Example of essay on cowgirl chocolates marketing management

Business, Marketing

- The relative merits of using a Cost based, demand based or competition based pricing method for the case of Cowgirl chocolate products.

Cost-based pricing shows a variety of gross profit and product cost and most businesses use this method when pricing products. Examples of cost-based pricing include cost push pricing, mark up prices and planned profit pricing. It is easy to calculate pricing using this approach and allows an analysis of how different prices affect output needed. Everything in the business can be quantified into a cost, and cost-based pricing structure requires entrepreneurs first determine the costly expenses of production (Griffin, 2006). For the case of Cowgirl Chocolates, there are certain expenses regarding production that can be decreased for effective cost based pricing. These include packaging, raw materials used, and advertising expenses. Arguably, Cowgirl Chocolate can engage less costing suppliers of raw materials in order to minimize on the cost of inputs. When using cheap raw materials to package, creativity and presentably of packets should be maintained. The company should increase advertising through a business website which would be much cheaper than the current magazine based marketing. A business website can be linked with search engines and social media sites. These can reach more customers than would be accessed through magazine based advertising.

Competition-based pricing rate price compared to those of competitors and with a target to increase customer base. Competitors cost and prices affect pricing decisions rather than the pricing formula. This approach, according to Maguire and Rouse (2006) is advantageous as it focuses on the industry and its rivals. This pricing strategy assumes that the product image and business position are similar to those of the competition. To understand the competition, Cowgirl chocolate needs to differentiate its products to those of competitors. This aims at identifying other products in the market and determines if the company product holds an edge. Cowgirl chocolate can then decides whether its product prices can be reduced reasonably and still achieve benefit from the competition. While deciding on price, both the advantage and disadvantage of the produced goods should be considered. Competition mainly comes from industries producing sweet chocolates. However, it may still hold an advantage considering cowgirl chocolates taste better and have better packaging. If it decides to lower prices, a price 5% below the market leader can be set.

Demand-based pricing associated with high category margin bases pricing on the consumer of the products and the value they see on a good (Maguire & Rouse, 2011). When a product's demand increases, prices of the product can also be safely increased, but when demand is low, it is hard to determine when to increase prices safely. This style suits retailers with a target of increasing profit so advantageous for Cowgirl chocolate. This company aims at promoting spicy chocolates, but different people hold different taste preferences. Customers will not buy products whose value outweighs expected benefits. Thus, Cowgirl chocolate should establish different products in order to cater for everyone’s taste. An alternative product will meet demand from customers who do not like spicy chocolates and increase market share (Griffins, 2006). Alternative products could include sweet chocolates attracting a different price compared to the spicy chocolate. This approach holds the advantage as Cowgirl chocolate will access the two alternatives and make an informed decision on which product to prioritize on based on the levels of demand and returns. This pricing approach help cowgirl chocolate evaluates pricing structure and come up with appropriate pricing decisions.

2. What are four options that Cowgirl Chocolates may consider as far as pricing? What would you recommend?

Cowgirl chocolate pricing options include; promotions, new product, differential and utilization of psychological pricing (Kapoor et. al, 2008). Although Cowgirl chocolate aims at promoting spicy chocolates, it should consider other products for customers who do not like spicy flavors. An appropriate policy according to Kapoor (2008) in case a new product gets introduced would be to use penetrating prices or utilization of skimming. Penetration pricing involves price position when a product is penetrating the market. This strategy involves temporal reduction of prices in order to attract customers and increase competitiveness. Penetration pricing draws the attention of consumers to a product so creates awareness.

Differential pricing involves price negotiations, discounting and secondary market pricing (Kapoor et. al, 2008). Discounts could be offered to marketing intermediaries, customers who purchase in large quantities and for immediate payments. Seasonal discounts can be offered to customers who purchase off-season. Trade-in and promotional allowances also help to achieve a desired goal. Promotional pricing involves price leader pricing, comparison discounting and unique event pricing. Price leaders pricing involves offering exceptional low price on few goods in order to attract customers. Unique event option initiates price cuts for holidays and festive seasons. Comparison discounting sets a price for comparison with a higher past or competing price.

Arguably, product-line pricing involves the establishment and improvement of prices of many goods within a product line (Kapoor et. al, 2008). According to Kapoor, Price lining, pricing on premium and setting captive prices categorizes product-line strategy of pricing. Price lining sets limited prices for selected groups of commodities while premium pricing gives the highest price for the highest quality product. Captive pricing sets low prices for key products and higher prices for items required for operation. Kapoor (2008) further states that psychological pricing strategies include bundle pricing, odd number pricing, reference pricing, multiple unit pricing and customary pricing. Packaging of slow-moving things with high-moving things can stimulate sales and increase revenues.

Conclusively I would recommend psychological price setting option where prices can be set of odd numbers and in multiple units. To stimulate sales and increase revenues, Cowgirl chocolate can package complimentary product such as chocolate and coffee and should also consider elimination of short term price reductions.

References

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