



NISHNAWBE ASKI DEVELOPMENT FUND

WELCOMES YOU...

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PRICING YOUR PRODUCT OR SERVICE

Video Conference Presentation
October 2, 2009
Presenters Gail Anderson and Colleen Martin

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PRESENTATION GOALS

1. Overview of marketing components
2. Impact of various components on pricing
3. Assessing the impact of changes in pricing to the bottom line
4. Summary – tips and tricks

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4 Ps of Marketing

- Product
- Price
- Place
(distribution)
- Promotion

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PRODUCT

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PLACE (Distribution)

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PROMOTION

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CUSTOMER FOCUS

Product → Solution
 Promotion → Information
 Price → Value
 Place → Access

This model (SIVA) was proposed by Chekitan Dev and Don Schultz in the Marketing Management Journal of the American Marketing Association, and presented by them in Market Leader - the journal of the Marketing Society in the UK.

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PRICE

MARK-UP The difference between the cost of the merchandise and the retail price as a percentage of cost

The difference between the cost of the merchandise and the retail price as a percentage of selling price **MARGIN**

ARE THESE TWO PERCENTAGES USUALLY THE SAME?

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MORE DEFINITIONS

P = Price

X = Unit Sales

TR = Total Revenue

TC = Total Cost

TFC = Total Fixed Cost

V = Unit Variable Cost

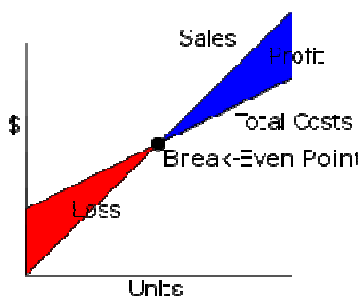
VARIABLE COSTS

Expenses that change in proportion to the activity

FIXED COSTS

Expenses that change in proportion to the activity

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In the linear [Cost-Volume-Profit Analysis](#) model,^[1] the break-even point (in terms of Unit Sales (X)) can be directly computed in terms of Total Revenue (TR) and Total Costs (TC) as:

$$\begin{aligned} TR &= TC \\ P \times X &= TFC + V \times X \\ P \times X - V \times X &= TFC \\ (P - V) \times X &= TFC \\ X &= \frac{TFC}{P - V} \end{aligned}$$

where:

TFC is Total Fixed Costs, P is Unit Sale Price, and V is Unit Variable Cost.

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Pricing Strategies

- Retail Cost and Pricing
- Competitive Position
- Pricing Below Competition
- Pricing Above Competition
- Price Lining
- Multiple Pricing
- Cost Factors and Pricing

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TIPS AND TRICKS

- Know what your goal is before you begin
- Be aware of your environment (market, distribution costs, competition)
- Remember the 4 Ps of marketing Product, Price, Promotion and Place (Distribution)
- Remember the formula $P * X = TFC + (V * X)$
- Consider options for your business and the impact on breakeven/profit

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THE LAST WORD

Remember that in the end ...

**COST + OPERATING EXPENSES +
DESIRED PROFIT = PRICE**

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Thank You For Your Attention
Please Do Not Hesitate To Contact Our Office
For Additional Information 1-800-465-6821

NEXT WORKSHOP

Personal Finances (targeting youth) - October 16/09

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