Widmer brothers brewing – pricing

Today, companies carefully manage value to gain competitive advantage. These efforts focus on both actual and perceived value of a product.

The example of Widmer Brothers Brewing shows that pricing should be carefully determined in order to concentrate on internal company operations and efforts directed toward customers. Price is one of four P's which has a great impact on the target market and dictated by this target market. Price DefinedAccording to Crawford (2003) prices are the terms of exchange among goods and services, and price policy is a central element in the marketing program of any company. Under competitive conditions, prices are determined primarily by costs.

Researchers explain that prices may vary as part of the marketing policy of a company and costs may vary correspondingly (Crawford 2003). The relationship between a company's prices and the costs and prices of its competitors is an important element of marketing strategy. Usually, customers purchase many different products and services, and rarely familiarize themselves with all the details of each item's design, production and delivery. Instead, their value judgments about the product are influenced by an analysis of basic product benefits including weight, size or taste. These judgments can also be significantly affected by packaging, advertising, sales and service personnel, the sales environment, brand names, price promotions, price reductions and a variety of other factors under management's control (Crawford, 2003).

Pricing Strategy employed by Widmer Brothers Brewing Widmer Brothers Brewing follows pricing strategy which allows the company to remain competitive and deliver high quality products to its customers. The decision on price level is based on competition, economic situation in the region, inflation rates and customer segments. The company uses demand-based pricing which helps it to compete with its direct competitors, like Budweiser. In general, the company's pricing takes account of potential cost and demand.

Widmer Brothers Brewing adopts price lines that indicate differences among the products and divide the potential customers into market segments. Conversely, Widmer Brothers Brewing offers low prices on some of its products (brands) to attract customers who will purchase other items as well (Carroll, Swaminathan. 2000; Crawford, 2003). In contrast, its direct competitor, Budweiser, follows variable-price strategy which is closely related to the strategy of " market basket pricing" (Crawford, 2003). The example of Budweiser shows that the best combination of prices for products may remain unchanged from one period to the next (Milici 2000).

Further, effective use of a variable- price strategy is not limited to situations in which the individual customer purchases different products. According to Crawford (2003), the periodic use of " sale" promotions attracts to the firm the attention of various buyers, including those who purchase only the special- price products and those who purchase none of it. The second competitor, Redhook, (and Widmer Brewing's partner now) used skimming strategy to attract potential buyers. Shipman, President and Chief Executive Officer of Redhook reports: " We continue to execute our pricing strategy involving a reduction in discounting and price promotion at the expense of volume in the west compared to prior periods" (Redhook Reports Sales, 2005). These pricing strategies show that companies must not simply copy each other's price and product strategies but be differentiated in this respect.

Researchers underline that pricing indicate that competing companies do not advertise the same items or the same prices at the same time, and also that the prices of heavily advertised products do not stabilize at a single level for all firms over time (Chaloupka 2003). In contrast to Widmer Brothers Brewing, Budweiser and Redhook (its former competitor) (Redhook Ale Widmer Brothers, 2007) hoped to attain greater sales and profits by selling a combination of special product propositions to each customer. Budweiser seeks to take advantage of both individual product demand conditions and inter-product (based on different brands) demand relationships in order to obtain high profits. In practice, this means that Budweiser selects individual brands whose prices are well known, or brands to which customers are known to be price-sensitive, and to feature them at low prices both in advertising and within the store (KLCC Beer Fest Brewing 2005; Fill 1999).