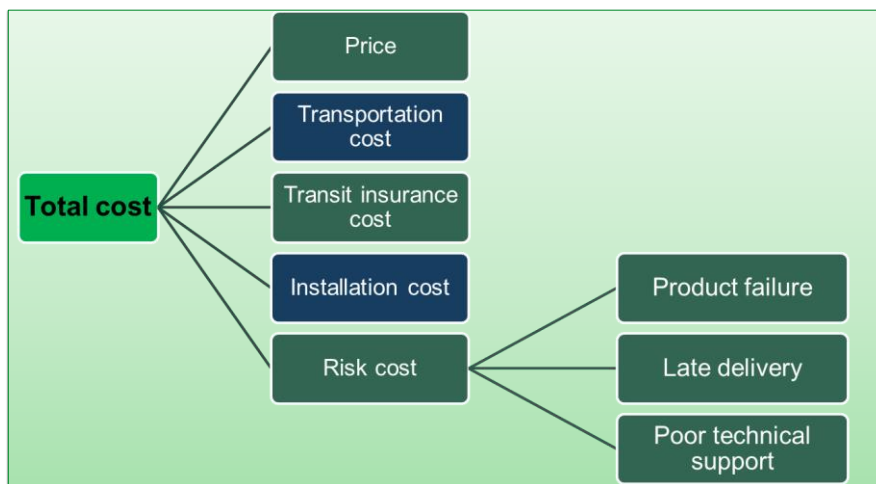
**Highest delivered value =
Overall perception of value –
Total cost**



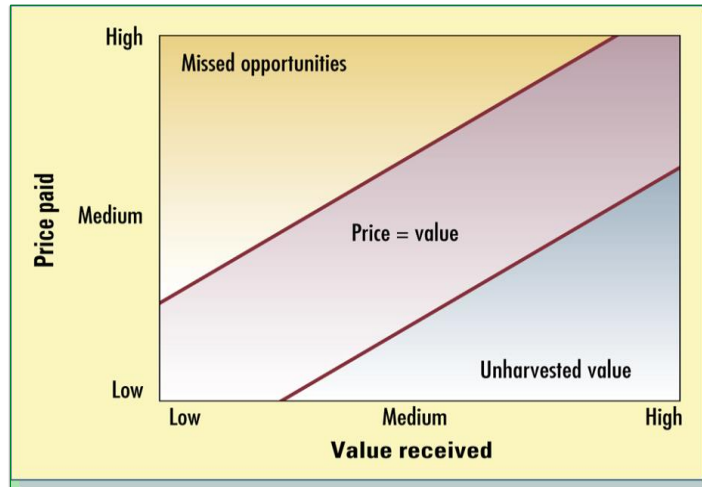
1. Special meaning of Price



1. Special meaning of Price



1. Special meaning of Price



Price Should Align with Value



1. Special meaning of Price

Price	Equals	Something of Value
<i>List Price</i> Less: <i>Discounts</i> Quantity Seasonal Cash Temporary sales Less: <i>Allowances</i> Trade-ins Damaged goods Less: <i>Rebate and coupon value</i> Plus: <i>Taxes</i>	equals	<i>Product</i> Physical good Service Assurance of quality Repair facilities Packaging Credit Warranty <i>Place of delivery or when available</i>



1. Special meaning of Price

The lowest **price** may not be the lowest in the **total cost!**

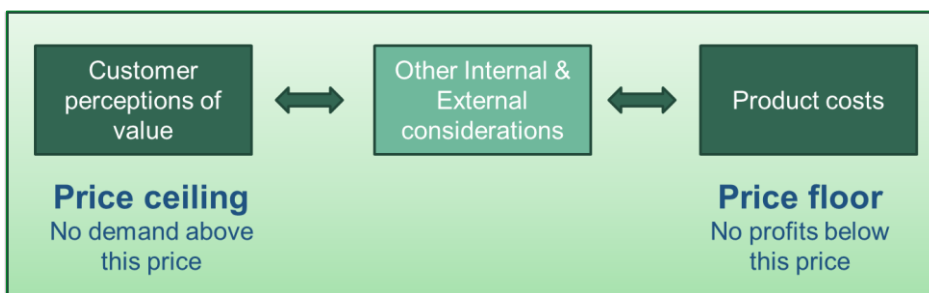
In out of over 100 purchase decisions, the lowest price bidder was not selected in over 40% of the cases (*).



Source: J. Patrick Kelly and James W. Coaker, "Can we generalize about choice criteria for industrial purchasing decisions?", in Kenneth L. Bernhardt, ed., *Marketing: 1776-1976 and beyond* (Chicago: AMA, 1976), pp330-33.



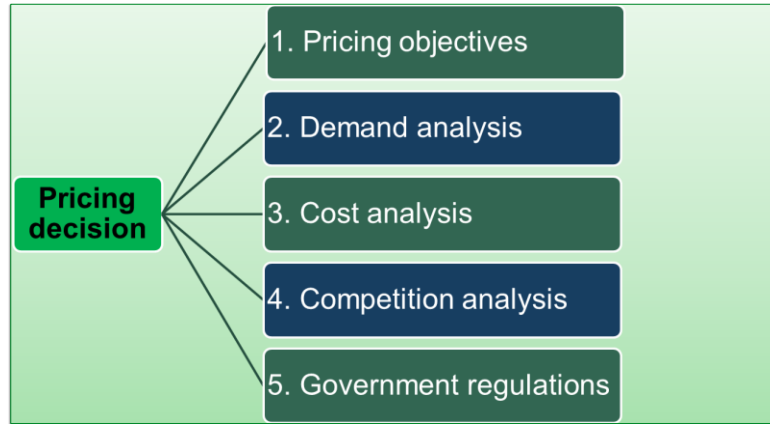
2. Factors influencing Pricing Decision



Source: Philip KOTLER, Gary AMSTRONG (2008), *Principle of Marketing*, 12th edition, Pearson Education International, Prentice Hall, p.267



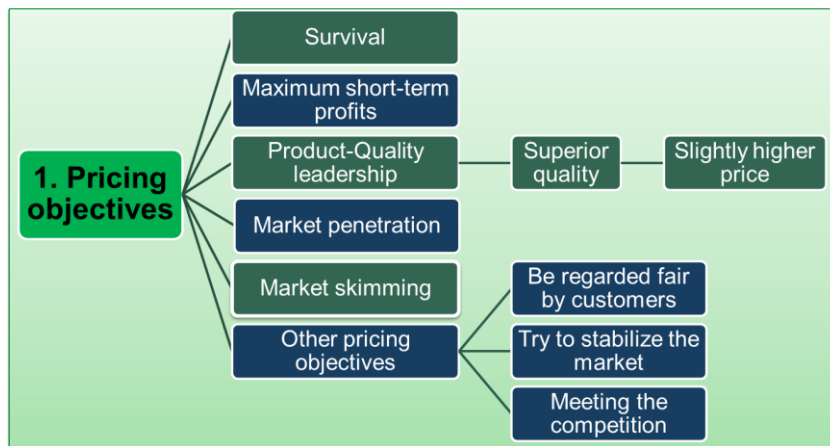
2. Factors influencing Pricing Decision



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p313.



2. Factors influencing Pricing Decision

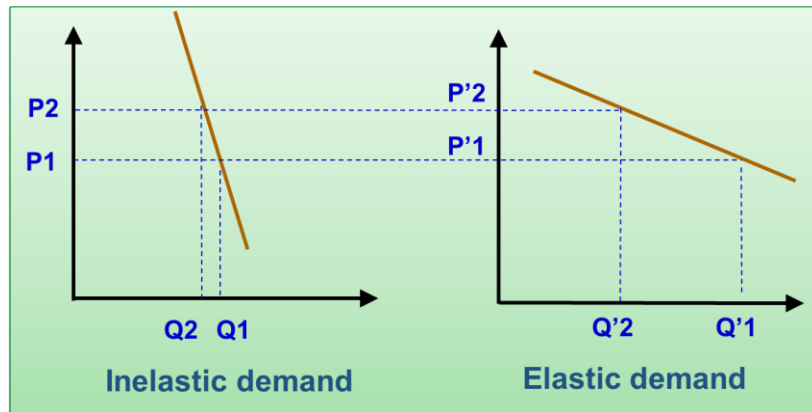


Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p314.



2. Factors influencing Pricing Decision

2. Demand analysis



2. Factors influencing Pricing Decision

$$\text{Price elasticity of demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

Example 1: If a manufacturer of steel sheets **increases** the price by 2% and the demand (quantity sold) **falls** by 5%, what is the price elasticity of demand in this case?

Example 2: If a machine tools manufacturer **decreases** the price by 10% and the demand (quantity sold) **rises** by 5%, what is the price elasticity of demand in this case?

2. Factors influencing Pricing Decision

02

❖ Conditions determining price elasticity of demand:

- There are few competitors.
- No availability of substitute products from other industries.
- The buyers think the higher prices are justified by normal inflation or change in government policies.
- The products are technically sophisticated, customized, or important for buyer's operation.



www.dinhkienminh.net



2. Factors influencing Pricing Decision

02

3. Cost analysis:

❖ An industrial marketer must understand:

- The total cost consist of the sum of the fixed costs and variable cost.
- The costs vary at different levels of production, and economies of scale can be planned.
- Accumulated experience helps in reduction of costs.
- The effect of break-even analysis on cost and sales volume.



www.dinhkienminh.net



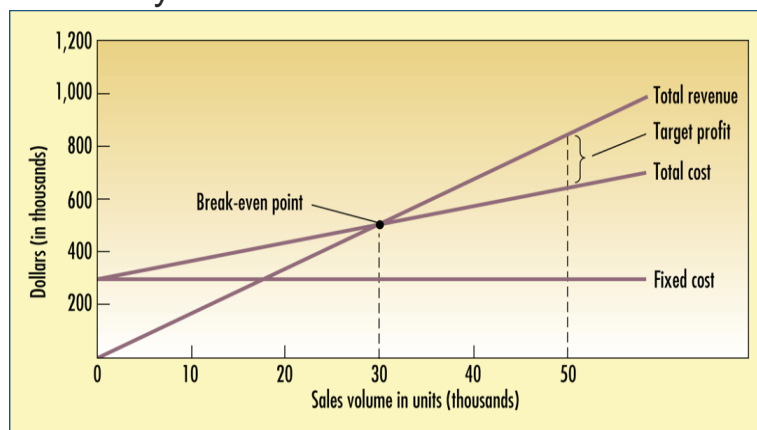
2. Factors influencing Pricing Decision

Cost Elements	Descriptions
Fixed costs	Costs that do not vary with production or sales. Examples are rent, interest charges, and managerial salaries.
Variable costs	Costs that vary (or fluctuate) in direct proportion to the levels of production. Examples are raw materials and direct labor costs.
Total costs	Sum of the fixed and variable costs for any given level of production
Semi-variable costs	Costs that vary (or fluctuate) with changes in output but not in direct proportion to quantities produced. Examples are equipment repair and maintenance costs. Semi-variable costs have components of both fixed and variable costs.
Direct costs	Fixed or variable costs that are incurred directly for a specific product or sales territory. Examples are selling expenses, freight, and raw material.
Indirect costs	Fixed or variable costs that can be traced indirectly to sales territory or a product. Examples are quality control that are indirectly assigned to a product.
Allocated costs (or General costs)	Costs that support a number of activities but cannot be objectively assigned to a specific product or a market. These costs are usually allocated across business groups or divisions by some arbitrary criterion (such as sales volume). Examples are administrative overhead and corporate advertising.



2. Factors influencing Pricing Decision

4. Break-even analysis

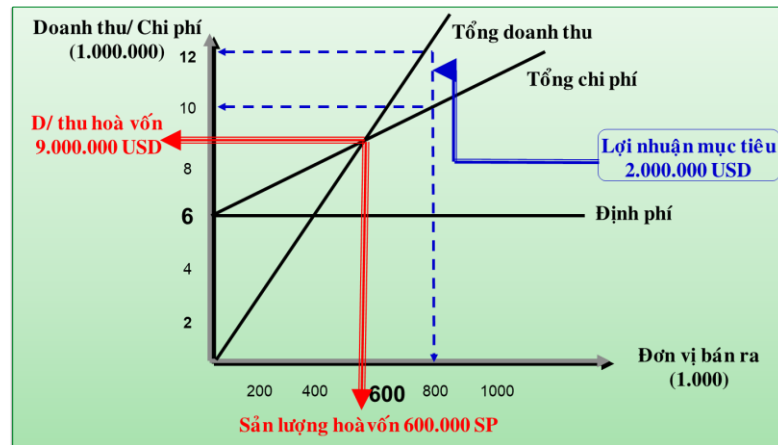


$$\text{Break - even volume} = \frac{\text{Fixed cost}}{(\text{Selling price} - \text{Variable cost})}$$



Bài tập

02



1. Hãy tính giá bán tại điểm hòa vốn trong trường hợp này?
2. Nếu muốn dịch chuyển điểm hòa vốn thì DN cần làm gì?



3. Pricing Methods and Strategies

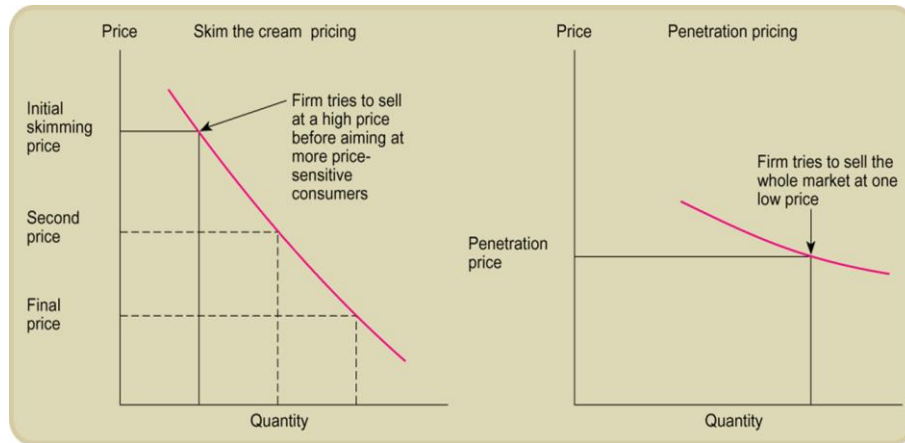
03

EXHIBIT 18-2 Example of a Markup Chain and Channel Pricing



3. Pricing Methods and Strategies

03



KẾT THÚC



ĐINH TIÊN MINH
"ĐƠN GIẢN LÀ KHÁC BIỆT"

www.dinhvienminh.net

