Marketing mix: pricing strategies

Business, Marketing

The essence of the marketing mix is for managers to center decisions around the parameters of product, price, place and promotion (4Ps) in the context of internal and external environmental constraints to general value for consumers and generate the intended positive response for new products (Schewe & Hiam, 1998). This implies a number of important management considerations. One is the need to make decisions on the 4Ps within the context of real and changing market conditions. Another is the importance of customer focus.

Still another is targeting outcomes. Last is harmony or fit among the 4Ps. (Kotler & Armstrong, 2005) The marketingfailureof Segway is due to problems in the marketing mix, especially pricing. Product Concept The product concept of Segway is novel that even Steve Jobs of Apple Inc. commented that the product has the potential to change cities (Harmon, 2001). The product is functional for a wide range of urban settings such as in warehouses, airport cargo terminals, and postal service.

However, Segway lacked style because initial feedback described the product as a slimmed down scooter or a skateboard with handles (Reuters, 2001) that downgraded the initial innovative perception. Segway has its strong and weak points. Effectively marketing the product meant aligning the strong points with the targeted segment of the market, which gives high premium for the value contributed by the strong points. The problem is that the product targeted mass marketing (Harmon, 2001) but carried no uniform strong appeal to market segments.

While it is true that many people hate heavy traffic, not everybody would opt for a Segway, especially since it requires pavement and manual carrying when using stairs (Kawamoto, 2003) that inconvenience users. Thus, the actual product fell short of its publicity as a revolutionary motorized urban transportation. Pricing Methods The pricing strategy for Segway is premium or high-end pricing (Schewe & Hiam, 1998) because the $3, 000 price of the Segway was based on the innovativeness and uniqueness of the product.

This finds reflection in the publicity accounts of Segway, which carried the mysterious name ‘ IT’ before its launch, as a revolutionary gadget akin to the invention of the Internet (Reuters, 2001). This was a huge claim since the Internet really changed people’s lives. By building-up the Segway this way, the company hoped that people would be willing to pay a higher price for this product as much as people are willing to pay for Internet services and personal computers.

Other pricing considerations such as price flexibility anddiscrimination(Armstrong & Kotler, 2005), depending on different market segments and geographic location of consumers, appear not to receive any consideration. Apart from capitalizing on the unique value of Segway, which is the public perspective of the product prior to its actual release, it could also be that premium pricing may be meant to meet the cost involved in the development and production of Segway. However, this pricing method failed. The primary reason for the failure of Segway is the inconsistency between the idea of mass marketing and premium pricing.

These address different market segments and customer values. Mass marketing requires a product commonly needed by consumers and saleable at an affordable price (Armstrong & Kotler, 2005) while premium pricing pertains to high premium items that fetch a high price (Schewe & Hiam,

1998) such as luxury cars for high-income customers. An executive of another company criticized the hefty price as $2, 000 too high. Due to the price, only 6, 000 units of Segway sold mostly to government agencies, which is less than the 50, 000 to 100, 000 units targeted during its launch.