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ORIGINAL ARTICLE

PRICING APPROACHES IN SERVICES MARKETING

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Abstract:

A well-function services sector is the key to the overall performance of the economy and welfare of citizens. Services comprise different economic activities and thus act as a catalyst for the growth of other sectors in the business world. A marketing strategy is a plan which identifies the firms marketing goals and explains how they will be achieved within a stated time – frame. It includes product development, pricing approach, distribution, promotion and advertising. Marketing strategy determines the choices of a target market segment brand positioning, and allocation of resources.

KEYWORDS:

Services Marketing , economy , marketing strategy , pricing approach.

INTRODUCTION

A company's pricing structure should reflect its long-term and short-term objectives. A company might price its services to survive in the market , to maximize the current revenues or to obtain a prestigious position or a product quality leadership. In order to achieve these objectives, a company might choose cost-based pricing, demand based pricing or competition –based pricing.

The key to marking sales is to communicate VALUE! Do it so strongly........that the prices seems reasonable in relation to the product or service you're offering. Pricing is an important element of the marketing mix that brings in revenues and profits. The sauces of service depends on the pricing strategy developed or adopted by the company. However, it is easier for customers to evaluate the value derived from goods, when compared to services.

Further, a service company should analyze how for the customers perceive that the value derived form the consumption of its service is worth the price paid. The factors that influence the prices of services are:

Cost of Production & Break Even Analysis
Demand Fluctuations
Competitor pricing

Other marketing mix elements namely/,product place, promotion, People, Process &Physical evidence Positioning for developing a pricing strategy.

It is most effective when it logically defines how the organization will successfully attract customers, and be superior to competitors in the market Since the customer is the main source of a company's revenue, marketing strategy is closely linked with sales. It is a flexible and dominant element which determines the revenue/profitability/market share for the organization. From the customer's, viewpoint price is a determinant factor because most customers depending on their income level consider the price before they purchase the product. The concept price constitute two different type the monitory price and social price, monitory price implies the payment of certain sum by the customer, and the social price refers to the additional effort that the customer must make in order to obtain access to a product. Price for the product is set when the organization introduces or acquires a new product Price can be revised to match the change of the product.

MAIN OBJECTIVES OF PRICING

1.Profit-orientd

To achieve a target return or to maximize profits.

2. Sales-oriented

To increase sales volume, or to maintain or increase market share.

3. Stus- quo oriented

To stabilise prices, or to meet competition.
Other objectives of pricing
Society oriented objective
Survival
Maximize market share
Service Quality leadership
Operation-oriented objective
Patronage-oriented objective

METHODOLOGY THE STUDY

This study is mainly based on secondary data only. The data has been collected from different services sectors different services provider different books related to the subject and finally b using internet.

LIMITATIONS OF THE STUDY

The study is totally based on pricing policies in different situations/different business, so that here I want to concentrate on total pricing policies in all types of services. For this reason I have not selected particular company /organization /services etc.

PRICING STRATEGIES IN SERVICES

The price is is the kept element of marketing mix; it must be acceptable to target customers and it must reflect the other components of the mix accurately. The price of the service is the value attached to it b the service provider and it must correspond with the cuctomer's perception of value.

Pricing Strategy

How does a company decide what price to charge for its prouct s and services? What is “the price” anyway? doesn't price vary across situations and over time? some firms have to decide what to charge different customer and in different situation they must decide whether discount are to be offered to whom and when and for what reason.

Price Vs Non-Price Competition

In price competition, a seller regularly offer products priced as low as possible and accompanied by a minimum of service.
In non –price competition, a seller has stable prices and stresses other aspects of marketing.
With value pricing, firms strive for more benefits at lower costs to consumer.
With relationship pricing , customers have incentives to be loyal –get price incentive if you do more business with one firm.
Some firms feel price is the main competitive tool, that customers always want low prices.
Other firms are looking for ways to add vale, thereby being able to avoid low prices.

Sometimes prices have to be changed in resopnese to competitive actions.
Many firms would prefer to engage in non-price competition by building brand equity and relationships with customers.

Relationship Pricing

uses price as a method to build long –term relationships with the best customers

Focuses on giving better deals to better customers
Goal is to price relative to the value of the customer to the firm, while building loyalty and stimulating repeat buying

Special pricing strategies

1.Firms may adopt a one- price strategy or charge different prices to different customers.
2.Flexible pricing strategies shoppers may pay different prices if they buy the same quantity.

Price-Setting Process

Premium pricing

Use a high price where there is uniqueness about the product or service. This approach is used where as a substantial competitive advantage exists. Such high prices are charge for luxuries such as savoy Hotel rooms, and Concorde flights.

Penetration Pricing

Setting a low initial price for a new product.

works if large market, elastic demand
Economies of scale are possible.
Fierce competition.

The price charged for products and services is set artificially low in order to gain to gain market share. Once this is achieved, the price is increased. This approach was used by France Telecom and sky TV

SELECT PRICING OBJECTIVE

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SELECT METHOD OF DETERMINING THE BASE PRICE

Cost – plus pricing

Price based on both demand and costs

Price set in relation to market alone

DESIGN APPROPRIATE STRATEGIES

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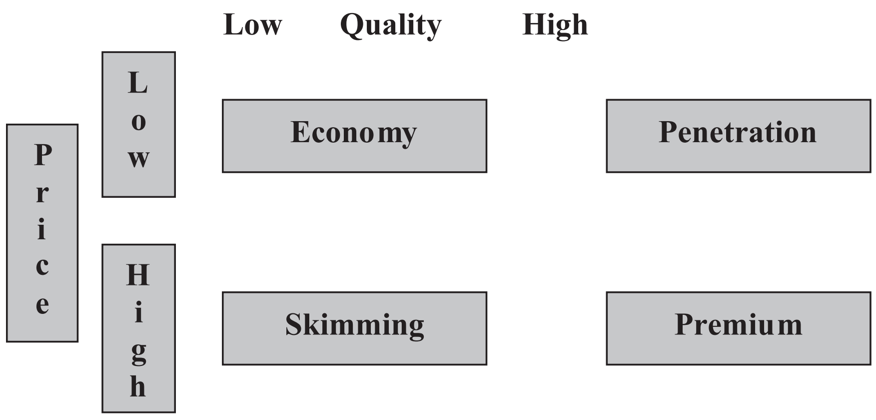
Price vs non –price competition
Skimming vs penetration
discounts and allowances

Freight payment
One price vs flexible price
Psychological pricing

Leader pricing
Everyday low prices vs periodic specials' policy
Resale price maintenance

Fig – 1



Pricing strategies Matrix

Fig – 2

Economy pricing

This is a no frills low price. The cost of marketing and manufacture are kept at minimum supermarkets often have economy brands for soups, spaghetti, etc....

Price Skimming

Setting a high initial price for a new product.

1)Works if product is new, distinctive and desired
2)Early in product life cycle, when demand inelastic
3)Protected by entry barriers, e.g. patents discounts and allowances.
4)Quantity discount: The more you buy, the cheaper it becomes—cumulative and non-cumulative.
5)Trade Discount: Reductions from list for functions performed storage, promotion.
6)Cash Discount: A deduction granted to buyers for paying their bills within a specified period of time (after first deducting trade and quantity discounts from the base price)
7)Other Discounts;

Seasonal discounts.
Forward dating
Promotional allowances.

FINDINGS AND SUGGESATIONS

1)There is a growing price resistance among buyers of services; this resistance is especially acute in the professional services sector.
2)There is a growing price resistance among buyers of services.
3)Resistance is especially acute in the professional services sectors
4)Professional services firms have a tough assignment convince customer to pay for their hard won expertise.
5)The price statistician would keep his attention on a single product but has to estimate the price evaluation of the whole market.
6)The major challenge for the firm is to update this price over time.
7)One solution is to ask the firm for an expert estimate of the price
8)One solution is to ask the firm for an expert estimate of the price.
9)In every day low pricing, a retailer charges a constant or low price with not temporary discount.
10)In high low pricing, a retailer charges higher price but when runs frequent promotion in which prices are temporarily lowered.
11)If the price is asked at delivery of the product, several aspects are mixed like the realized time and the realized margin ratio.
12)When using estimated prices, it would be better if the price Statistician has some information about the

process of the estimation.
13)One possible solution is to detail the components of the pricing mechanism of the product in the first period when the products was really transacted.
14)An important aspect of model pricing is on the one hand to focus attention on current products and on the other hand to keep the products constant over time for price comparisons. This is a crucial difference with hourly charge-out rates.

CONCLUSION:

To determine an effective pricing strategy, a firm has to have a good understanding of its costs and the value created or customer and competitor pricing. Defining costs trends to be cost more difficult in a service business than in a manufacturing operations without a good understanding of costs, manager cannot be sure that the price set are in fact, sufficient to recover all costs.

Another challenges is to relate the value that the customers perceive in a service to the price they are willing to for it. This step requires an understanding of others costs that the customer may be incurring in purchase and choose including outlays of a non financial in nature such as time and efforts manager also need to recognize that the same service ma not be valued in the same way by all customers offering the potential to set different prices for different market segment.

Competitor pricing cannot be compared for dollars for dollars service tend to location and time specific and competitor service have they own set of related monetary and non monetary costs. Sometimes to the extent that the actual price charged become secondary for competitive comparison, competitive price needs to take all those factors into account.

A pricing strategy must address the central issue of what price to charge for selling a given unit of services at a particular point in time because service often combine multiple elements pricing strategy need to be a highly creative.

Finally, firms need to be careful least pricing schedule become so complex and hard to compare that the similar confuse customers. A policy of deliberately creating confusion pricing schedules, including hiding certain cost that only become apparent to customer after usage is likely to need to acquisition of un- ethical behaviour loss of trust and customer dissatisfaction.

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