

A horizontal decorative bar consisting of a teal segment on the left and an orange segment on the right.

Pragmatic Product Leader Course

Become a Product Manager with Superpowers



Lesson 15A Introduction to Pricing



Introduction to Pricing



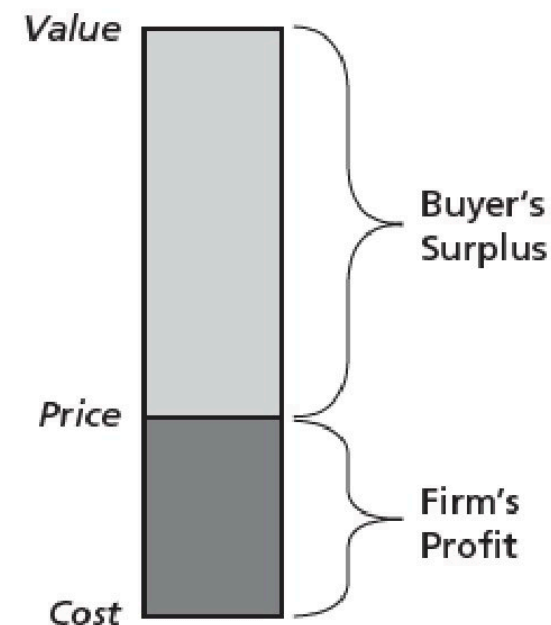
What is Price?

- Price is the amount of money a buyer gives to a seller in exchange for goods or services
- This is the aspect of the [marketing mix](#) that generates revenue
- Price directly translates to the value of your product as perceived by your customers



3 Perspectives of Pricing - The Customer

- Value = Perceived Benefits - Perceived Cost
- Some of the perceived benefits are:
 - Status
 - Convenience
 - Deal
 - Brand
 - Quality
 - Choice
- For example:
 - Price of Rolex: \$7500
 - This is the price a buyer is willing to pay
 - Cost of making a Rolex: approx [\\$750](#)
 - Why then is a buyer ready to pay 10 times?
 - It is the benefits that the buyer perceives in Rolex:
 - The brand
 - The durability
 - The quality
 - The status





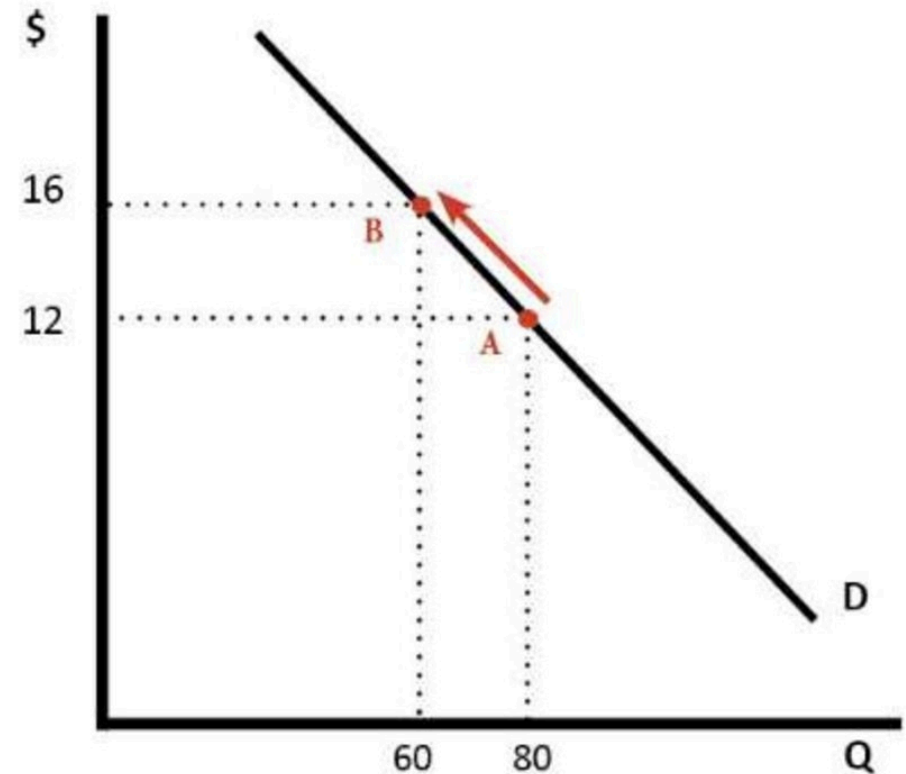
3 Perspectives of Pricing - The Society

- Price is a an important variable that governs the economic health of the society
- In a societal setting, price is used to create an inclusive or exclusive effect
 - For example:
 - Healthcare is priced high in countries such as Russia, China and South Africa. This creates an exclusive effect because only a certain percentage of the society has access to healthcare then
 - On the contrary, in countries like Denmark, Germany and UK, healthcare is priced low. This creates an inclusive effect because most of the society has access to healthcare then



3 Perspectives of Pricing - The Economy

- In the economic perspective, the buyer or the consumer is considered a rational decision maker
- The assumption is the buyer has all the relevant information, therefore if the price of a good or service goes up, the demand for the product or service reduces and vice versa
- Let's look at the demand curve on the right:
 - A decrease in price by 4 points (from \$16 to \$12) resulted in an increase in quantity by 20 points
 - Similarly an increase in price by 4 points (from \$12 to \$16) resulted in a decrease in quantity by 20 units





Marketer's Perspective of Pricing

- This perspective is important in understanding customers and being able to set the right price
- In this perspective, a marketer assesses the value that a consumer sees in the product
- This assessment then assists in setting the price
- Some factors that influence a marketer's perspective:
 - Presence of foreign and domestic competitors
 - Absence of historical pricing for new products
 - Advent of technology that has led to shorter marketplace lives for products



Objectives of Pricing

- **Survival**
 - Price paid by a buyer generates revenue
 - If revenue drops, the product and consequently the company no longer survives
- **Profit**
 - Survival and sustainability of a product is directly linked to profit
 - Anything less than the cost of the product will result in a loss
- **Sales**
 - To be able to make profit, sales is needed
 - Demand for a product drives the sales of the product
- **Market share**
 - It is important to maintain an adequate share of the market so that sufficient sales volumes are maintained
 - For example, let's say Walmart accounts for 40% of all food items in an area, then Walmart's market share is 40%
- **Image**
 - The price of products portray and communicate the esteem and market position
 - It also portrays the value the product provides to its customers



To conclude

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Thank you.

