

Pricing Strategies:

Setting the Price of a Product or Service

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Price is an essential component of any profit-oriented business service or product. As such pricing strategies are very important aspects of businesses though less than 40% of businesses have a focus and employ advanced pricing strategies and techniques.

Pricing strategy and analysis should focus and address the following aspects of a business product or service:

- Identification of current pricing strategy – how was the current price set?
- Success of current pricing strategy – has it delivered the best possible returns?
- Comparison of this pricing strategy to alternative models – how can it be improved?

Pricing should product or service specific. There are advantages and disadvantages pricing advantages of either value based or cost based, pricing models so each product or service must be analysed and using a tailor made pricing strategy an adequate price can then be set for the product or service.

Different pricing models exist, examples are:

- Surplus Extraction Pricing
- Skimming
- Cost Plus Pricing
- Relationship Pricing
- Risk Based Pricing

Based on a comparative analysis the best fit pricing model for the business service can be used to set the product price and how the price will change over the lifecycle of the product or service.

