

Pricing analysis 1 pham

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



April 20, Price can be used as an effective marketing management tool, if the increase or decrease in price can result to greater sales. For instance, in Hanabo's case, it can only justify its 5% price reduction if it can result to 12.5% more sales or 500 more units. Sales, however, is not only dependent on price changes, but also on elasticity of demand. If product demand is inelastic, reduction in prices cannot assure a 12.5% increase in sales. Nevertheless, if demand is elastic, it is likely that the 500 increase in unit sales can be attained. Furthermore, Hanabo should also consider other factors, such as customer's desire to buy more when prices are low, favorable perceptions of the benefits of the products, competitors' brands are less favorable than existing brand, there are few good substitutes, and substitutes have lower prices. Thus, Hanabo should also consider the pricing and branding equity of competitors' brands and substitutes before it implements the price reduction. If there is not enough evidence that the price reduction can result to higher demand that can equal or be greater than 500 more units, then this effort will be fruitless and it will not effectively improve marketing performance.