




# MARKETING INNOVATION

CHAPTER 6: INNOVATION IN PRICE STRATEGY

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1




## OBJECTIVES

- 1 Understand the definition of pricing and the factors affecting the pricing process.
- 2 Learn about 5 innovative pricing strategies for consumer goods brands.




2



# TABLE OF CONTENTS



- 1 Definition of Pricing
- 2 Factors to consider when pricing
- 3 5 innovative pricing strategies for consumer goods brands



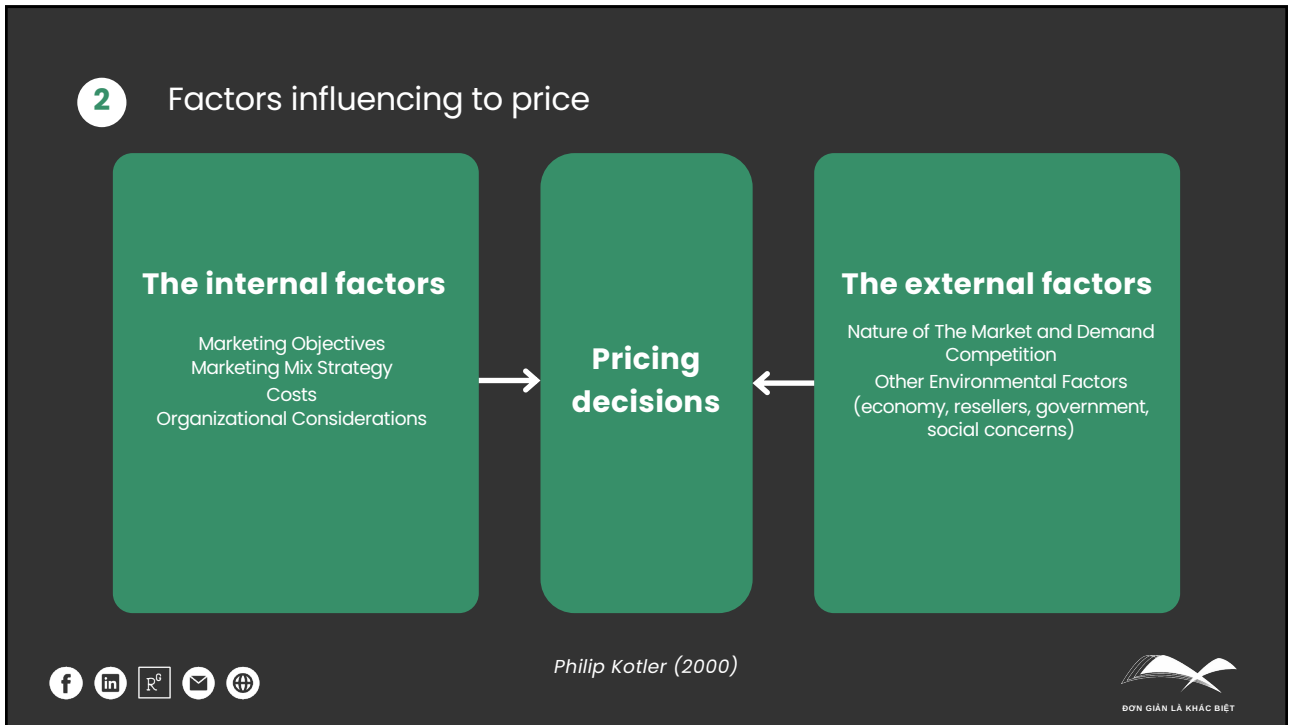
3

## 1 Definition of Pricing

- Price is **the amount of money charged for a product or a service.**
- More broadly, price is the sum of all the values that customers give up to gain the benefits of having or using a product or service.



4



5

# OUTCOMES-BASED SERVICES

**Michelin**

Some common success KPIs for manufacturing include:

- Delivery Time
- Cycle Time
- Throughput
- Overall Equipment Effectiveness
- Production Downtime vs Operating Time
- Net Operating Profit
- Unit Contribution Margin

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6

## SUBSCRIPTION MODEL



Dollar shave club

- Figure out if your business would benefit from offering subscriptions.
- Establish a goal for your subscription-based business.
- Choose a subscription pricing strategy.
- Improve the user experience to get more sign-ups.
- Create a seamless onboarding experience.
- Make the billing process simple and easy.



7

## PENETRATION PRICING



Comcast/Xfinity



Frito Lay's



8

## PENETRATION PRICING

**Pros:** Discount pricing strategies are effective for attracting a larger amount of foot traffic to your store and getting rid of out-of-season or old inventory.

**Cons:** If used too often, discount-based pricing could give you a reputation of being a bargain retailer and prevent consumers from purchasing your products at regular price. It also creates a negative psychological impact toward the consumer's perception of quality.



9

## DYNAMIC PRICING

# Uber

- **Pros:** Dynamic pricing strategies allow retailers and brands to price products and services at scale, automatically, using machine learning. They can customize prices to meet current market conditions, save time with automation, and maximize profits.
- **Cons:** It can be difficult to manage as a small business and is a costly process. Dynamic pricing makes more sense for large retailers with thousands of SKUs across its ecommerce and retail stores. When dynamic pricing results in frequent price changes, consumers may respond negatively, which can lower revenue.



10

# OPTIONAL PRODUCT PRICING



Nespresso



11



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# THE END



12