

A background image showing a business meeting. Two people are seated at a wooden table. One person is holding a pen and looking at a laptop screen displaying charts and graphs. Another person is holding a pen and looking at a document. A coffee cup is on the table. The image is overlaid with a teal and dark blue geometric design.

NEW BUSINESS ENGLISH 6

Lesson 15
Price



LEARNING GOALS

- ◆ 5 Most Common Pricing Strategies
- ◆ Using References in Pricing Products



Warm-up

- ◆ What is product pricing in business?
- ◆ How would you set a price for a product?





Allie Swan has just developed a new sunscreen called Light Shield. Abby, Bob, and Cindy are discussing the most suitable pricing strategy to increase their market share.

Situational Dialogue

Listen to the audio.

Bob: In terms of pricing the Light Shield, I think we'd better use **penetration pricing** by pricing our products lower than our competitors.

Cindy: In that case, how can we recover costs quickly? As you know, we have invested a lot in developing this product. And as the statistics of the market research show, our new sunscreen is in great demand. Therefore, I suggest **price skimming**. We can set a relatively high price at first to **recover costs**, then lower the price over time.

Bob: But do you remember? Based on our SWOT model, the competition in cosmetics is very fierce. There have existed a lot of well-known cosmetic brands. With the lower price, we can attract and convince more customers.

Abby: Sounds reasonable. But consumers usually relate quality to prices. Will they think our product is of low quality?

Situational Dialogue

Do a role-play and answer the questions.

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Cindy: In that case, how can we recover costs quickly? As you know, we have invested a lot in developing this product. And as the statistics of the market research show, our new sunscreen is in great demand. Therefore, I suggest price skimming. We can set a relatively high price at first to recover costs, then lower the price over time.

Bob: But do you remember? Based on our SWOT model, the competition in cosmetics is very fierce. There have existed a lot of well-known cosmetic brands. With the lower price, we can attract and convince more customers.

Abby: Sounds reasonable. But consumers usually relate quality to prices. Will they think our product is of low quality?

... 5 Most Common Pricing Strategies



Cost-plus Pricing

To calculate your costs and add a mark-up



Competitive Pricing

To set a price based on what the competition charges



Price Skimming

To set a high price and lower it as the market evolves



Penetration Pricing

To set a low price to enter a competitive market and raise it later.



Value-Based Pricing

To base the price on what the customer believes it is worth

∴ Using Diagrams as References in Pricing Products

1

Description

What kind of graph is it?
What do the axes, or labels represent?
What are the visible changes/ differences?

2

Interpretation

What are the reasons for changes/ differences?
What are the main points/ aspects in the chart?
What analysis of the trends could be derived?

3

Conclusion

Is there any missing information?
What do the results show about the price?
What hypothesis can be established in the future?

**Steps in
Analyzing
Diagrams**

Oral Practice

Scenario:

An Allie Swan product hasn't been priced yet. Abby is asking for your opinions on how to set the price of the said product. Choose which strategy is best for the product and support your idea by using some references.



∴ 5 Most Common Pricing Strategies:

- Cost-plus pricing
- Competitive pricing
- Price skimming
- Penetration pricing
- Value-based pricing

∴ Steps in Analyzing Diagrams as References:

- Description
- Interpretation
- Conclusion

Factors Affecting Price Decisions



Internal Factors

- Operating Expenses (SG&A)
- Price of a New Product
- Service Level Position
- Room for Discount



External Factors

- EBIT Target
- Room for Channel Discount
- Competitor's Price
- Switching Cost for Customers



1. How do competitors and consumers affect product pricing?
2. Which factor do you think greatly affects price decisions? Why?

Overview

5 Most Common Pricing Strategy:

- Cost-plus Pricing
- Competitive Pricing
- Price Skimming
- Penetration Pricing
- Value-based Pricing

Steps in Analyzing Diagrams:

- Description
- Interpretation
- Conclusion

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