E-Content
BBA402- Marketing Management

Lecture 24- Pricing Elasticity

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Price Elasticity

Price elasticity measures the responsiveness of quantity demanded to a change in the product price

$$price\ elasticity = \frac{\%\ change\ in\ quantity}{\%\ change\ in\ price}$$

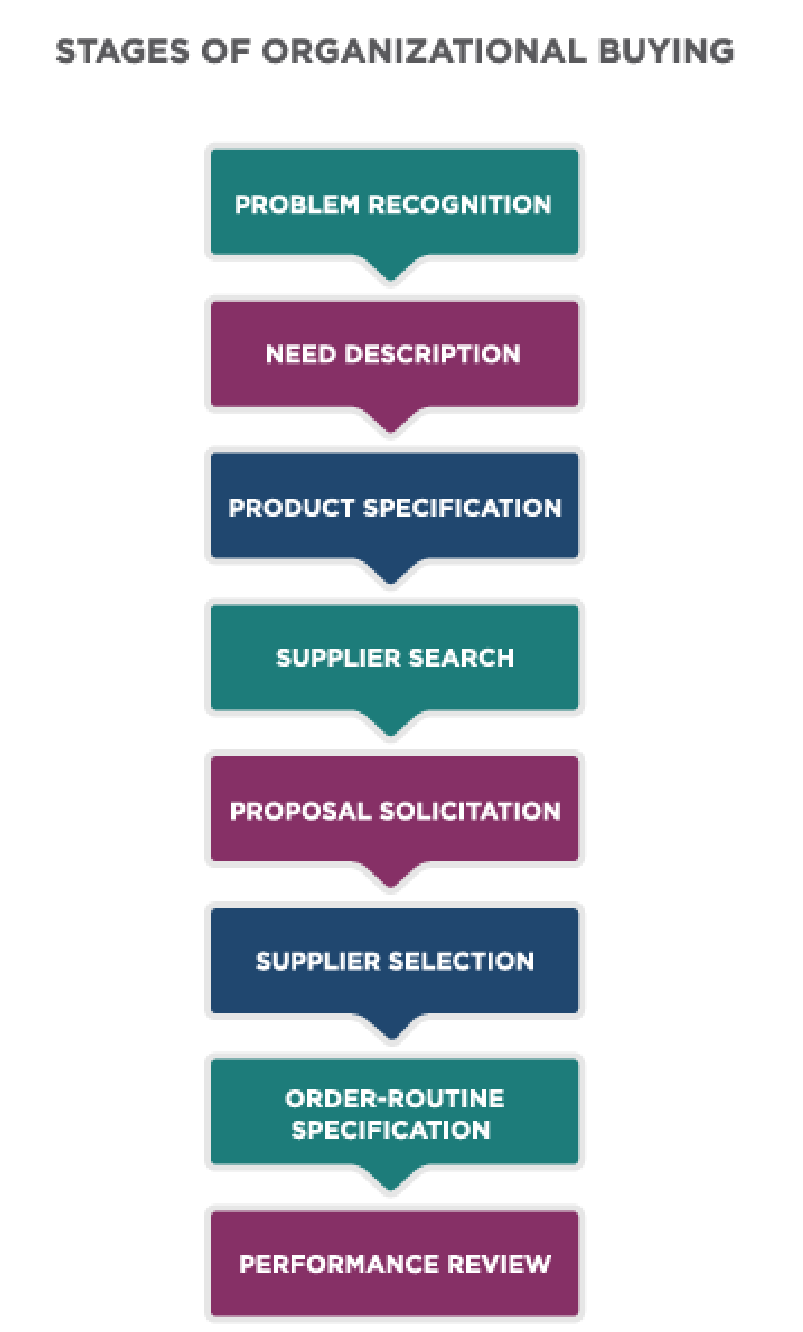
- When the absolute value of the price elasticity is >1, the price is elastic
- When the absolute value of the price elasticity is <1, the price is inelastic

What Determines Price Elasticity

- Substitutes
- Absolute price
- Importance of use
- Competitive dynamics

Competitive Bidding

- A competitive bid is a procurement process in which bids from competing suppliers are solicited
- Advertises the requirements and specifications of solutions and invites suppliers to provide a proposal about how they will meet the need and at what price.
- opportunity to tailor pricing for a specific customer's needs



Don’t Compete on Price Alone

- Price is not a sustainable competitive advantage
- Low prices can jeopardize a company’s ability to profitably deliver sustained value

Practice Question

Compare and contrast price skimming and penetration pricing.

Quick Review

- How does price affect the value of the organization's products or services?
- What are the primary factors to consider in pricing?
- Compare common pricing strategies.
- What is price elasticity and how can it be used to set price?
- What is competitive bidding and how is it used for B2B pricing?