

Pricing Strategies

(1)_____ pricing means taking into account the costs of making the product. It is based on the (2)_____ of producing the goods and a (3)_____ of the indirect cost such as overheads-rent, heating and so on. A percentage (4)_____ is then added on to calculate the (5)_____. In (6)_____ based pricing the business sets its selling price at level similar to that of its competitors. In (7)_____ pricing the business sells its product at a lower price that that of its competitors. (8)_____ pricing involves selling goods at a very low price to try to destroy competition.

When a market chooses its price to take advantage of market conditions, it is said to be using (9)_____ pricing. When the business sets its prices high to begin with, and then lowers the price later on, it is following (10)_____ pricing.

competition Cost plus Destroyer direct costs market-oriented mark-up
penetration percentage selling price skim

Key

Pricing Strategies

Cost plus pricing means taking into account the costs of making the product. It is based on the direct costs of producing the goods and a percentage of the indirect cost such as overheads-rent, heating and so on. A percentage mark-up is then added on to calculate the selling price. In competition based pricing the business sets its selling price at level similar to that of its competitors. In penetration pricing the business sells its product at a lower price than that of its competitors. Destroyer pricing involves selling goods at a very low price to try to destroy competition.

When a market chooses its price to take advantage of market conditions, it is said to be using market-oriented pricing. When the business sets its prices high to begin with, and then lowers the price later on, it is following skim pricing.