

# Importance of pricing essay

[Business](#), [Marketing](#)



When marketers talk about what they do as part of their responsibilities for marketing products, the tasks associated with setting price are often not at the top of the list. Marketers are much more likely to discuss their activities related to promotion, product development, market research and other tasks that are viewed as the more interesting and exciting parts of the job. Yet pricing decisions can have important consequences for the marketing organization and the attention given by the marketer to pricing is just as important as the attention given to more recognizable marketing activities.

Some reasons pricing is important include:

- Most Flexible Marketing Mix Variable – For marketers price is the most adjustable of all marketing decisions. Unlike product and distribution decisions, which can take months or years to change, or some forms of promotion which can be time consuming to alter (e. g. , television advertisement), price can be changed very rapidly. The flexibility of pricing decisions is particularly important in times when the marketer seeks to quickly stimulate demand or respond to competitor price actions. For instance, a marketer can agree to a field salesperson’s request to lower price for a potential prospect during a phone conversation.

Likewise a marketer in charge of online operations can raise prices on hot selling products with the click of a few website buttons.

- Setting the Right Price – Pricing decisions made hastily without sufficient research, analysis, and strategic evaluation can lead to the marketing organization losing revenue. Prices set too low may mean the company is missing out on additional profits that could be earned if the target market is willing to spend more to acquire the product. Additionally, attempts to raise an initially low

priced product to a higher price may be met by customer resistance as they may feel the marketer is attempting to take advantage of their customers. Prices set too high can also impact revenue as it prevents interested customers from purchasing the product. Setting the right price level often takes considerable market knowledge and, especially with new products, testing of different pricing options.

- Trigger of First Impressions – Often times customers' perception of a product is formed as soon as they learn the price, such as when a product is first seen when walking down the aisle of a store. While the final decision to make a purchase may be based on the value offered by the entire marketing offering (i. e.

, entire product), it is possible the customer will not evaluate a marketer's product at all based on price alone. It is important for marketers to know if customers are more likely to dismiss a product when all they know is its price. If so, pricing may become the most important of all marketing decisions if it can be shown that customers are avoiding learning more about the product because of the price. Important Part of Sales Promotion – Many times price adjustments are part of sales promotions that lower price for a short term to stimulate interest in the product. However, as we noted in our discussion of promotional pricing in the Sales Promotion tutorial, marketers must guard against the temptation to adjust prices too frequently since continually increasing and decreasing price can lead customers to be conditioned to anticipate price reductions and, consequently, withhold purchase until the price reduction occurs again