APEC: GROWING INDIGENOUS BUSINESSES THROUGH TRADE (PHASE 3)

2024

5 key pricing strategies

STRATEGIC PRICING FOR EXPORT SUCCESS

Export Council of Australia

Pricing strategy factors

- A pricing strategy refers to companies' methods to determine the best price for their products or services.
- It involves analysing various factors, including:
  - Production costs
  - Market demand
  - Competitor prices
  - Perceived value to customers.

Importance of effective pricing strategy

- For exporters, establishing a robust pricing strategy is particularly important due to the complexities of international markets.
- An effective pricing strategy is crucial to:
  - Achieve business objectives
  - Maximise profits
  - Ensure long-term sustainability

Navigating market challenges

- A well-defined pricing strategy can help exporters remain competitive, effectively manage costs, and adapt to market changes.
- Exporters must navigate:
  - Varying economic conditions
  - Currency fluctuations
  - Diverse customer preferences.

THE 5 KEY PRICING STRATEGIES

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1. Cost-Plus Pricing

- This strategy involves calculating the total cost of production (fixed and variable costs) and adding a mark-up percentage to determine the selling price.

- ***Advantages*:** Simple to calculate and ensures all costs are covered.
- ***Disadvantages*:** Doesn’t take into account market demand or competitor pricing.

2. Value-Based Pricing

- Prices are set based on the perceived value of the product or service to the customer rather than the cost of production.

- ***Advantages***: Can lead to higher profit margins if customers perceive high value.
- ***Disadvantages***: Requires deep understanding of customer preferences and market trends.

3. Competition-Based Pricing

- Under this strategy, prices are determined based on competitors' pricing strategies. This can involve pricing below, above, or at parity with competitors.

- ***Advantages***: Helps to remain competitive and attract price-sensitive customers.
- ***Disadvantages***: Risk of price wars and may overlook unique value propositions.

4. Penetration Pricing

- This is about setting a low initial price to attract customers and gain market share quickly, then gradually increasing the price.

- ***Advantages***: Effective for entering a competitive market and attracting price-sensitive customers.
- ***Disadvantages***: May lead to initial losses and can be challenging to raise prices later.
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5. Skimming Pricing

- This involves setting a high price initially for a new or innovative product and lowering it over time as the market evolves.

- ***Advantages***: Maximizes profits from early adopters who are less price-sensitive.
- ***Disadvantages***: May limit market penetration and attract competition quickly.

Conclusion

- In conclusion, selecting the right pricing strategy is crucial for business success.
- It should align with overall business goals, market conditions, and customer expectations.
- Regularly reviewing and adjusting pricing strategies based on market feedback is essential for maintaining competitiveness and profitability.

Questions

(Preguntas)

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