

Pricing objectives and strategies of pixar animated studios

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Pricing Objectives and Strategies of Pixar Animated Studios

Introduction

Before discussing the pricing of the product, it is very important that we must first understand the nature and description of the product and how it is being placed into distribution channels for onward sales to the target customers.

Pixar animated studios are a computer animated studio with the technical, creative production capabilities to produce animated feature films. The studio present animated feature films in cinemas all around the world through its various distributors. The pricing of this kind of product is quite peculiar and demands creativity and innovation while setting the pricing strategies for these kinds of products.

Pricing Objectives

One of the most important considerations while setting the price objectives is the fact that how much prices setting objectives corresponds to the overall strategy of the firm. Further to this, the pricing objectives are selected with business and financial goals in the mind. Error: Reference source not found.

The possible pricing objectives to be set can be:

- 1) To Maximize sales volume
- 2) To Maximize profits
- 3) Status quo

Considering Pixar in mind, since in entertainment industry prices vary according to the film theaters therefore there is a very little bargaining power left to the producers to bargain. A closer look at the situation would suggest that the pricing within the entertainment industry largely depend upon the

quality of the content. If films are being liked by the audience than any pricing objective can be set to achieve. It can be either to maximize sales volume, profits or to keep the status quo. If content is not liked by the audience than any pricing objective and subsequent pricing strategies may not work for the Pixar.

Pricing Flexibility

As discussed above that the pricing strategy within the entertainment industry does not have preferential rights to set the prices and they are largely being standardized within the industry therefore any pricing flexibility may not be working directly for the Pixar. However, within Channel distribution, the negotiable pricing may seem to the right idea for Pixar to work. Since pricing flexibility within channel distribution will provide them a necessary room to gain more room on the theater for prolong and special screening of the films at special prices for the different classes of the customers. Since Pixar is the producer of animated films which are supposed to be more popular within children therefore a targeted pricing flexibility against specially arranged screenings may allow it to generate more audience hence more revenue.

Pricing strategies over the product life cycle

Product life cycle essentially outlines that a product necessarily progresses through various stages from introduction to growth to maturity and finally decline. This sequence of the stages is known as Product life cycle. Error: Reference source not found. Pricing strategies during the product life cycle vary according to the stages of the product. During introduction of the product or service, the prices may be lower to recover the cost or market

penetration. Pricing strategies during growth phase is maintained as the firm enjoys increasing demand with little competition whereas pricing during the maturity stage may be lower as the new competition enter into the market whereas at the decline stage pricing may be altogether different phenomenon as the firm may decide to withdraw the product.

Within the Pixar perspective, since the product life cycle of the films can be vary from just 1 day to even a year or more therefore pricing strategies over the life cycle of the product may vary. In the introductory phase of the product launch, as discussed above, Pixar can arrange special shows at low prices to attract the more audience. Since product life cycle may be short, therefore market penetration or product life cycle pricing may not be perfectly working for Pixar.

Factors effecting the Pricing

There are various factors which affect the pricing of the product. These factors can include substitutes, economic considerations etc. the presence of substitutes is one of the greatest challenge to maintain a price level.

However the availability of substitutes depends upon the readiness of the competition therefore substitutes can only affect the pricing if there are strong competitors in the market. Producing same contents within a particular geographical location can produce cannibalization impact on the products as the substitutes may take away sales from the Pixar however in order to neutralize the impact of the substitutes what is required is to go for high quality contents which are according to the market requirements and carry the message targeted to the target audience of the films.

Use of Psychological Pricing

Psychological pricing is used where the marketers want to cash on some emotional theme rather than being rational in pricing setting. There can be various types of psychological pricing. These can be:

- 1) Bait Pricing
- 2) Lead Pricing
- 3) Prestige Pricing

Bait pricing is setting the very low prices to attract the customers and once the customers are at the selling point, more expensive brands and products are tried to be sold to them. Prestige pricing is the technique used to set high prices as the marketers may fear that reducing the price may decrease the sales. This kind of pricing technique is adapted for the premium brands like Branded Perfumes, Designer clothes etc as if they were to be sold without premium pricing, and the same may result into the reduction of the sales. When a prestige is attached to any product, the high price of the product itself becomes a motivation to buy that product.

In case of Pixar, Bait pricing may be working as initially setting and advertising special screening prices may help Pixar to attract the customer base and then slowly once the popularity of the feature film is judged, then the prices can be increased to accommodate the bait pricing. However bait pricing can be negative too if not exercised with care as subsequent increases in the pricing can result in substantial amount of negative publicity for the Pixar.

Product line pricing factors

Organizations also launch different variables or product lines of the already launched products based on the earlier success of the product. This is done

in order to gain advantage of the earlier successes. With the entertainment industry, the product lines may be the subsequent parts of the feature films just like of the Lord of the Rings movie fame in which three movies were made to completely tell the story however the pricing offered for each part of the whole series may be different. Therefore in entertainment industry, product line factors greatly depend upon the earlier successes of the films of the same theme and if earlier movies are success than the subsequent pricing can be set higher than the standards. However in order to combat the cannibalization impact of the same, Pixar can position its products with respect to the launching time of the feature films. By launching the feature films with substantial time gap, cannibalization impacts can be reduced to a great extent.

Works Cited

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