

Pricing

PRICING ASSUMPTIONS

■ COSTS:

$$\begin{array}{l}
 \boxed{} \times \boxed{} = \boxed{} \text{ LABOR COST PER UNIT} \\
 \text{LABOR HOURS PER UNIT} \quad \text{LABOR RATE PER HOUR} \\
 \boxed{} + \boxed{} = \boxed{} \text{ MATERIAL COST PER UNIT} \\
 \text{TOTAL PRODUCT COST PER UNIT (A)} \\
 \text{ANNUAL FIXED OPERATING EXPENSE} \div \boxed{} \text{ PROJECTED \# OF UNITS SOLD} = \boxed{} \text{ TOTAL OPERATING COST PER UNIT (B)} \\
 \text{BREAK-EVEN PRICE} = \$ \boxed{A+B}
 \end{array}$$

(retailers: put your average product cost here)

■ OBJECTIVES:

- To break-even
- To reach a desired profit or return on investment level of %
- To recover cash from product development
- To be a leader in product / service innovation

PRICE ADJUSTMENT:
UP OR DOWN

■ MARKETING MIX ISSUES:

- Product / Service Characteristics:
higher price / low volumes / higher production costs
lower price / higher volumes / lower production costs
- Promotion:
higher price / higher advertising / more personal selling
lower price / lower advertising / less personal selling
- Distribution:
price at which distributors, retailers, and other middlemen expect: \$

PRICE ADJUSTMENT:
UP OR DOWN

■ COMPETITIVE OBJECTIVE:

- To beat the competition's price of \$ discount pricing
- To match the competition's price of \$ status quo pricing
- To exceed the competition's price by \$ premium pricing

PRICE ADJUSTMENT:
UP OR DOWN

■ BUYER PERCEPTIONS:

- Product quality perceptions
- Perceptions relative to competing products / services
- Value perceptions (price / quality)
- Low price perceptions
- Prestige perceptions

PRICE ADJUSTMENT:
UP OR DOWN

■ FINAL PRICE: (check by doing a break-even)

$$\text{BREAK-EVEN UNITS} = \frac{\text{ANNUAL OPERATING EXPENSES } \$ \boxed{}}{\text{UNIT PRICE } \$ \boxed{} - \text{PRODUCT COST PER UNIT } \$ \boxed{}} = \boxed{} \text{ BREAK-EVEN UNITS PER YEAR}$$

Does this number of units sound reasonable?

FINAL PRICE \$