Fixed pricing policy

Business

Fixed Pricing Policy

The knowledge of pricing policy to apply is very essential not only to the firms who are the producers of various goods and services but also to the consumers in many ways. More often than not, after establishing the basis for company prices, managers always develop pricing strategies by looking at the pricing goals that the company strives. These may be such as pricing increasing long-term or short-term profits, increasing cash flow, stabilizing prices and in some cases warding off competition. After taking into account the existing market conditions, companies may consider fixed price policies. These may include menu based pricing, activity based pricing and cost per drop. Most specifically the various fixed pricing strategies are based on the customer's demand and market expectations (Özer & Phillips, 2012).

Consumers tend to experience two roots of value for a product. One is acquisition utility, and the other is transaction utility, these are what forms part of the consequences should a fixed pricing policy apply. Acquisition utility implies utility of obtaining a given product while on the other hand transaction utility implies the difference between the featured price and a subject's reference price. Through fixed pricing policy, consumers are able to decide for the time they will pay for better service provided and when it would be logical to order to reduce impulse buying (Nagle, 2011).

References

Nagle, T. T., Hogan, J. E., & Zale, J. (2011). The strategy and tactics of pricing: A guide to growing more profitably. Boston: Prentice Hall.

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