

10.9: Key Terms

artificial time constraints | pricing strategy that creates a sense of urgency in buyers' minds

break-even pricing | pricing strategy in which marketers choose a price that will cover all the costs of manufacturing

bundle pricing | pricing strategy that promotes purchasing multiple items at once; used to prod customers to purchase (and spend) more than they may have otherwise

competition-based objective | product pricing based on the prices of a company's competitors

consumer confidence | an economic indicator that measures the degree of optimism that consumers have regarding the overall state of the country's economy and their own financial situations

cost-based objective | product pricing based on the costs of doing business

cross-elasticity of demand | the change in price of one good or service as a similar good or service's price changes

customer value-based objective | product pricing based on a company's understanding of the value-added benefits of a product

customer-driven objective | product pricing based on what a customer is willing to pay for a product or service

deceptive price advertising | an unethical pricing practice in which the advertised price of a product is misleading to consumers

demand | a buyer's ability and willingness to purchase a specific product or service

demand curve | a graph that illustrates the relationship between demand and price

demand elasticity | measure of the change in the quantity demanded in relation to the change in its price

discretionary income | a household's money that is left over after all taxes and necessities are paid

economy pricing | setting a price much lower than competitors to sell high volumes of a product

fixed costs | costs of doing business that do not change based on number of units produced

income effect | the perception buyers have of how price changes will affect their income

inflation | an economic measure of the rate of rising prices of goods and services in an economy

market share-oriented objective | setting prices at, below, or above competitors in an effort to increase market share

monopoly gouging | when a seller increases the prices of goods and services that are not considered fair or competitive

odd-even pricing | psychological pricing strategy that uses prices that end with odd or even numbers to attract customers

penetration pricing | new product or service strategy that sets the lowest price possible in order to reach the majority of the market in the introduction stage

predatory pricing | when a company prices goods or services so low that other companies cannot compete

prestige pricing | a strategy marketers use to set high prices knowing that demand will increase with higher prices because the higher price increases the perceived value of the product

price | the exchange of something of value between a buyer and seller

price anchoring | a frame of reference for a buyer to set an expectation of a price

price appearance | the way in which a customer perceives a price based on how it is visually represented

price discrimination | selling goods and services at different prices to different customers

price fixing | two or more companies agreeing to set certain prices in the market

price gouging | when companies take advantage of a situation, typically an emergency or natural disaster, and charge exceptionally high prices for products or services

price skimming | pricing strategy in which a company initially sets a high price for a product or service and lowers it over time as new segments of the market are reached

product line pricing | setting a higher price for some product lines and lower price points for others in order to capture various target markets

profit | the financial gain of a company

sales-oriented objective | setting prices based on the goal of increasing the volume of sales

substitutes | products and services that are similar to the one being offered

target return objective | setting prices so they return a specific profit during a given period of time

total costs | total expenses of doing business

total revenue | the money generated from normal business operations

unemployment rate | measure of the number of people not employed in an economy during a given period of time

variable costs | costs that vary based on the number of units produced

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