BBA-402

Marketing Management

The Marketing Concept

Munindra Prakash (Ph.D.)
Assistant Professor
FCM, Rama University
Kanpur

1. Cost Based Pricing refers to a pricing method in which some percentage of desired profit margins is added to the cost of the product to obtain the final price. In other words, cost based pricing can be defined as a pricing method in which a certain percentage of the total cost of production is added to the cost of the product to determine its selling price.

(a) Cost Plus Pricing: Refers to the simplest method of determining the price of a product. In cost plus pricing method, a fixed percentage, also called markup percentage, of the total cost (as a profit) is added to the total cost to set the price. For **example**, XYZ organization bears the total cost of Rs. 100 per unit for producing a product. It adds Rs. 50 per unit to the price of product as' profit. In such a case, the final price of a product of the organization would be Rs. 150.

(b) Markup Pricing: Refers to a pricing method in which the fixed amount or the percentage of cost of the product is added to product's price to get the selling price of the product. Markup pricing is more common in retailing in which a retailer sells the product to earn profit. For example, if a retailer has taken a product from the wholesaler for Rs. 100, then he/she might add up a markup of Rs. 20 to gain profit.

2. Demand Based Pricing: Demand based pricing refers to a pricing method in which the price of a product is finalized according to its demand. If the demand of a product is more, an organization prefers to set high prices for products to gain profit; whereas, if the demand of a product is less, the low prices are charged to attract the customers.

3. Competition Based Pricing refers to a method in which an organization considers the prices of competitors' products to set the prices of its own products. The organization may charge higher, lower, or equal prices as compared to the prices of its competitors.

4. Other Pricing Method

i. **Value Pricing**: Implies a method in which an organization tries to win loyal customers by charging low prices for their high quality products. The organization aims to become a low cost producer without sacrificing the quality. It can deliver high quality products at low.