PRICING

Also by Nessim Hanna

PRINCIPLES OF MARKETING

Also by H. Robert Dodge

CASES IN MARKETING MANAGEMENT
INDUSTRIAL MARKETING
MARKETING RESEARCH
PROFESSIONAL SELLING
SALES MANAGEMENT

Pricing

Policies and Procedures

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Preface

This is a book about pricing from essentially a marketing perspective. Rather than presenting formula-based schemes to arrive at prices for products, the emphasis is on meshing manufacturing and marketing strategies to maximize a firm's long-term profitability within the constraints of cost structure and the marketplace. It is argued that success for a firm is based on the premise that pricing decisions are in fact marketing decisions rather than accounting or finance decisions.

The paradox in pricing is the need to consider both the marketplace and the bottom line. Setting a price that adds profits may not produce sufficient sales. Conversely, a price that stimulates sales may not result in acceptable profitability. The risks of loss of market or reduced profitability are too great to rely on simplified methods such as the popular cost-plus that may set a price that is too high or too low.

Three important developments in the last few years have demonstratedly impacted marketing and in turn pricing. One is the concept of marketing as a philosophy of doing business with the objective of customer satisfaction. The implication is that customer satisfaction drives loyalty and in turn profitability. Customers view value of a product as the benefits received in relation to the price and costs of ownership.

The second development is the concept of the total product. The focus is now on what the product does for customers rather than what the product is. What a customer will pay for a product or service does not pertain solely to physical features or performance. It is the total package of features/benefits.

The third development that is just emerging is the movement away from a myopic fixation upon marketing activities such as pricing and the exchange process. Companies that are a success year in and year out concentrate on building customer relationships. Shelved are the traditionalistic approaches to pricing and their short-term impact.

The book begins by focusing on price as related to customer satisfaction and concepts of value and quality as interpreted by price. Crucial factors considered are effective cost information, customer valuation of the total product package, target market characteristics, and competitive dynamics. It continues by looking at price from the standpoint of the market, the useful and practical contributions of economic theory, and the link between costs and pricing. The remaining chapters consider pricing in special

situations. Also included are chapters on the legal aspects of pricing and pricing as it pertains to international marketing ventures.

Many people have made important contributions to the writing and presentation of this book. The comments, suggestions and critiques of graduate students in the pricing course at Northern Illinois University provided valuable insight on the coverage, organization, and readability of the text. Carolyn Sabados, with the assistance of Marianne Markarewich, are owed a special thanks for typing the final manuscript. A thank-you is also due to Melody Dodge, who created the graphics for the book. Certainly neither of us could have completed the project without the encouragement of our respective families.

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