

10.8: Chapter Summary

In this chapter, we explored the process of setting pricing for products and services and the importance of pricing to the profitability of a business. We defined fixed and variable costs and how they factor into the break-even equation in initial pricing decisions. Commonly used pricing objectives were defined as cost based, sales oriented, market share, and target return. These objectives are used to set a clear pricing strategy for both products and services.

The new-product pricing strategies of price skimming and penetration pricing were defined, explaining common practices used based on the product type and placement in the market. The psychology of pricing based on consumer buying habits was identified and defined. Techniques include odd-even pricing, prestige pricing, and artificial time constraints.

The final concept we covered was ethics in pricing and how the consumer can identify unethical and/or illegal pricing practices. Price fixing, deceptive/illegal pricing in advertising, price discrimination, and monopoly/price gouging were discussed as practices that are used in an effort to increase profits.

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