

# Marketing strategies critical thinking examples

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



## **Business to business marketing discussion**

With the current stiff competition in the business arena, firms use different marketing strategies to outdo their arch rivalries and increase their profit margin. Firms that adapt effective marketing strategies expand their market niche, reduce their operation costs, and enhance their efficiency echelons; an idea that promote fair competition. For many years, firms have employed penetration-pricing strategy and value pricing models, which increases the sales volume, profit margin, and expansion of market share. Penetration pricing strategy remains effective under certain market situations and for considerably short period. However, misuse of this strategy create unpredictable environment that hinder new firms to enter in the market sector and lower investment opportunities. Penetration pricing strategy entails “kamikaze” and value pricing model, but both strategies have their unique characteristics; thus raising the question on the effectiveness of each model in this scenario.

In this scenario, supplier A employ “Kamikaze” strategy while Supplier B relay on value pricing strategy. Kamikaze is an extreme pricing strategy that occurs when marketers lower their prices in anticipation of increasing their sales volume and profit margin (Anderson, Narus, & Narayandas, 2008).

Although this strategy increases the sale volume, but it reduces the profit margin because firms experience high operation costs. Under kamikaze pricing strategy, the cost per unit decrease with increase in sale volume because marketers hold the view that linear relationship exists between cost per unit and sales volume. Initially, reduction per cost decreases and saving per unit cost increase with increment in sales volume respectively. Saving

per unit cost decline with increases in sales volume, an idea that disrupt cost-saving curve and lower firm's profit margin (Anderson, Narus, & Narayandas, 2008).

Additionally, kamikaze pricing strategy operates effectively in growing market where low prices expand the market niche and not in mature market where low prices compel consumers to change their supplier (Nagle, 2005). This implies that supplier A will record lower profits because fiber optic cable remains a mature market domain where lowering of prices has insignificant impact on the profit margin.

Value pricing models enable marketers to compete effectively by adding value to their products and services. It is the most preferable marketing strategy because it enables marketers creates consumer loyalty and trust that lowers operation costs, and increase profit margin. For instance, supplier B can win consumer loyalty by introducing new packaging style that satisfies the needs of the consumer and increases the profit margin. In this case, the supplier may charge relatively higher prices, but the consumers will be willing to pay because of existing loyalty and trust. Value pricing enables marketers use their competitive advantage to win over their competitors and counteract impacts of "kamikaze" pricing. For instance, supplier B can increase profit by offering after sale services such as transport and maintenance cost. The value of introducing these aspects will compel supplier A incur relatively higher operation cost thus limiting the former from lowering the price less than price offered by supplier B.

Therefore, value pricing remains the most suitable marketing strategy

because it enables marketers create consumer loyalty and trust, counteract impacts accruing from kamikaze pricing, and expand market niche.

## **References**

Anderson, J., Narus, J., & Narayandas, D. (2008). *Business Market Management: Understanding, Creating, and Delivering Value* 3rd edition, Pearson. New York: Prentice Hall.

Nagle, T. (2005). *Kamikaze Pricing*. London: Prentice Hall.