Markets decision strategy

Business

Domestic prizing decisions are determined by the cost of production, marketing the product, or service adding profit margin from the product. International prizing is affected by government constraints such as tax, import controls among others. It is also influenced by inflation, currency fluctuation, cost incurred intermediaries, and business cycle stage. All these factors make the international prices to rise above the domestic prices. In a new market, there are some strategies which are involved in the price determination.

They include the skimming which is first; charging the product highest price so as to ' skim the product' starting from the high point of the market. This has a danger on sales volume of not increasing at any given time. Therefore, this forces the producers to do calculations from what the customers are willing to pay. Market pricing takes place next, this uses the existing prices of similar product prices for compettion purposes. Penetrating pricing is the last strategy where, low prices are charged in order to penetrate the market.

In the real sense, when the volumes of a product increases in the market the prices will consequently go down. This is because the demand of the product is usually down. Decrease in demand will lead to decrease in price. In some instances where there is lowering cost per unit with accumulated production of the product, there may appear what is referred to as the curve prizing. In any market which may exist there appear to be different ways of payment, these include cash in advance whereby, payments are made before the goods are received. However most of importers dislike it, letter of credit which is written by a bank agreeing to pay money on behalf of somebody, consignment, and open credit.

There are different forms of export prizing, these include the following; commercial banks, export credit insurance, factoringg, bonding, leasing, and counter trading. Export credit insurance is useful because it has covers for political risks and it makes one not to be affected by the convertibility of currency. It also covers the risk of non-payment by the buyers. That is, the commercial risk associated with Pricing of any product depends on whether the product is produced externally, or internally. In the market, there may appear some documents which are against payment and acceptance.

Documents against payment are where the buyer must see the draft in order to convey title to merchandise. Document against acceptance is where credit is extended to the buyer given that buyers acceptance of the draft calling for payment within a specified time at a specific place. This knowledge should be applied in any transaction one is involved in. this may be either in boarders or outside boarders. This should be applicable either, when the one is selling, or when buying products.