

# Pricing strategy analysis



I have previously worked out the prices of the products I am selling. I need to work out a pricing strategy. The cost plus pricing is fixing the price by adding a percentage profit margin to the cost of production. For example if you want to make a profit of 20% and you bought the item for £10 you will sell it for £12.

The advantage of cost plus pricing is that it gives you your profit margin but the disadvantage is that it doesn't take into account the variations in cost.

Another strategy is skimming. This is selling a product at a high price, sacrificing high sales in order to increase the profits. For example Nike sells their products at extremely high prices and sacrifices those people that can't afford the products. The advantage of skimming is guaranteed buyers from wealthy people at the beginning and normal people when the price is dropped. The disadvantage is that it isn't in the mass market so it may not make the expected profit.

A further pricing strategy is penetration pricing. This is setting the price for your product initially low to entice customers and then raise the price afterwards. The advantage of this is that by setting it at an initially low price it will promote the product. The disadvantage is that customers may decide not to buy the product now the price has been raised. Another pricing policy is competitive pricing.

This is when a firm sets its prices close to the competitors. Then the competition will be non-price related it would come down to the level of service. Price discrimination offers different prices for different people. For example when you fly often you will get certain discounts that others won't

have. Customer-led pricing is marking your product as “luxury” or “bargain” so customers will buy it.

Loss leader pricing sets prices at or below cost in order to enter a new market. An example of this is sky give dishes away for free so people will buy the pay channels. An advantage of this is that one product acquires an extra promotion and one disadvantage is that you will lose money on a certain product. I will use a different combination for each different product.

For renting out astro-turf pitches I will use competitive pricing. The reasons behind doing this is people will most likely want to play in their local area so I shouldn't lower the costs too much but if I put them too high people won't play their so I should check my competition prices. I will use the same combination for renting out the tennis courts and basketball courts as I did for the astro-turf pitches for the same reasoning. For the hiring out of footballs I will use skimming the market.

The reason behind this is that once the customers have hired out an astro-turf court they will want a football and would be prepared to spend any amount of money to do so. Since if they didn't bring a ball with them I can use this to my advantage to gain income. I will use the same strategy for both tennis balls and basketballs. For tennis rackets I will use cost plus pricing. I will buy in cheap rackets and rent them out for a price, which will give me a good percentage of the cost of the racket back.

For the rugby ball I will use competitive pricing. The reason behind this is that rugby isn't the most popular sport in England so if I keep my prices down people may decide to rent it out. For the skateboard use cost plus

pricing for a similar reason as the tennis racket. I will buy in cheap skateboards and rent them out for a price, which will give me a good percentage of the cost of the skateboard back. I will do the same for the rollerblades. For all the products sold in the bar it will be competitive pricing.

If I put my prices high then people will eat and drink elsewhere. I will need to keep to the same as my competitors. If I put my prices too low then customers may decide not to eat here because they would automatically assume that the food isn't of good quality. I will though have to put my prices a bit lower than my competitors since they are mainly specialised bars/restaurants whereas I'm not.