MARKETING MIX IN SERVICES
PRICE

MARKETING OF SERVICES

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Pricing

- Factor that has received much less attention in service firms.
- Pricing decisions approached in a not-very-sophisticated manner.
- The use of price as a purposive marketing tool has been limited to a few marketers.

THE MOST COMMON MISTAKES

- The most common mistakes are these:
  - pricing is too cost-oriented;
  - price is not revised often enough;
  - price is set independent of the rest of marketing mix,
  - price is not varied enough.

The terminology

- Price in services goes by different names.
- The services are diverse.
- The extent of their diversity can be gauged by the names.

Price Terminology for Selected Services

SERVICE	TERMINOLOGY
Advertising	Commission
Brokerage service	Commission
Consultancy	Fee
Employee services	Salary
Education	Tuition fee
Financial services	Interest/charge/commission
Guest speaker	Honorarium
Health care	Fee
Insurance	Premium
Legal service	Fee
Property/Accommodation	Rent
Road use	Toll
Recreational service	Ticket charge/money, Admission charge
Share/Stock service	Brokerage/Commission
Transport	Fare
Utilities	Tariff

PRICING

- Direct bearing on sales and profits of an organization.
- Price cannot be determined in isolation.
- Pricing arithmetic is not simple.

PRICING

- There are number of factors that influence the pricing decisions of a firm.

- Pricing methods and practices tend to vary widely in service industries.

PRICING

- This service character does not allow standardization of pricing across various service categories.

- Tend to consider their pricing in a variety of ways.

PRICING

- The one characteristic which has great impact is their perishability.

- Another characteristic is the high content of the intangible component.

PRICING

- In general, the more unique a service is, the greater the freedom to fix the price at any level.

- The prices are subject to regulations, either by the government or by trade associations in order to avoid undercutting and maintain quality standards.

Methods of price determination

- The two methods:
    - cost-based pricing – basis of the cost incurred by the most efficient unit.
    - market-oriented pricing – a result of the competition or customer-oriented.

DIFFERENTIAL OR FLEXIBLE PRICING

- To reduce the 'perishability' characteristic of services.
- Implies changing different prices according to:
  - customer's ability to pay differentials,
  - price time differentials,
  - place differential used in rent of property.

Discount Pricing

- The practice of offering a commission or discount.
- Promotional device to encourage use during low-demand time slots.

Diversionary Pricing

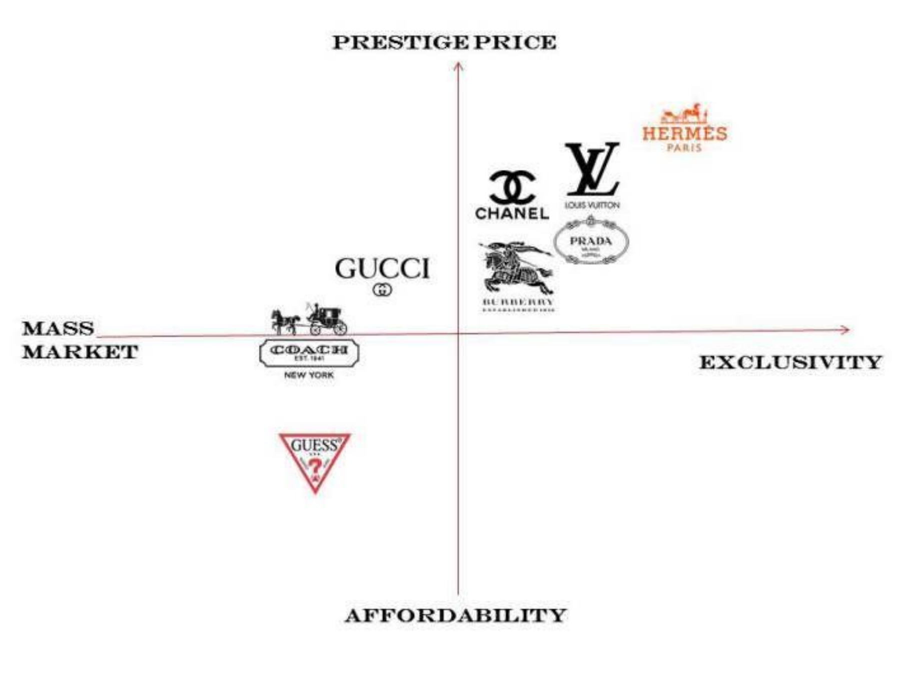
- Low price which is quoted for a basic service to attract customers, who may be tempted to buy an additional product.

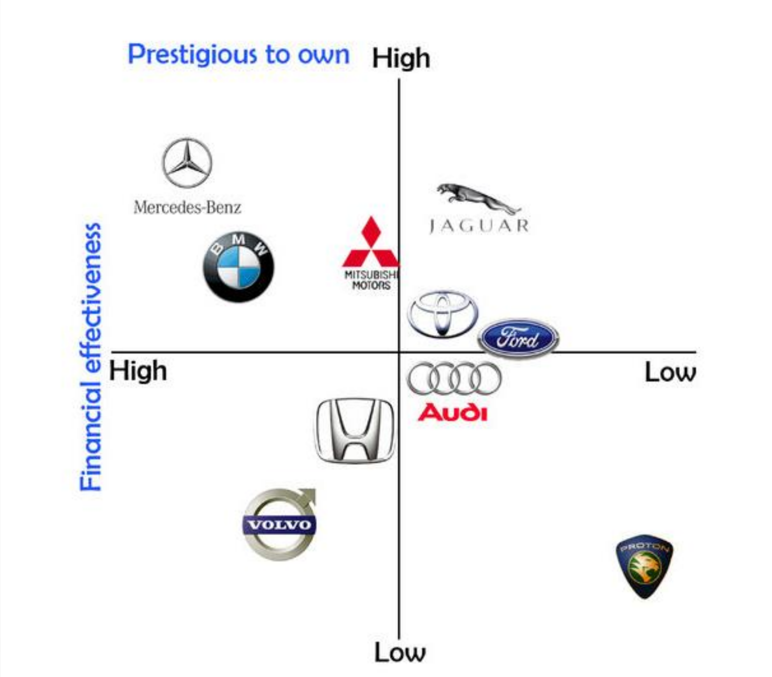
Guaranteed Pricing

- Payment is to be made only after the results are achieved.

HIGH PRICE MAINTENANCE PRICING

- The high price is associated with the quality of the service.





INTRODUCTORY PRICING

- Low price is charged in the hope of getting more business.

OFFSET PRICING

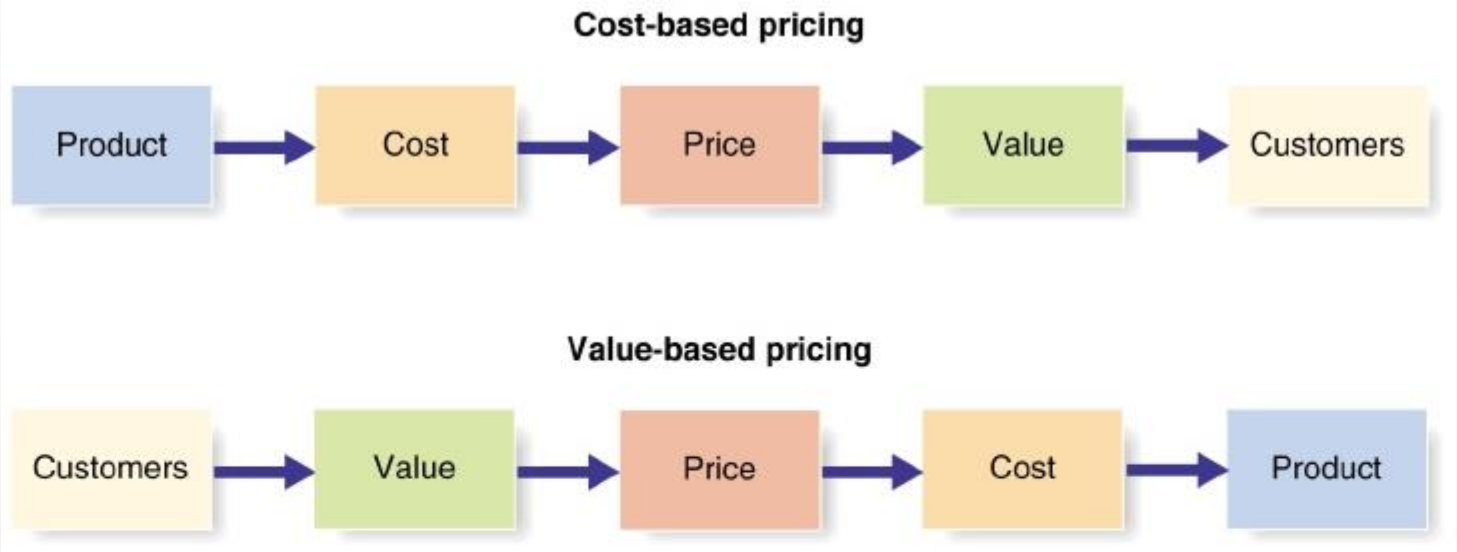
- Basic low price is quoted but the extra services are rather highly priced.

Competitive parity pricing

- Prices are set on the basis of following those set by the market leader.

VALUE BASED PRICING

- Prices are based on the service's perceived value to a given customer segment.



Relationship Pricing

- Prices are based on considerations of future potential profit streams over the lifetime of customers.

PRICING PROCESS

1. Pricing objectives.
2. Determining demand.
3. Estimating costs.
4. Analyzing competitors' costs, prices and offers.
5. Selecting a pricing method.
6. Selecting final price.

PRICING OBJECTIVES

What is the organization trying to achieve?

- FINANCIAL OBJECTIVES
  - Return on investment
  - Profit optimization
  - Generating cash flow

- MARKETING OBJECTIVES
  - Survival
  - Maximum market share
  - Maximum market skimming
  - Product-quality leadership

Determining demand

- All pricing decisions are, in the end, dependent on the level of market demand.

ESTIMATING COSTS

- Full cost pricing: calculates all costs together, fixed costs and variable costs per unit, and adds a margin.

- Direct cost pricing: sometimes called marginal cost pricing. It includes the calculation of only those costs that are likely to rise as output increases.

Analyzing competitors' costs, prices and offers

- Within the range of possible prices determined by market demand and company costs, the firm must take competitor's costs, prices, and possible price reactions into account.

SELECTING A PRICING METHOD

- Given the customers demand schedule, the cost function, and competitors' prices, the company is now ready to select a price.

Selecting final price

- Pricing methods narrow the range from which the company must select its final price.

THANK YOU FOR YOUR ATTENTION☺