

CHAPTER 14

Pricing Product

Sections

14.1 Pricing Strategies

14.2 Governmental Influence on Pricing

Reading Prep



College
and Career
Readiness

Before reading this chapter, go to the end of the chapter and read the summary. The chapter summary highlights important information that was presented in the chapter. Did this help you prepare to understand the content?

Check Your Marketing IQ

Before you begin the chapter, see what you already know about marketing by taking the chapter pretest. The pretest is available at www.g-wlearning.com/marketing/.

DECA Emerging Leaders

Food Marketing Series Event, Part 2

Career Cluster: Marketing

Career Pathway: Marketing Management

Instructional Area: Pricing

Procedure, Part 2

1. In Chapter 13, you studied the performance indicators for this event.
2. The event will be presented to you through your reading of these instructions, including the Performance Indicators and Event Situation. You will have up to ten minutes to review this information to determine how you will handle the role-play situation and demonstrate the performance indicators of this event. During the preparation period, you may make notes to use during the role-play situation.
3. You will have up to ten minutes to role-play your situation with a judge. You may have more than one judge.
4. You will be evaluated on how well you meet the performance indicators of this event.
5. Turn in all your notes and event materials when you have completed the role-play.

Event Situation

You are to assume the position of owner/manager of a small gourmet food shop, The Brown Bag. One of your **sales associates (judge)** has asked you to discuss the shop's pricing decisions.

The Brown Bag is a specialty gourmet food shop located in a small historic town. The Brown Bag carries many unique foods that cannot be found in the local grocery stores. The town is about 25 miles from a larger metropolitan area. The population of the area is diverse. However, there are a growing number of young professionals in the community who entertain quite a bit for work and pleasure.

The Brown Bag remains a favorite store for many of the residents and weekend visitors.

The shop has been open for three years and has recently undergone extensive renovations. The exterior and interior of the store have been redesigned to match the historical era of the town. A gourmet dine-in deli and café have been added. Customer service operations have also been added, including carry-out and delivery service, online ordering, and reward cards. A new computer system provides customer information and makes online and specialty ordering easier.

A recently hired sales associate (judge) has only been working at The Brown Bag for six weeks but has become a favorite with customers. The sales associate (judge) has commented that customers have asked about the high prices of some of the products. The sales associate (judge) has asked you to explain pricing so that he/she may better understand and answer customer questions.

You have asked the sales associate (judge) to meet with you in the store's office. The sales associate (judge) will begin the role-play by thanking you for taking the time to explain pricing. Once you have completed your presentation and have answered the sales associate's (judge's) questions, he or she will end the role-play by thanking you for explaining the pricing.

Critical Thinking

1. In a small town like this, do we even have to consider competition when pricing?
2. Is competitive pricing more important than other marketing functions such as customer service, promotion, and product selection?
3. Will the purchase of the new computer system affect pricing?

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Section 14.1



Why do marketers use different pricing strategies?

Pricing Strategies

Learning Objectives

- LO 14.1-1 Cite examples of product-mix pricing strategies.
- LO 14.1-2 Identify examples of psychological pricing strategies.
- LO 14.1-3 List examples of B2B pricing strategies.

Key Terms

price mix
price lining
captive pricing
bundling
psychological pricing
odd pricing

even pricing
prestige pricing
buy one, get one (BOGO) pricing
manufacturer's suggested retail price (MSRP)
list price

LO
14.1-1

Product-Mix Pricing Strategy

The *base price* of a product is the general price at which a company expects to sell a product. After the base price is established, a business typically adjusts the price and applies price mix strategies to remain competitive. The **price mix** is the decisions made about pricing levels, discounts offered, and credit offered to customers. One or more strategies are often used, depending on the situation or product type.

One common strategy for adjusting price is *product-mix pricing*. Recall that a product mix is all the products a business sells. In a product mix, each product line has its own level of profitability because there are different costs for producing and marketing each one. In product-mix pricing, marketers choose to balance the overall profit of an entire product mix by applying different pricing strategies to individual lines. This is so the entire product mix can reach a profit goal rather than specific lines reaching individual goals. Three examples of product-mix pricing strategies are price lining, captive pricing, and bundling.

Price Lining

Price lining sets various prices for the same type of product to indicate different levels of quality. For example, appliance stores often use price lining. A dishwasher with three features may be priced at \$350, a dishwasher with four features at \$500, and a dishwasher with five or more features at \$750. Price lining gives customers options and allows them to choose the features and benefits they want based on their needs and budgets.

Captive Pricing

Captive pricing sets prices low for the base product but charges high prices for other components that are needed to complete the product or service. For example, a haircut may be \$10, which sounds like a deal. However, if you want to have your hair washed, dried, or styled, there are additional costs.

Bundling

Bundling combines two or more services or goods for one price. Bundling can reduce the overall price when compared to buying the items separately. For example, a clothing store might

bundle a \$10 hat and a \$20 T-shirt for a single price of \$25. This bundled price saves the customer \$5. Bundling benefits the customer by saving him or her money, and it benefits the store by selling two items instead of one. Bundling conveys savings and value.

LO
14.1-2

Psychological Pricing

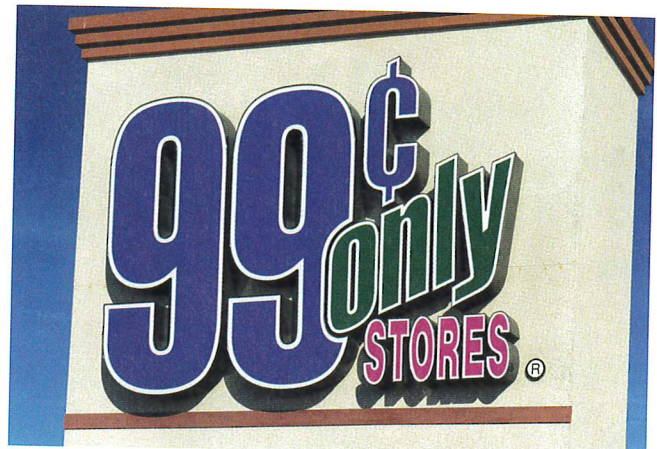
Psychological pricing is a pricing strategy that creates an image of a product and entices customers to buy. It is based on the assumption that some customers buy on emotions. If they think they are getting a good deal, they may purchase a product whether they need it or not. These strategies are most often used by marketers working for retail companies (B2C). Common B2C psychological pricing includes odd; even; prestige; and buy one, get one (BOGO) pricing.

Odd Pricing

Odd pricing sets prices to end in an odd number. These prices, such as \$9.99 and \$99.95, convey an image of a bargain. Discount-store prices and sale items usually end in odd numbers. A shopper might think of these prices as \$9 and \$99, even though the prices are actually closer to \$10 and \$100, respectively.

Even Pricing

Even pricing sets the price of a product to end in an even number, most often zero. Prices might



Ken Wolter/Shutterstock.com

Odd pricing sets prices to end in an odd number, such as 99 cents, and conveys an image of a bargain. *In your experience, does odd pricing convey value to you?*

be set at \$40, \$100, or \$5,000. Even pricing conveys quality. Customers see the even number and think the product is better than one priced for value.

Prestige Pricing

Prestige pricing sets prices high to convey quality and status. Customers see a higher price and think the product is better than lower-priced, competing products. High-end fashion designers and car manufacturers often use prestige pricing.

Buy One, Get One Pricing

Buy one, get one (BOGO) pricing gives customers a free or reduced-price item when another is purchased at full price. Depending on the promotion, the items included may be the

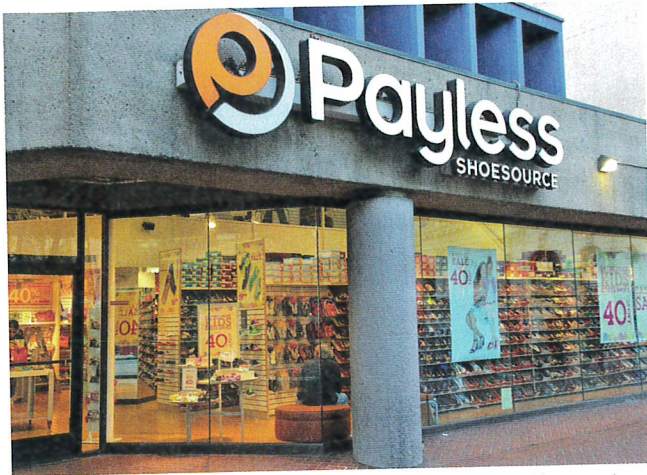


Case in Point

Dollar Tree

One important responsibility of marketing is to set a pricing strategy. A price that is too high will deter customers from buying. A price that is too low will have a negative impact on profits. Sometimes, a simple pricing strategy works as well as a strategy that is more complex.

One example of simple pricing is the Dollar Tree retail chain. Products at Dollar Tree are priced at one dollar or less—even name brand items that might cost more elsewhere. The Dollar Tree brand name reflects its pricing strategy, so customers know exactly what they will spend. The four Ps are clearly defined: product, one item for a dollar; price, one dollar; place, Dollar Tree; and promotion, all products cost one dollar. Dollar Tree is a good example of a complete marketing strategy that works. In 2015, the company opened its 5,000th store. Dollar Tree continues to grow and post profits as the largest single-price-point company in North America.



Tupungato/Shutterstock.com

Payless competes with other retailers by offering BOGO sales. *When have you felt encouraged to buy more as a result of this pricing strategy?*

same or similar. The BOGO technique conveys savings and value. Some stores have *buy two, get one free* promotions and other similar offers.

LO
14.1-3

B2B Discount Pricing

Companies that sell to businesses (B2B) use different discount pricing strategies than those used for selling to the consumer market. The most popular B2B discount pricing strategies marketers use are cash discount, quantity discount, trade discount, promotional discount, and seasonal discount.

Cash Discount

A *cash discount* is a percentage deducted from the total invoice amount that is offered to encourage a customer to pay a bill early. A cash discount often shows up in a format similar to *2/10, net 30*. This means that a 2 percent discount off the invoice total applies if the customer pays the bill within 10 days. Otherwise, the customer has 30 days to pay the entire bill without receiving a penalty. Cash discounts encourage customers to pay their bill early, which helps with the cash flow of the business.

Quantity Discount

A *quantity discount* offers a reduced per-item price for larger numbers of an item purchased. This is similar to volume pricing discussed in the previous chapter. Many companies offer quantity discounts as an incentive for buying more product. The more a customer buys, the more money is saved on each item. For example, if a customer buys 48 sweatshirts, the price may be \$22 per shirt. If the customer buys 96 sweatshirts, however, the price may be \$18 per shirt.

Trade Discount

A *trade discount* is the way manufacturers quote prices to wholesalers and retailers. A trade discount is not applied in the same way as other traditional discounts. Some manufacturers use a **manufacturer's suggested retail price (MSRP)**, which is a price recommended for the product by



Green Marketing

Carbon Footprints

A *carbon footprint* is a measurement of how much the everyday behaviors of an individual, company, or community impact the environment. This includes the amount of carbon dioxide put into the air from the consumption of energy and fuel used in homes, for travel, and for business operations.

Online carbon footprint calculators can be used to determine areas and practices that need to change. Companies can reduce their carbon footprints by recycling, reducing waste, and using responsible energy options. For example, video communication can be used to hold marketing meetings among departments in locations across the country. This reduces the fossil fuel emissions for travel by automobile, train, or airplane.



Employability Skills

Workspaces

Employees are expected to keep company workspaces clean and in order. When using a shared copier, do not leave paper clips or other supplies behind. If you take breaks or eat lunch in the common eating area, clean up dishes, utensils, or food packaging. Keep your personal space clean and free from clutter.

the manufacturer. The MSRP is often used as a list price. The **list price** of a product is the established price printed in a catalog, on a price tag, or in a price list. The manufacturer then offers the wholesaler or retailer a percentage off the list price. A trade discount may be 20 percent or more off the list price.

Promotional Discount

A *promotional discount* is given to businesses that agree to advertise or promote a manufacturer's product. The discount may be a dollar amount or a percentage of the product order. When you see a product listed in a store's weekly sale ad, it is likely that the retail store got a promotional discount on that product.

Seasonal Discount

If retailers buy goods well in advance of the season, they are often given a *seasonal discount*. For example, buyers for goods sold during the holiday gift-giving season often place orders about 11 months before. Buying goods this far in advance allows them to take advantage of lower prices. Similarly, summer clothing orders are placed at least six months in advance of the season. Seasonal discounts help manufacturers plan production and reduce inventory.

Section 14.1 Review

Check Your Understanding

1. Why do marketers employ product-mix pricing?
2. On what assumption is psychological pricing based?
3. Name a psychological pricing strategy that conveys value or the image of a bargain.
4. What is a cash discount?
5. Why do manufacturers give businesses promotional discounts?

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

bundling	odd pricing
buy one, get one (BOGO) pricing	prestige pricing
captive pricing	price lining
even pricing	price mix
list price	psychological pricing
manufacturer's suggested retail price (MSRP)	

Section 14.2



Why does the government influence pricing?

Governmental Influence on Pricing

Learning Objectives

- LO 14.2-1 Cite examples of pricing practices regulated by the government.
LO 14.2-2 State examples of governmental price controls.

Key Terms

bait and switch
price discrimination
deceptive pricing
predatory pricing

unit pricing
loss leader
price ceiling
price floor

LO
14.2-1

Governmental Pricing Regulations

Both businesses and consumers are affected by unfair, illegal pricing practices. Businesses that use unfair pricing practices are breaking laws in addition to being unethical. Businesses must comply with local, state, and federal laws. Part of the commitment businesses make is to operate within the legal system. Marketers who misrepresent their products risk legal consequences. Some unfair and illegal pricing activities about which marketers need to be informed are as follows.

- **Bait and switch** is the practice of advertising one product with the intent of persuading customers to buy a more expensive item when they arrive in the store.
- **Price-fixing** occurs when two or more businesses in an industry agree to sell the same product at a set price, which is usually high.
- **Price discrimination** occurs when a company sells the same product to different customers at different prices based on personal characteristics.

- **Deceptive pricing** is the practice of setting the prices of products in a way to intentionally mislead a customer.
- **Predatory pricing** is setting very low prices to remove competition, such as foreign companies that price their products below the same domestic ones to drive the domestic companies out of business.

There are both state and federal laws that regulate pricing to prevent unfair pricing policies and practices. A list of specific laws that regulate or affect pricing is presented in Figure 14-1.

Some states have laws that protect consumers from price gouging practices. *Price gouging* is the raising of prices on certain kinds of goods to an excessively high level during an emergency. The state laws consider price gouging as a form of price-fixing.

The government also prevents the forming of *monopolies*, which interfere with the workings of a market economy. Recall that a monopoly takes place when a company controls the market for a single product and is the only seller of a product or service. As a result, a monopoly usually sets high, unfair prices that hurt consumers.

Unit pricing is of particular importance to those working with items that are sold in packages, particularly grocery and personal items. **Unit pricing** is a price that allows customers to compare prices based on a standard unit of measure, such as an ounce or a pound. The unit prices are posted on shelving labels under the items. In some states,

unit pricing is required by law to help consumers make smart buying decisions.

Some states have *sales-below-cost (SBC) laws* that ban loss-leader pricing. A **loss leader** is an item that is priced much lower than the current market price or the cost of the product and taking a loss on each sale. The purpose of loss leaders is

Laws That Regulate Pricing		
Law	What It Regulates	When It Might Be Used
Sherman Antitrust Act (1890)	This law regulates price-fixing.	The gasoline stations in your town all collude to charge the same price for gasoline.
Clayton Antitrust Act (1914)	Passed in 1914, this law makes price discrimination illegal.	Your school store ordered 100 widgets from a company and was charged \$4.00 a widget. The school store manager finds out that another store ordered 100 widgets from the same company and was charged \$3.50 a widget.
Robinson-Patman Act (1936)	This law strengthened the Clayton Act by specifically prohibiting a seller from charging different prices to different customers for the same product and same quantity.	This law helps small retailers compete against large chains. The same types of discounts, financing, etc., have to be offered to both large and small retailers.
Wheeler Lea Act (1938)	This law prohibits deceptive advertising of prices. Companies cannot advertise that their prices are lower unless they can prove it; they cannot advertise lowered prices unless the original price was higher; and list prices cannot be used in reference to a sale price unless the product was actually sold at the list price.	You see a pair of shoes on sale for \$45.99; however, you were in the same store last week before the sale, and they were \$45.99.
Unit-Pricing Laws	These laws vary from state to state. Retailers must display pricing that shows the price of an item per unit. Most packaged items are priced per package, which makes it hard to compare the prices of certain items, particularly grocery items.	The price of a 32-ounce bottle of shampoo is \$5.99. A sign on the shelf should state that it costs 19 cents an ounce.
Minimum Price Laws or Sales-Below-Cost Laws	These laws vary from state to state. Retailers cannot sell a product for less than its cost.	A retailer buys running shoes from the manufacturer for \$20; it cannot resell them for less than \$20.
Federal Trade Commission Price Advertising Guidelines	Guidelines prohibit any deceptive or bait-and-switch advertising.	This law prohibits advertising that makes unsubstantial claims about health or safety, such as sunscreen that "reduces the risk of skin cancer."

Goodheart-Willcox Publisher

Figure 14-1 Both state and federal laws regulate pricing to prevent unfair pricing policies and practices.

to draw customers into a business by advertising a product for a very low price. The business hopes that once in the store, consumers will buy other products to make up for the lost profit. Some state laws consider loss-leader pricing to be a predatory and misleading pricing practice.

LO
14.1-2

Governmental Price Controls

The government may intervene in the pricing of some products in an attempt to control the economy or help consumers. *Price controls* are often set when the public becomes alarmed about a fast-growing rate of inflation. Most economists believe price controls can help suppliers and consumers. However, others think that price controls can worsen the very problems the government is trying to solve.

Price ceilings are maximum prices set by the government when it thinks certain products are being priced too high. The government may believe that consumers need some help to purchase the products. Price ceilings on some

products are often set during times when there may be shortages that could drive prices unreasonably high. However, price ceilings can also cause the very shortages the government is trying to prevent. Existing businesses or producers have to accept a lower price than they would otherwise set for their goods or services, and many are likely to leave the business. For example, many urban cities establish a price ceiling for rent, known as *rent control*, in an effort to make housing more affordable. However, this can create long waiting lists for housing. In addition, landlords may choose to sell their rental properties because they cannot make enough profit.

Price floors are minimum prices set by the government for certain products that it thinks are being priced too low. Price floors are set to help the producers. However, if the price floor is set higher than the market price, a surplus situation will occur. A surplus happens because consumers will not buy the higher-priced products and many products are unsold. In some cases, a surplus situation forces the government to buy the excess inventory to prevent rampant waste.



You Do the Math

Multiplication

The number that is going to be multiplied by another number is called the *multiplicand*. The number by which the multiplicand is multiplied is called the *multiplier*. To multiply whole numbers and decimals, place the numbers, called the *factors*, in pairs in a vertical list.

Solve the following problems.

1. A local bicycle shop, Sunbeam Cycles, is comparing its sale prices to an online competitor, Express Bikes. Sunbeam Cycles has a popular bike model on sale for \$265. The same model is available from Express Bikes for \$220. The sales tax rate for both is 6 percent. Express Bikes charges \$25 for shipping and handling. Sunbeam Cycles assembles bicycles

for customers free of charge. The bicycle available online from Express Bikes is shipped unassembled. It costs \$35 to have someone put it together. Which business offers a better deal?

2. A shoe retailer is evaluating its competition and recorded the following information. Store A has flip-flops on sale at two pairs for \$5.50. Store B has them on sale for 25 percent off their normal price of \$3.50 a pair. Store C gives you one free pair of flip-flops if you buy a pair at the regular price of \$5.
 - A. How much do the flip-flops cost per pair at each store?
 - B. Which store has flip-flops at the lowest price per pair?
 - C. Which store charges the highest price?



Social Media

Social-Media Dashboards

One of the biggest challenges with social media is managing the time it takes to monitor multiple business profiles. For example, marketers need to keep information current, interact with followers, and publish posts on a consistent basis. Social-media dashboards, such as SproutSocial, HootSuite, or Datorama, can help effectively manage the time that needs to be spent on social media. A social-media dashboard is an interactive tool, much like a car dashboard, that organizes and presents information in an easy-to-read format. A social media dashboard helps a marketer get a snapshot of all the social-media activity for the business. These tools also allow a business to schedule alerts and notifications, create groups, browse site activity, and send automatic updates or messages. While everything cannot be automated, a social-media dashboard can make the process of keeping social media updated easier and more efficient.

Section 14.2 Review

Check Your Understanding

1. Explain the difference between price-fixing and predatory pricing.
2. Why do governments prevent monopolies?
3. What type of laws ban loss-leader pricing?
4. What is the purpose of a price ceiling?
5. Are price floors set to help consumers or producers?

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

bait and switch
deceptive pricing
loss leader
predatory pricing

price ceiling
price discrimination
price floor
unit pricing

Chapter Summary

Section 14.1 Pricing Strategies

LO 14.1-1 Cite examples of product-mix pricing strategies.

Three examples of product-mix pricing strategies are price lining, captive pricing, and bundling. One or more strategies are often used, depending on the situation or product type.

LO 14.1-2 Identify examples of psychological pricing strategies.

Psychological pricing creates an image of a product and entices customers to buy. It is based on the assumption that some customers buy on emotions. Common B2C psychological pricing includes odd; even; prestige; and buy one, get one (BOGO) pricing.

LO 14.1-3 List examples of B2B pricing strategies.

Companies that sell to businesses use different discount pricing strategies than those used for selling to the consumer market. The most popular B2B discount pricing strategies marketers use are cash discount, quantity discount, trade discount, promotional discount, and seasonal discount.

Section 14.2 Governmental Influence on Pricing

LO 14.2-1 Cite examples of pricing practices regulated by the government.

Some examples of pricing practices regulated by the government are bait and switch, price-fixing, price discrimination, deceptive pricing, predatory pricing, price gouging, monopolies, unit pricing, and sales-below-cost (SBC) laws. Marketers need to be informed about these pricing practices.

LO 14.2-2 State examples of governmental price controls.

The government may intervene in the pricing of some products in an attempt to control the economy or help consumers. Price controls are often set when the public becomes alarmed about a fast-growing rate of inflation. Price ceilings are maximum prices set by the government when it thinks certain products are being priced too high. Price floors are minimum prices set by the government for certain goods and services that it thinks are being priced too low.

Check Your Marketing IQ

Now that you have completed the chapter, see what you have learned about marketing by taking the chapter posttest. The posttest is available at www.g-wlearning.com/marketing/.

Review Your Knowledge

1. Cite examples of product-mix pricing strategies.
2. How does bundling benefit both the customer and the store?
3. Identify examples of psychological pricing strategies.
4. Name a psychological pricing strategy that conveys quality or status.
5. List examples of B2B pricing strategies.
6. Why do businesses offer cash discounts?
7. Explain how trade discounts are applied.
8. What is an advantage of B2B businesses buying seasonal goods in advance?
9. Cite examples of pricing practices regulated by the government.
10. State examples of governmental price controls.

Apply Your Knowledge

1. In earlier chapters, you identified the product or service for which you are creating a marketing plan. Create a chart of the major products or services that you are responsible for marketing with three columns: list price, selling price, and MSRP. Calculate the percentage of difference among each price. Is the difference a consistent percentage?
2. To be competitive, it might be necessary to offer multiple pricing options to your customers. What criteria would you consider for special pricing? Why?
3. Identify key product-mix pricing strategies used by the business you have selected.
4. Does your business use any loss leaders? If so, describe them and when they are used.
5. What is the unit price for each of your products?
6. Given the nature of your business, which pricing laws or regulations are relevant?
7. What types of discounts are offered by your company? Explain each type of discount and why it is a good pricing strategy.
8. Evaluate the pricing strategies of your business. In your opinion, do the pricing strategies help the company meet its business and marketing goals?
9. Think about the types of promotional discounts you might be able to negotiate from manufacturers or other vendors. How would they affect your company pricing policies?
10. Describe examples of psychological pricing strategies you have seen in the B2C market. Do you think these strategies are effective? Which do you think is the most effective in your market? Explain your answer.

Apply Your Math Skills

Cody owns a small convenience store. He is shopping for supplies for his business. Apply your math skills to solve the following problems.

1. A warehouse club sells large amounts of all-purpose cleaning solutions. Calculate the unit prices of each brand of cleaner. What is the lowest unit price?
 - One 210-ounce bottle of Brand A lavender-scented cleaner is \$7.88
 - A two-pack of 100-ounce bottles of Brand B pine-scented cleaner is \$11.18
 - A two-pack of 100-ounce bottles of Brand C lemon-scented cleaner is \$9.83
2. Cody is ordering packages of food to sell in his convenience store from a supplier. The total cost of his order is \$678.90. The vendor offered a cash discount with terms stated as 5/10, net 20. What price will Cody pay for his order if he accepts the terms of the cash discount?

Communication Skills



**College
and Career
Readiness**

Reading When engaging in active reading, it is important to evaluate the material as you read it. Evaluation after reading often occurs naturally without the reader realizing it. Evaluate the information as you read this chapter. Note the questions and comments that you think about as you read.

Writing Create a Venn diagram to show the relationships between pricing factors and pricing objectives. Where do the circles overlap? What do you think this overlap signifies? Write arguments to support your claims of what the overlap signifies. Use valid reasoning and sufficient evidence in your arguments.

Listening Practice active listening skills while listening to a news report on the radio, on television, or a podcast about a topic that involves pricing in some form. As you are listening, take notes on important points that you hear. When you are finished, review your notes and conclude whether you were an active listener.

Internet Research

Pricing Strategies Conduct an Internet search for *pricing strategies*. List three websites or articles that address the topic. What important advice did these sites offer?

Local Sales Use Internet resources to locate the online version of a weekly flyer or advertising circular for a local grocery store. Peruse the advertisements and make notes of the sale prices you see advertised. Identify any psychological pricing strategies used. Do these prices reflect value or prestige?

Pricing Laws Research pricing laws for your state. Identify a law that is of interest to you. Summarize the purpose it serves for businesses, customers, and the community.

Teamwork

Psychological pricing creates an image of a product and entices customers to buy. It is based on the assumption that some customers buy on emotions. With your team, develop an argument about whether psychological pricing strategies should be used by a retailer. Present the main points of your argument to the class.

Portfolio Development



College and Career Readiness

Technical Skills Your portfolio must showcase the technical skills you have. Are you exceptionally good working with computers? Do you have a talent for creating videos? Technical skills are very important for succeeding in school or at work.

1. Create a Microsoft Word document that describes the technical skills you have acquired. Use the heading "Technical Skills" and your name. Describe the skill, your level of competence, and any other information that will showcase your skill level. Save the document file.
2. Update your master spreadsheet.

UNIT 5

Price

Building the Marketing Plan

Pricing products correctly can mean the difference between success and failure for many businesses. Owners look to marketing professionals to help them with the pricing process. In your role as a marketing manager for the company you selected, you will be involved in pricing decisions. Make sure your pricing is competitive and aligns with the company's financial goals. Often a company's financial goals also help marketers to set marketing goals. You will be making decisions about markup, pricing strategies, and techniques for setting the base and final prices.

Part 1 Marketing Objectives

Objectives

- Find and list the company's financial goals.
- Determine pricing objectives for your company.
- Determine the company's marketing goals.

Directions

In this activity, you will continue writing the Marketing Strategies section of the marketing plan by developing the Marketing Goals subsection. The *marketing goals* are those a business wants to achieve during a given time, usually one year, by implementing the marketing plan. They include goals related to both finances and marketing activities. Access the *Marketing Dynamics* companion website at www.g-wlearning.com/marketing/. Download the activity file as indicated in the following instructions.

1. **Unit Activity 5-1—Marketing Goals** First, find and list the financial goals of the company for your marketing plan. Then, determine and list the company pricing objectives. Explain how the pricing objectives relate to the overall financial goals of the company. Then, list the marketing goals you wish to accomplish or begin to accomplish in the coming year.
2. Open your saved marketing plan document.
3. Locate the Marketing Goals section of the plan. Then, complete the Marketing Goals and Company Financial Goals subsections. Use the suggestions and questions listed to help you generate ideas. Delete the instructions and questions when you are finished recording your responses. Proofread your document and correct any errors in keyboarding, spelling, and grammar.
4. Save your document.

Part 2 Price

Objectives

- Determine the base price for one company product.
- Research the product prices of your competitors.
- Determine the pricing strategy and technique to set the final price.

Directions

In this activity, you will continue writing the Marketing Strategies section of the marketing plan by developing the Price Strategies subsection, which is part of the Marketing Mix. The marketing strategies are the decisions made about product, price, place, and promotion. Access the *Marketing Dynamics* companion website at www.g-wlearning.com/marketing/. Download the activity file as indicated in the following instructions.

1. **Unit Activity 5-2—Price** Select one good or service you market for your company. First, determine the cost to the company. Next, determine the markup needed to make the profit your company wants. Then, use the correct formula from Chapter 13 to set the base price. Show your math. Research and list the prices of the competition. Describe the pricing strategy and the technique to set the final price for your product or service.
2. Open your saved marketing plan document.
3. Locate the Marketing Strategies section of the plan. Complete the Price Strategies subsection under Marketing Mix. Use the suggestions and questions listed to help you generate ideas. Delete the instructions and questions when you are finished recording your responses. Proofread your document and correct any errors in keyboarding, spelling, and grammar.
4. Save your document.