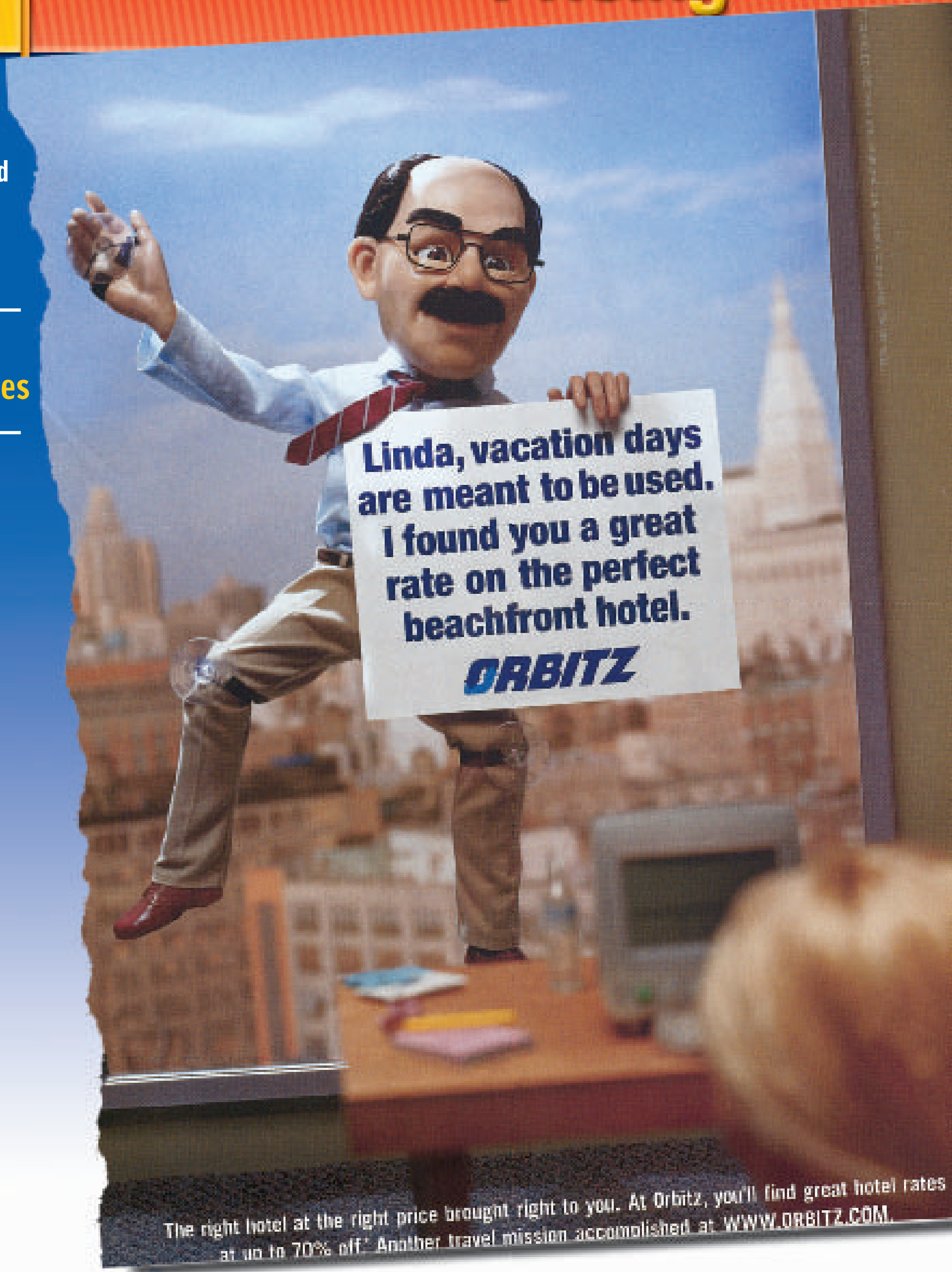
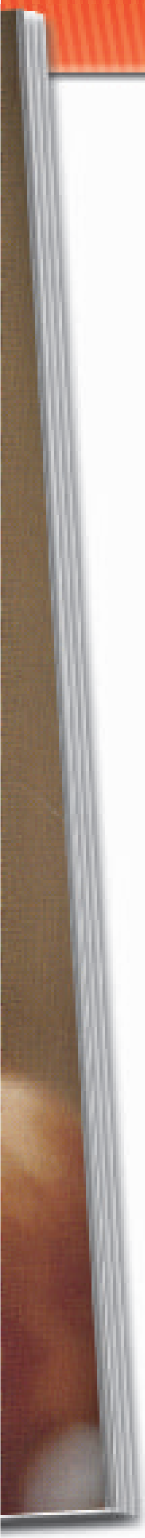
UNIT 8 Pricing

In this unit you will find





Marketing Plan

ANALYSIS
1
SWOT
Economic
Socio-Cultural
Technological
Competitive

STRATEGY
2
Promotion
Place
Price
Product

IMPLEMENTATION
3
Organization
Management
Staffing

BUDGET
4
Cost of Sales
Cost of Promotion
Incomes and Expenses

CONTROL
5
Evaluation
Performance Measures
Performance Analysis

ANALYZE THE AD

Orbitz, an online company, provides travel services on its Web site. What does this ad say to you? How is Orbitz competing for Linda's business?

Market Talk Travel companies such as Expedia.com, Hotel.com, or Travelocity attract customers with competitive rates, powerful visuals, and fast, 24-hours-a-day service. Which of these three elements do you see in this Orbitz ad?

Think and Write Read the travel section of your local newspaper, browse the Internet to research competing travel Web sites. Make a list of companies in this market. Select two companies from your list and pick a travel destination. Find out about airfares, hotel and rental car rates from these two sites. Write a paragraph to explain which company you would select for your trip and why.

Online Action! **Go to** ***marketingessentials.glencoe.com/u8/ad*** **for an extended activity.**

In this unit

Foundations of Marketing
- Economics
- Business, Management, Entrepreneurship

Functions of Marketing
- Pricing

CHAPTER 25
Price Planning

Chapter Objectives

After reading this chapter, you should be able to:

- Recognize the different forms of pricing
- Discuss the importance of pricing
- Explain the goals of pricing
- Differentiate between market share and market position
- List the four market factors that affect price planning
- Analyze demand elasticity and supply and demand theory
- Explain how government regulations affect price planning

GUIDE TO THE PHOTO

Market Talk Cell phone companies advertise in various ways to target very specific markets. Family plans that allow parents and children to stay connected during the day are very popular; so are plans geared toward college students.

Quick Think The first cell phone cost about $600. Now you can get a phone for free or for a modest sum when signing up for a plan. Think of three reasons why the price of cell phones has changed so much in recent years.

THE DECA CONNECTION

Performance indicators represent key skills and knowledge. Relating them to the concepts explained in this chapter is key to success in DECA events. These acronyms represent DECA events that involve knowledge of pricing concepts:

AAAL	**FMAL**	**MMS**	**TMDM**
AASL	**FMDM**	**QSRM**	**TSE**
ADC	**FMSL**	**RMAL**	**VPM**
BSM	**FSRM**	**RMML**	
EMDM	**HMDM**	**SMDM**	

In all these DECA events, you should be able to follow these performance indicators:

- Explain the nature and scope of the pricing function
- Describe the role of business ethics in pricing
- Explain the use of technology considerations for pricing

Some events include additional performance indicators. These are:

BSM Explain the concept of price in services marketing

ADC Explain the concept of price in the advertising industry

EMDM Describe Internet pricing models

FMDM Explain the concept of price in the financial services industry

HMDM Explain the concept of price in the hospitality industry

SMDM Explain the concept of price in sports and entertainment marketing

TMDM Explain the concept of price in the travel and tourism industry

DECA PREP

Check your understanding of DECA performance indicators with the DECA activity in this chapter's review. For more information and DECA Prep practice, go to *marketingessentials.glencoe.com/25/DECA*

Price Planning Considerations

OBJECTIVES

- Recognize the different forms of pricing
- Discuss the importance of pricing
- Explain the goals of pricing
- Differentiate between market share and market position

KEY TERMS

- price
- return on investment (ROI)
- market share

READ and STUDY

BEFORE YOU READ

Predict What do you already know about pricing?

THE MAIN IDEA

Price—one of the four Ps of the marketing mix—is an essential element in marketing a product to the correct target market. Price comes in a variety of forms. Pricing goals are directly related to a company's goals.

STUDY ORGANIZER

Use a chart like the one below to take notes about the scope and significance of pricing and the major goals of pricing.

Scope and Significance	Goals

WHILE YOU READ

Analyze Find three main ideas in this section and jot them down on a piece of paper.

What Is Price?

Price is the value in money (or its equivalent) placed on a good or service. It is usually expressed in monetary terms, such as $40 for a sweater. It may also be expressed in non-monetary terms, such as free goods or services in exchange for the purchase of a product. The oldest form of pricing is the barter system. Bartering involves the exchange of a product or service for another product or service, without the use of money. For example, a business might exchange some of its products for advertising space in a magazine or newspaper. Some companies also will exchange advertising spots on their Web pages as a form of bartering, or an equal trade.

Relationship of Product Value

The value that a customer places on an item or service makes the difference in them spending $25,000 or $80,000 on a new auto or $20 or $150 on a concert ticket. Value is a matter of anticipated satisfaction—if consumers believe they will gain a great deal of satisfaction from a product, they will place a high value on it. They will also be willing to pay a high price.

A seller must be able to gauge where a product will rank in the customer's estimation—whether it will be valued much, valued little, or valued somewhere in between. This information can then be considered in the pricing decision. The seller's objective is to set a price high enough for the firm to make a profit and yet not so high that it exceeds the value potential customers place on the product.

Various Forms of Price

Price is involved in every marketing exchange. The fee you pay a dentist to clean your teeth, the amount you pay for a new pair of shoes, and minor charges such as bridge tolls and bus fares are all prices. Rent is the monthly price of an apartment. Interest is the price of a loan. Dues are the price of membership. Tuition is the price you pay for an education. Wages, salaries, commissions, and bonuses are the various prices that businesses pay workers for their labor. Price comes in many forms and goes by many names.

Importance of Price

Price is an important factor in the success or failure of a business. It helps establish and maintain a firm's image, competitive edge, and profits.

Many customers use price to make judgments about products and the companies that make them. A higher price means better quality from an upscale store or company to some customers; to other customers, a lower price means more for their money.

NET MARKETING

Let Your Fingers Do the Comparison Shopping

PriceGrabber.com is a fast, convenient way to locate and compare products, merchants, and prices online. Since 1999, PriceGrabber's innovative comparison shopping technology has made online shopping informative and effective. Savvy shoppers save time, money, and effort by using PriceGrabber to find the right product from the best merchant at the best price.

Ratings and Costs

Besides product pictures, descriptions, and specifications, PriceGrabber offers merchant and product ratings with narratives that give customers the lowdown on products and merchants.

A site feature called *BottomLinePrice* estimates total delivery costs, including applicable sales tax and shipping charges based on the delivery address.

THINK LIKE A MARKETER

Could a comparison shop site be useful to a marketing manager working for an electronics company? Explain your answer.

Online Action!

Go to *marketingessentials.glencoe.com/25/net* to find a project on pricing sites.

Advertising strategies are closely aligned to a firm's image. Wal-Mart's slogan, "Always Low Prices. Always." is a perfect example of how a company can use price as the main thrust of its advertising strategy. Some retailers stress that they offer the lowest prices in town or promise that they will beat any other store's prices. In such cases, price plays an important role in establishing the edge a firm enjoys over its competition.

Finally, price helps determine profits. Marketers know that sales revenue is equal to price times the quantity sold. In theory, sales revenue can be increased either by selling more items or by increasing the price per item. However, the number of items sold may not increase or even remain stable if prices are raised. Figure 25.1 shows what may happen.

It is also important to remember that an increase in price can increase profits only if costs and expenses can be maintained. You will explore this limitation later in the chapter.

Goals of Pricing

Marketers are concerned with earning a profit, or return on investment, as their primary goal of doing business. There are times, however, when two other pricing goals become important: gaining market share and meeting the competition.

Earning a Profit

Return on investment (ROI) is a calculation that is used to determine the relative profitability of a product. The formula for calculating rate of return on investment is as follows:

Rate of Return = Profit/Investment

Profit is another word for return, which explains the expression *return on investment.*

Assume your company sells watches to retailers for $9 each. Your cost to make and market the watches is $7.50 per unit. Remember that profit is money earned by a

Figure 25.1 **Projected Effects of Different Prices on Sales**

• **Increased Price or Increased Sales?** An increase in the price of an item may not produce an increase in sales revenue.

Explain why an increase in price does not always mean an increase in revenue.

Price per Item ×	Quantity Sold =	Sales Revenue
$50	200	$10,000
$45	250	$11,250
$40	280	$11,200
$35	325	$11,375
$30	400	$12,000
$25	500	$12,500

Online Action! Go to *marketingessentials.glencoe.com/25/figure/1* to find a project on pricing and sales.

•THE 99-CENT HAMBURGER Wendy's and other fast-food chains all compete for customers. They offer similar menus and similar prices.

Could a fast-food chain set its prices much lower or higher than its competitors? Why or why not?

business minus costs and expenses, so that your profit on each watch is $1.50:

$$\$9 - \$7.50 = \$1.50$$

and your rate of return is 20 percent:

$$\$1.50/\$7.50 = .20$$

Your rate of return on investment is 20 percent.

A company may price its products to achieve a certain return on investment. Let's say that your watch company wants to achieve a return on investment of at least 25 percent on a new model. To determine the price at which the new watch would have to sell, you would work backward. Start with a target price, the price at which you want to sell the new watch. Then, determine how your company can get costs down so that that price will generate your target return. When you take into consideration the suggested retail price you think consumers are willing to pay for the watch, target pricing takes on another dimension. You will learn more about target pricing for the final consumer in Chapter 26.

Gaining Market Share

A business may forgo immediate profits for long-term gains in some other area. One goal, for example, might be to take business away from competitors. The business is trying to increase its market share in this case. For example, Nintendo's GameCube systems sold for $80 less than other similar systems, which helped to increase its market share from 19 percent to 37 percent in 2003. **Market share** is a firm's percentage of the total sales volume generated by all competitors in a given market. Businesses constantly study their market share to see how well they are doing with a given product in relation to their competitors.

Visualize the total market as a pie. Each slice of the pie represents each competitor's share of that market. The biggest slice of the pie represents the firm that has the largest percentage of the total sales volume. Marketers are also interested in their market position. Market position is the relative standing a competitor has in a given market in comparison to its competitors.

Improving Market Share and Market Position

To monitor market position, a firm must keep track of the changing size of the market and the growth of its competitors. Competitors are ranked according to their total sales volume. Thus, the company or brand with the highest sales volume would be ranked number 1.

Pricing is one means of improving market share and market position. Other means of accomplishing the same goals may involve increased advertising expenditures, changes in product design, and new distribution outlets.

Meeting the Competition

Some companies simply aim to meet the prices of their competition. They either follow the industry leader or calculate the average price and then position their product close to that figure. Airline pricing appears to follow this pattern. Most airlines charge around the same price for the service provided.

How else do you compete when you don't want to rely on price alone? You compete on the basis of other factors in the marketing mix. These nonprice competing factors might include quality or uniqueness of product, convenience of business location or hours, and level of service. For example, Commerce Bank is open seven days a week and offers hours from 8:30 A.M. until 8:00 P.M. during weekdays. Automobile manufacturers are now competing with warranties and maintenance agreements, some offering coverage for five or ten years, or 50,000 or 100,000 miles, respectively. A computer store may offer free installation of software and training to teach you how to use your new software.

25.1 AFTER YOU READ

Reviewing Key Terms and Concepts

1. Provide an example of how pricing is related to a firm's image and promotion of that image.
2. What means, other than price, do marketers have to accomplish the goal of improving market share or market position?
3. Provide two examples of how businesses compete when they don't want to compete on price.

Integrating Academic Skills

Math

4. A cosmetic company has developed a new line of mascara. Each tube of mascara costs $6.50 to make and market and it is sold for $10. What is the rate of return on investment?

Geography

5. Why may the price of a concert ticket vary depending on where the concert is held within the United States? What if the concert is held in another country?

Online Action!

Check your answers at ***marketingessentials.glencoe.com/25/read***

SECTION 25.2

Factors Involved in Price Planning

OBJECTIVES

- List the four market factors that affect price planning
- Analyze demand elasticity and supply and demand theory
- Explain how government regulations affect price planning

KEY TERMS

- break-even point
- demand elasticity
- law of diminishing marginal utility
- price fixing
- price discrimination
- unit pricing
- loss leader

READ and STUDY

BEFORE YOU READ

Predict What are two factors that can influence prices?

THE MAIN IDEA

Pricing a product may seem like an easy task, until you take into consideration all the factors affecting that decision. Skipping even one aspect of this process could cost a business millions of dollars in lost sales or even in fines or lawsuits from not following the laws and ethics governing pricing decisions.

STUDY ORGANIZER

Draw the chart below. As you read this section, note each step of the pricing process and its consequence. Use these notes to review before a test.

Factors That Affect Price	Consequences
Costs and expenses	Determine a company's profits

Market Factors Affecting Prices

How do businesses make pricing decisions? The answer is not an easy one, as you have probably already realized. Constant changes in the marketplace force businesses to review their pricing decisions frequently. Four key market factors that must be considered when reviewing and establishing prices are: costs and expenses, supply and demand, consumer perceptions, and competition. Most price planning begins with an analysis of costs and expenses, many of which are related to current market conditions. The cost of raw materials may increase a manufacturer's costs to make an item.

WHILE YOU READ

Connect As you read this section think of what you have just learned about the goals of pricing.

Costs and Expenses

In today's competitive economic environment, businesses constantly monitor, analyze, and project prices and sales in the light of costs and expenses. They do this because sales, costs, and expenses together determine a firm's profit. Many factors have to be considered when raising or lowering prices even if the impulse to increase or decrease is a direct, seemingly logical reaction to events in the marketplace.

Responses to Increasing Costs and Expenses

When oil prices go up, you will often see an increase in rates charged by airlines, shipping companies, and gas stations. How else could businesses maintain their profit margins? Let's look at other options.

Some businesses have found that price is so important in the marketing strategy of a product that they hesitate to make any price changes. They will reduce the size of an item before they will change its price. A candy

Case Study

99¢ Only: Spending in Order to Earn

99¢ Only Stores' low-budget roots helped it increase sales to $863 million in 2003, up 21 percent over previous years. Their strategy? Cutting-edge warehouse and in-store stock-tracking and technology, and a frugal management culture that counts every penny.

Spend to Keep Prices Low

Expensive computer gear and cutting-edge automation are not exactly what you would expect to find behind the scenes at a retailer so price-conscious that it sells everything for $0.99 each. Net profit margins are 8.3 percent, which may not sound spectacular, but consider this: Kroger Co., the supermarket chain, has net margins of only 2.1 percent, while margins at the super-efficient Wal-Mart Stores Inc. come in at just 3.1 percent.

Yet, even with sales of $863 million, IT investments at 99¢ Only Stores are as spare as Robert Adams, Vice President of information services, can make them. 99¢ Only spends less than $5 million a year on IT, not a huge budget for a company this size.

Knowing Who Likes to Save

Where other dollar stores target low- to moderate-income neighborhoods, 99¢ Stores looks for areas with a high-income demographic. "Rich people like to save money too, and they do it in higher volumes," says founder David Gold. Case in point: The 18,000-square-foot 99¢ Only store adjacent to Beverly Hills rakes in the chain's highest annual gross sales, averaging $10 million.

THINK STRATEGICALLY

Why do you think 99¢ Only store management chose to invest in warehouse and in-store technology despite their reputation for containing costs?

Online Action!

Go to *marketingessentials.glencoe.com/25/case* to find a research project on discount stores.

manufacturer might reduce a candy bar from 4 to 3.5 ounces rather than increase its price.

Manufacturers drop features their customers don't value. Some airlines have stopped serving meals and offer only beverages. Eliminating a small portion of its service helps the company to stay competitive.

Some manufacturers respond to higher costs and expenses by adding more features or upgrading the materials in order to justify a higher price. For example, the Ford Motor Company designed more comfortable supercabs on some of its trucks and charged more for those models.

Responses to Lower Costs and Expenses

Prices may occasionally drop because of decreased costs and expenses. Aggressive firms are constantly looking for ways to increase efficiency and decrease costs. Improved technology and less expensive materials may help create better-quality products at lower costs. Personal computers have fallen in price because of the improved technology.

Break-Even Point

Manufacturers are always concerned with making a profit. They are especially concerned, however, in two situations—when marketing a new product and when trying to establish a new price. In these circumstances, manufacturers carefully analyze their costs and expenses in relation to unit and dollar sales. To do this they calculate their break-even point.

The **break-even point** is the point at which sales revenue equals the costs and expenses of making and distributing a product. After this point is reached, businesses begin to make a profit on the product.

Suppose a toy manufacturer plans to make 100,000 dolls that will be sold at $6 each to retailers and wholesalers. The cost of making and marketing the dolls is $4.50 per unit, or $450,000 for the 100,000 dolls. How many dolls must the toy manufacturer sell to cover its costs and expenses? To calculate the break-even point, the manufacturer must divide the total amount of costs and expenses by the selling price:

$$\$450{,}000 \div \$6 = 75{,}000$$

To break even, the firm must sell 75,000 dolls. After 75,000 are sold, the firm will begin to make a profit.

Supply and Demand

In Chapter 3, you learned about supply and demand theory. You might recall that demand tends to go up when price goes down and down when price goes up. This statement is accurate as a general rule. However, demand for some products does not respond readily to changes in price. The degree to which demand for a product is affected by its price is called **demand elasticity**. Products are said to have either elastic demand or inelastic demand.

Elastic Demand

Elastic demand refers to situations in which a change in price creates a change in demand. Changes in the price of steak can serve as an example. If the price of steak were $8 per pound, few people would buy steak; if the price were to drop to $5, $3, and finally $2 per pound, however, demand would increase at each price level.

Law of Diminishing Marginal Utility

These increases would not continue indefinitely, however. At some point, they would be limited by another economic law—the **law of diminishing marginal utility**, which states that consumers will buy only so much of a given product, even though the price is low. Let's say that detergent went on sale, and you bought five bottles of it. Three weeks later a new sale is announced for the same detergent, but you already have enough to last for months; therefore, you don't take advantage of the new sale.

Inelastic Demand

Inelastic demand refers to situations in which a change in price has very little effect on demand for a product. If milk prices were to increase, parents with young children may still pay the higher price. During the holiday season, you may see parents willing to pay a higher price for a popular toy than they would normally pay. Since there is no substitute for that toy, it is an example of inelastic demand.

Factors Influencing Demand Elasticity

There are five factors that determine whether demand is elastic or inelastic. They are: brand loyalty, price relative to income, availability of substitutes, luxury versus necessity, and urgency of purchase. See Figure 25.2 for details.

Consumer Perceptions

Consumer perceptions about the relationship between price and quality or other values also play a role in price planning. Some consumers equate quality with price. They believe a high price reflects high quality. A high price may also suggest status, prestige, and exclusiveness.

Some businesses create the perception that a particular product is worth more than others by limiting the supply of the item in the market. They do this by coming out with a limited edition of a certain model and charging a higher price. Why? The reasoning is that the value of the item will increase as a result of its exclusiveness.

Service and Consumer Perceptions

Personalized service can add to a consumer's perceptions about price. Many consumers

Figure 25.2 ***Demand Elasticity***

• **What Determines Demand Elasticity?** **Demand elasticity varies with five factors. Most depend on the consumer's personal situation or attitudes about the purchase.**

How does demand elasticity work?

1 ***Brand Loyalty***
Some customers will not accept a substitute product, even though there are many competing brands. In such situations, demand becomes inelastic because customers are loyal to one brand.

2 ***Price Relative to Income***
If the price increase is significant relative to one's income, demand is likely to be elastic.

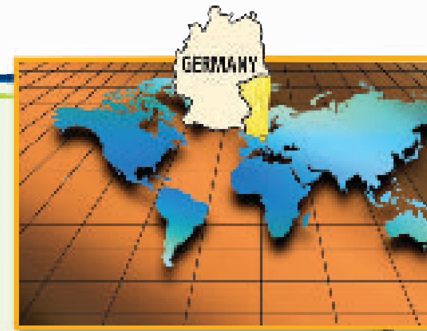
3 ***Availability of Substitutes***
When substitutes are readily available, demand becomes more elastic.

4 ***Luxury Versus Necessity***
When a product is a necessity (such as medicine for a sick person), demand tends to be inelastic. When a product is a luxury, just the opposite is true.

5 ***Urgency of Purchase***
If a purchase must be made immediately, demand tends to be inelastic.

Online Action! **Go to** ***marketingessentials.glencoe.com/25/figure/2*** **to find a research project on demand elasticity.**

GLOBAL MARKET



Wal-Mart's Prices Too Low In Germany

In Germany, Wal-Mart was involved in a price war with its two major competitors, the Aldi and Lidl chains. Wal-Mart's response to its competitors' low prices for sugar was to lower its price for sugar to below cost. Wal-Mart also lowered its prices on margarine and milk, but not because of competition. When Wal-Mart experienced a sudden price increase by its suppliers of margarine, it decided not to risk losing market share by passing those increases on to its customers. Wal-Mart dropped milk prices to meet competitors' prices.

Supreme Court Ruling Germany's Superior Court ruled against Wal-Mart because its pricing practices were harmful for small- and medium-sized competitors. The basis of the Supreme Court's ruling questioned whether the pricing practices were "objectively justified" under the circumstances. The Supreme Court ruled that Wal-Mart did not violate the law with the price on margarine because it was only for a short period of time, as Wal-Mart looked for a new supplier. Wal-Mart's below-cost prices for milk were not justified because it was reacting to illegal pricing practices by its competitors, which hurt small businesses. The court maintained that Wal-Mart should have reported its competitors' pricing actions to the German Federal Cartel Office.

CRITICAL THINKING

Do you agree with the German court decision? Why or why not? How could have Wal-Mart avoided this legal tangle?

Online Action!

Go to *marketingessentials.glencoe.com/25/global* to find a research project about marketing and economic activity in Europe.

are willing to pay more for items purchased from certain businesses because of the service those businesses might offer.

Marketers can charge slightly higher prices because consumers are willing to pay for the added service. Five-star restaurants offer fancy place settings and an attentive wait staff to make your dining experience elegant.

Competition

Price must be evaluated in relation to the target market and is one of the four Ps of the marketing mix. A company can use a lower price when its target market is price conscious. When its target market is not price conscious, a company can resort to various forms of non-price competition.

Nonprice competition minimizes price as a reason for purchase; instead, it creates a distinctive product through product availability and customer service. The more unusual a product is perceived to be by consumers, the greater the marketer's freedom to set prices above those of competitors.

Marketers change prices to reflect consumer demand, cost, or competition. When products are very similar, price often becomes the sole basis on which customers make their purchase decisions. Shoppers are more likely to buy the less expensive brand if they see no difference between products. Because of this, competitors must watch each other closely. When one company changes its prices, others usually react.

When competitors engage in a fierce battle to attract customers by lowering prices, a price war is the result. The problem with price wars is that firms reduce their profits while trying to undercut their competitors' prices and attract new customers. This may result in excessive financial losses and, in some cases, actual business failure. According to *PC World,* it took two years for the home scanner market to stabilize after a two-year price war. The battle put many vendors out of business.

Legal and Ethical Considerations for Pricing

Federal and state governments have enacted laws controlling prices. Marketers must be aware of their rights and responsibilities regarding price fixing, price discrimination, resale price maintenance, minimum pricing, unit pricing, and price advertising. Some pricing practices, while legal, may not be ethical. Thus, ethical pricing considerations are also important.

Price Fixing

Price fixing occurs when competitors agree on certain price ranges within which they set their own prices. Price fixing can be proved only when there is evidence of collusion. This means that there was communication among the competing firms to establish a price range. Price fixing is illegal because it eliminates competition. The federal law against price fixing is the Sherman Antitrust Act of 1890, which outlawed monopolies.

Price Discrimination

Price discrimination occurs when a firm charges different prices to similar customers in similar situations. The Clayton Antitrust Act of 1914 defines price discrimination as creating unfair competition. The Robinson-Patman Act was passed in 1936 to strengthen the provisions of the Clayton Act. The Robinson-Patman Act prohibits sellers from offering one customer one price and another customer a different price if both customers are buying the same product in similar situations.

The Robinson-Patman Act was intended to help smaller retailers compete with the large chain stores.

Unit Pricing

A number of states have passed laws to make it easier for consumers to compare similar goods that are packaged in different sizes or come in different forms (such as frozen and canned foods). **Unit pricing** allows consumers to compare prices in relation to a standard unit or measure, such as an ounce or a pound. Food stores have been most affected by these laws and have responded with shelf labels and computer records of unit prices.

Resale Price Maintenance

Manufacturers' resale price maintenance policies have come under scrutiny by legal authorities. Historically, manufacturers would set a retail price for an item and force retailers to sell it at that price. The manufacturer would punish retailers that sold the item for a lower price by withholding deliveries or refusing promised discounts or allowances. This practice of punishing retailers was outlawed in 1975 in the Consumer Goods Pricing Act.

A manufacturer may suggest resale prices in its advertising, price tags, and price lists. There can even be an agreement to fix the maximum retail price as long as the price agreement is not an "unreasonable restraint of trade" or considered "anti-competitive." A business cannot coerce current customers into adhering to such prices. It can tell customers in advance that they will not be permitted to sell its products if they break the established pricing policy. The difference between "coercing customers" and "telling them in advance" is the fine line manufacturers with such policies must walk.

Unfair Trade Practices Law

Unfair Trade Practices Law, also known as Minimum Price Law, prevents large companies with market power from selling products at very low prices to drive out their competition. In general the federal law prohibits pricing that has a predatory intent or that harms competition or consumers. Many states have enacted "sales below cost" or "unfair sales" statutes that may prohibit certain below-cost pricing, even though they would be permitted under federal law. The state laws were enacted to prevent retailers from selling goods below cost plus a percentage for expenses and profit. Some states have passed such laws that cover all products, while others have included only specific products, such as gasoline, milk, or insurance.

In states where minimum price laws are not in effect, an item priced at or below cost to draw customers into a store is called a **loss leader**. This means the business takes a loss on the item to lead customers into the store. Retailers select highly popular, well-advertised products to use as loss leaders.

Price Advertising

The Federal Trade Commission (FTC) has developed guidelines for advertising prices. The FTC's price advertising guidelines forbid a company from advertising a price reduction unless the original price was offered to the public on a regular basis for a reasonable and recent period of time. Another rule says that a company may not say its prices are lower than its competitors' prices without proof based on a large number of items.

Also, a premarked or list price cannot be used as the reference point for a new sale price unless the item has actually been sold at that price.

Bait-and-switch advertising, in which a firm advertises a low price for an item it has no intention of selling, is illegal. For example, when a customer comes in and asks for the advertised item, salespeople switch the customer to a higher-priced item by saying that the advertised product is out of stock or of poor quality.

Pricing Ethics

Most ethical pricing considerations arise when interpreting pricing laws. Some businesses like computer chip makers and pharmaceutical companies spend a lot of money for research and development of new products. Once a product is created, its manufacturing cost may be small. When you compare its selling price to its manufacturing cost, the price may seem unusually high, but if you include the costs of development, the price may seem warranted. However, if you set a price higher than normal for a product in high demand, you are price gouging. Gouging is unethical and against the law in some states during national and state emergencies due to natural disasters or strikes.

25.2 AFTER YOU READ

Reviewing Key Terms and Concepts

1. In response to increased costs and expenses, what four pricing options might a business consider?
2. What five factors affect demand elasticity?
3. What U.S. government agency regulates price advertising?

Integrating Academic Skills

Math

4. Calculate the break-even point for a music CD that cost $12 to make and market and that will be sold for $15. The total quantity that will be sold at that price is 200,000.

Civics and Government

5. On the Internet or at your library, research the Robinson-Patman Act and list three forms of discrimination this legislation prevents.

Online Action!

Check your answers at *marketingessentials.glencoe.com/25/read*

CAREERS IN MARKETING

John L Daly
Pricing Consultant
Executive Education, Inc.

What do you do at work

I develop customized Microsoft Excel computer models for companies to price their products. My clients are usually manufacturing companies who are in highly competitive environments with thin profit margins. Most companies price their products using average accounting costs without an understanding of the real economics behind their pricing decisions. As a result, it is common for companies to overprice easy, high volume sales opportunities (what operating people would call gravy) and underprice difficult low-volume opportunities (what operations people would call dogs).

What skills are most important to you?

In general, the discipline of marketing, which includes a knowledge of the customer and how much the customer is willing to pay, sets the upper limits of price. The lower limits must be set by a knowledge of the real economics of the selling situation. Pricing is a discipline that requires a strong knowledge of both marketing and cost accounting.

What is your key to success?

I have a deep intuitive understanding of three disciplines: marketing, activity-based costing and information systems. Without any one of these three, I would not be able to do an effective job as a pricing professional. Pricing professionals should have an in-depth knowledge of the more quantitative aspects of marketing.

Aptitudes, Abilities, and Skills

Discipline and organizational skills, reading and research ability, strong mathematical and analytical skill

Education and Training

Advanced degrees in marketing, general business and accounting are very useful in this career.

Career Path

Careers in pricing may begin with entry-level research positions within established pricing firms.

THINKING CRITICALLY

Why is it common for companies to set prices incorrectly on products or services that are an easy sell?

Online Action!

Go to *marketingessentials.glencoe.com/25/careers* to find a research project on careers in marketing.

CHAPTER 25 REVIEW

FOCUS on KEY POINTS

SECTION 25.1

- Price is the money value placed on a good or a service. There are many forms of price: fees, fares, tuition, rent, wages, commissions, etc.
- Pricing is a key factor in the success or failure of a product or service, and therefore of a business. It establishes an image, a competitive edge, and determines profits. Revenue = price × quantity sold.
- The goals of pricing are: earning a profit, gaining market share, and meeting the competition. Market share is a company's percentage of the total sales volume generated by all companies in a given market. Market position is the standing a company has in its market compared to its competitors.

SECTION 25.2

- Four factors affect pricing: costs and expenses, supply and demand, consumer perceptions, and competition.
- The law of supply and demand means that, in general, demand goes up when price goes down and demand goes down when price goes up. Demand elasticity is the degree to which price affects demand. If a change in price creates a change in demand, demand is said to be elastic. If change in price has little effect on demand, demand is inelastic.
- Legal and ethical issues play a key role in pricing. Government regulations control price fixing, price discrimination, resale price maintenance, minimum price, unit pricing, and price advertising.

REVIEW VOCABULARY

Define the key terms below.

1. price (p. 526)
2. return on investment (ROI) (p. 528)
3. market share (p. 529)
4. break-even point (p. 533)
5. demand elasticity (p. 533)
6. law of diminishing marginal utility (p. 533)
7. price fixing (p. 536)
8. price discrimination (p. 536)
9. unit pricing (p. 536)
10. loss leader (p. 537)

REVIEW FACTS and IDEAS

11. What are the different forms of pricing? (25.1)
12. Why is pricing important? (25.1)
13. What are the main goals of pricing? (25.1)
14. What is the difference between market share and market position? (25.1)
15. Name and explain the four market factors that affect price planning. (25.2)
16. What is demand elasticity and how does it alter supply and demand theory? (25.2)
17. What role do government regulations play in the pricing process? Give one example. (25.2)

BUILD SKILLS

18. Workplace Skills

Interpersonal Communication Prepare a memo addressed to your staff of marketing consultants regarding the need for accurate accounting for the time they spend on their clients' projects. Explain the role they play in the ethical pricing practices of your firm. Include an explanation of the firm's rules regarding padding the bill and doing work for a client beyond the original contract.

19. Technology Applications

Spreadsheet Use a spreadsheet program to prepare a pie chart depicting market share enjoyed by competitors in a hypothetical $900 million market for specialty frozen pizza. Use these fictional figures to represent each brand's sales.

Brand	Sales (× 1,000)
Salerno	225,000
Ciccone	180,000
Marie's	135,000
Infantino	126,000
Aurora's	108,000
Angelo's	90,000
Other	36,000

20. Math Practice

Return on Investment Determine the return on investment for the following two toys:

	Ringo Wrango	Pingo Pango
Manufacturing costs	$ 5.00	$ 7.50
Marketing expenses	$ 2.50	$ 4.00
Selling price	$ 17.00	$ 14.75

Based on return on investment, which toy is more profitable for the company?

DEVELOP CRITICAL THINKING

21. Study the Competition

Select a product that interests you and note its price. Research other brands of that product and their prices. Which brands compete on price and which ones use nonprice competition to win customers? Summarize your findings in a 150-word paragraph.

22. Consumer Perceptions

Select a product and explain why and how consumer perceptions might have influenced its pricing. Write a short list of reasons and be prepared to discuss them in class.

APPLY CONCEPTS

23. Identify Price

You must determine the price you will charge retailers for a box of disposable cleansing cloths, which is a new product. Competing brands retail for between $5.99 and $6.99. Assume your cost of manufacturing and marketing this new product is $2.75 per box. Remember to include a profit margin in the price you will charge retailers. To be competitive, you need to consider the suggested retail price that retailers will charge the final consumer. In this example, assume retailers will double the price they pay for the item when calculating the price they charge their customers. You expect to make 200,000 boxes of these disposable cloths at the price you will be charging retailers.

Activity What will be your break-even point? Use a word processing program to prepare a written report.

24. Research and Debate Price Gouging

Use the Internet to research the topic of price gouging from a legal and ethical standpoint. Find out if your state has a gouging law. Note specific instances and court decisions regarding price gouging. Include issues concerning prescription drugs in your research. Look at issues from a free market perspective and from a consumer's point of view.

Activity Use a word processing program to write a 200-word report of your findings and participate in a debate with classmates about price gouging.

NET SAVVY

25. A Fair Price?

Browse travel Web sites Travelocity, Orbitz, Expedia, and Priceline. Determine and list three differences in pricing factors between these dot-coms and brick-and-mortar travel agencies or major airlines.

THE DECA CONNECTION

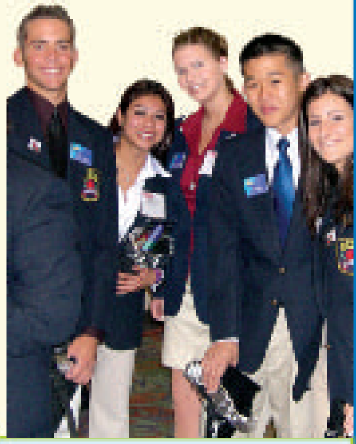
Role Play: Management Trainee

Situation You are to assume the role of management trainee for a unisex clothing store that specializes in jeans and trendy clothing. The store's buyer (judge) wants your opinion about whether or not to carry a new brand of jeans that would sell for $10 more than your most expensive brand. Even at the $80 retail price, you think they will sell.

Activity In ten minutes, you will be meeting with the store buyer to share your thoughts and opinions. What will you say?

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Explain the nature and scope of the pricing function
- Explain factors affecting pricing decisions
- Identify strategies for pricing new products
- Explain the nature of sales forecasts
- Persuade others



Online Action!

For more information and DECA Prep practice, go to *marketingessentials.glencoe.com/25/DECA*

CHAPTER 26

Pricing Strategies

Chapter Objectives

After reading this chapter, you should be able to:

- Name three pricing policies used to establish a base price
- Explain the two polar pricing policies for introducing a new product
- Explain the relationship between pricing and the product life cycle
- Describe pricing strategies that adjust the base price
- List the steps involved in determining a price
- Explain the use of technology in the pricing function

GUIDE TO THE PHOTO

Market Talk Product prices change all the time. Sometimes a new product or new technology becomes more common, so prices drop. At other times, retailers and service providers have sales and promotion events.

Quick Think Name a product you like whose price has changed in the past few years. Why did the price change?

CONTENTS

THE DECA CONNECTION

Performance indicators represent key skills and knowledge. Relating them to the concepts explained in this chapter is your key to success in DECA events. These acronyms represent DECA events that involve knowledge of concepts in this chapter.

AAAL	**FMAL**	**MMS***	**TMDM***
AAML*	**FMDM***	**QSRM***	**TSE***
ADC*	**FMML***	**RMAL**	**VPM**
BSM	**FSRM***	**RMML***	
EMDM*	**HMDM***	**SMDM***	

In all these DECA events you should be able to follow this performance indicator:

- Explain factors affecting pricing decisions

All the events with an asterisk (*) also include these performance indicators:

- Select approach for setting a base price
- Identify strategies for pricing new products
- Select product-mix strategies
- Use psychological pricing to adjust base prices
- Select promotional pricing strategies used to adjust base prices
- Determine geographic pricing strategies to adjust base prices
- Identify segmented pricing strategies
- Set prices
- Adjust prices to maximize profitability

Some events include additional performance indicators. These are:

FMDM Describe factors affecting the prices of financial services/products

ADC Describe factors affecting the prices of advertising services

SMDM Set event prices

TMDM Set price of group tour

DECA PREP

Check your understanding of DECA performance indicators with the DECA activity in this chapter's review. For more information and DECA Prep practice, go to *marketingessentials.glencoe.com/26/DECA*

SECTION 26.1

Basic Pricing Policies

OBJECTIVES

- Name three pricing policies used to establish a base price
- Explain the two polar pricing policies for introducing a new product
- Explain the relationship between pricing and the product life cycle

KEY TERMS

- markup pricing
- cost-plus pricing
- one-price policy
- flexible-price policy
- skimming pricing
- penetration pricing

READ and STUDY

BEFORE YOU READ

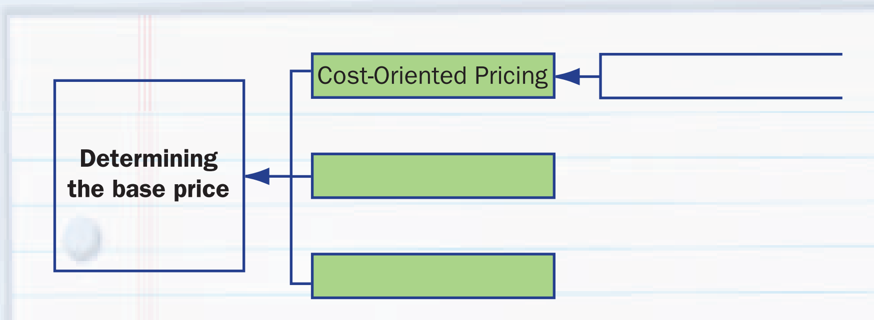
Predict Name four reasons why prices vary.

THE MAIN IDEA

You already know the factors that influence pricing decisions. This will help you understand key pricing concepts. Establishing a base price from which price adjustments may be made is the focus of this section. This includes the various situations and company policies that can affect the pricing of a product.

STUDY ORGANIZER

Use a chart like the one below to take notes about the pricing policies that can affect the base price for a product.



WHILE YOU READ

Analyze Identify policies and situations that marketers use to establish the base price for new and old products.

Basic Pricing Concepts

A major factor in determining the profitability of any product is establishing a base price. Cost, demand, and competition influence pricing policies and are important in establishing a base price for a product. Each factor is the basis for a different method of setting the base price of any given product: cost-oriented pricing, demand-oriented pricing, and competition-oriented pricing.

CONTENTS

Cost-Oriented Pricing

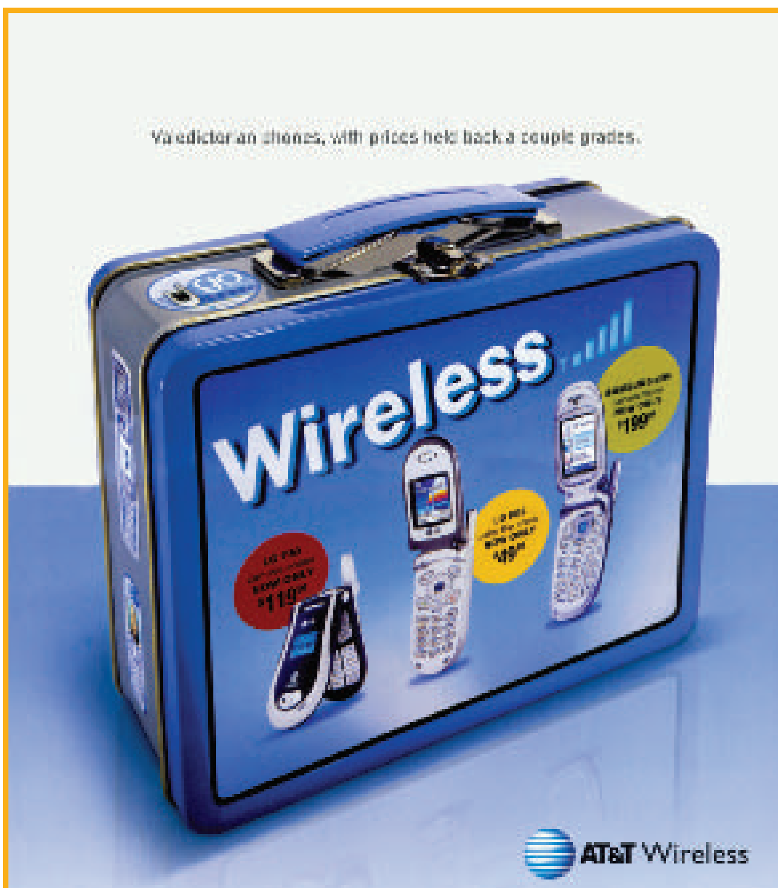
In cost-oriented pricing, marketers first calculate the costs of acquiring or making a product and their expenses of doing business; then they add their projected profit margin to these figures to arrive at a price. Markup pricing and cost-plus pricing are two of the most common methods of cost-oriented pricing.

Markup Pricing

In **markup pricing**, resellers add a dollar amount (markup) to their cost to arrive at a price. For example, if an item cost $10 and the percentage of markup on cost is 40 percent, the retail price would be $14 ($10 × .40 = $4.00; $10 + $4 = $14). Thus, a markup, generally expressed as a percentage, is the difference between the price of an item and its cost. Markup pricing is used primarily by wholesalers and retailers, who are involved in acquiring goods for resale. The markup on products must be high enough to cover the expenses of running the business and must include the intended profit.

Cost-Plus Pricing

In **cost-plus pricing**, all costs and expenses are calculated, and then the desired profit is added to arrive at a price. Cost-plus pricing is used primarily by manufacturers and service companies. The method is more sophisticated than markup pricing because all fixed and variable expenses are calculated separately. Fixed expenses are those expenses that do not change based on production. Fixed expenses include things such as rent, interest on loans, executives' salaries, advertising, and insurance. Variable expenses are associated with the production of the good or service and include costs related to labor and supplies. When a manufacturer is running at full capacity, the percentage of fixed expenses allocated to each product becomes smaller. This permits the manufacturer to charge a lower unit price



• **PRICING WIRELESS SERVICE** The demand for cell phone service has increased tremendously in the past years.

How has demand affected prices in this case?

for goods. Figure 26.1 illustrates how cost-plus pricing can be used to calculate price for a manufacturer.

Demand-Oriented Pricing

Marketers who use demand-oriented pricing attempt to determine what consumers are willing to pay for given goods and services. The key to this method of pricing is the consumer's perceived value of the item. The price set must be in line with this perception or the item will be priced too high or too low for the target market. Inappropriate pricing could cause the product to fail.

Demand-oriented pricing relies on the basic premises of supply-and-demand theory and on demand elasticity factors. The higher the demand, the more a business can charge for a given good or service, even though the good or service and its cost do not change.

Competition-Oriented Pricing

Marketers may elect to take one of three actions after learning their competitors' prices: price above the competition, price below the competition, or price in line with the competition (going-rate pricing). There is no relationship between cost and price or between demand and price in this pricing method.

Competitive-bid pricing, one type of competition-oriented pricing strategy, determines the price for a product based on bids submitted by competitors to a company or government agency. In such cases, some companies will try to enter the lowest bid in order to obtain the contract.

Establishing the Base Price

To establish the base price or price range for a good or service, all three pricing approaches can be used.

Figure 26.1 Cost-Plus Pricing for a Manufacturer

• **Variable Costs** The example below is for a plain pair of pants.

How would the addition of details, such as four pockets, affect the price to the business customer and ultimately to you, the final consumer?

PLENTY OF PANTS CLOTHING MANUFACTURER: UNIT PRICE FOR A PAIR OF PANTS	
Materials (fabric, thread, zipper, buttons)	$7.50
Labor (piecework)	$1.50
Fixed expenses (overhead)	$.25
Intended profit	$2.25
Final price to business customer	$11.50

Online Action!

Go to *marketingessentials.glencoe.com/26/figure/1* to find a project on cost-plus pricing for manufacturers.

Case Study

Voice Over Internet Protocol

Once upon a time, there was only one telephone company in the United States. After the government broke up the monopoly in 1982, consumers had many more choices. The invention of mobile phones expanded the number of service providers, and the invention of telephoning through the Web (Voice over Internet Protocol) in the mid-1990s expanded that number again. With all those companies vying for customers, the competition is fierce.

Price Wars

Dozens of companies in the United States offer phone service through high-speed Internet connections. Some compete by adding features such as voice mail or call waiting, but most compete with price.

Verizon and AT&T charged $29.95 to $34.95 per month for unlimited calling in the U.S. in 2004. Some competitors charged $20 to $25 per month. Even cheaper plans limit the number of minutes. Skype uses a different business model, charging about 2.3 cents per minute for calls in the United States.

But some industry insiders warned there was no way to stay in business without charging $35 per month per customer, especially if the government decides VoIP providers need to collect the same taxes that traditional phone service providers collect.

THINK STRATEGICALLY

What additional changes in this service do you predict for the future and how will those changes affect the pricing plans now offered by providers?

Online Action!

Go to *marketingessentials.glencoe.com/26/case* to find an activity on new cost-saving technology.

Cost-oriented pricing helps marketers determine the price floor for a product, or the lowest price for which it can be offered and still make a profit. Demand-oriented pricing determines a price range for the product that is defined by the price floor and the ceiling price (the highest amount consumers would pay). Competition-oriented pricing may be used to ensure that the final price is in line with the company's pricing policies such as always offering prices lower than competitors. Combining pricing considerations offers a good range within which a company can establish its base price. If a company decides to go with the competition-oriented pricing strategy, it still knows how much it can lower its prices if necessary, based on the cost-oriented pricing figures.

Reseller Considerations

Manufacturers may also consider the prices they will charge resellers (wholesalers and retailers) for their products in order to establish a base price. This can be done in one of

Figure 26.2 Pricing Backward From the Retail Price

- **Determining the wholesale price** One way for a manufacturer to arrive at a wholesale price is to subtract all the markups for channel members from the suggested retail price.

What problem would this manufacturer have if its costs and expenses totaled $37?

Manufacturer's suggested retail price (MSRP)	$75
Retailer's markup *(40% of retail price)*	−$30
Wholesaler's price to retailer *(Subtract retailer's markup from MSRP)*	$45
Wholesaler's markup *(20% of wholesale price)*	−$9
Manufacturer's price to wholesaler *(Subtract wholesaler's markup from the price paid by wholesalers)*	$36

- Remember this amount must cover costs, expenses, and profit for the manufacturer.

Online Action! Go to *marketingessentials.glencoe.com/26/figure/2* to find a project on pricing backward.

Figure 26.3 Pricing Forward From the Manufacturer's Cost

- **Marking up cost** In this pricing method, the starting point is the manufacturer's cost. At each step, a reseller adds a markup to arrive at a new price. The reseller then charges its customers the new price. The final price is the price to the consumer.

What do you see as the basic difference in markup percentage between calculating pricing forward and pricing backward?

Cost of producing the item	$30.00
Manufacturer's expenses and intended profit *(20% of cost)*	+6.00
Manufacturer's price to wholesaler *(Cost plus expenses plus intended profit)*	36.00
Wholesaler's markup *(25% of price wholesaler paid for item)*	+9.00
Wholesaler's price to retailer *(Manufacturer's price to wholesaler + markup)*	45.00
Retailer's markup *(66.67% based on price paid to wholesaler)*	+30.00
Retailer's base price to consumer	$75.00

Online Action! Go to *marketingessentials.glencoe.com/26/figure/3* to find a project on pricing forward.

two ways. You can work backward from the final retail price to find the price for the wholesalers. You can also do this in reverse, working forward from costs and expenses to the final retail price. Figures 26.2 and 26.3 illustrate these two methods.

In Figure 26.2, which describes the steps in working backward, the suggested retail price is set first, on the basis of consumer demand and competition. Next, the markups desired by the wholesalers and retailers are deducted sequentially from the suggested retail price. Finally, the base price that the manufacturer will charge the wholesaler is determined. Note that the price to the wholesaler must be high enough to cover the manufacturer's costs, any expenses, and the intended profit.

Figure 26.3 illustrates the steps for working forward from the manufacturer's cost. Expenses and intended profit must be considered, and then the wholesaler's and retailer's markups are added to the manufacturer's price to arrive at the base selling price. Competition and consumer demand may be left out of the pricing decision if the price is set at this point.

Pricing Policies and Product Life Cycle

A basic pricing decision every business must make is to choose between a one-price policy and a flexible-price policy. A business also needs to consider how a new product will be introduced into the marketplace. That choice will determine the pricing decisions that follow as the product moves through its life cycle.

One-Price Versus Flexible-Price Policy

A **one-price policy** is one in which all customers are charged the same prices. Prices are quoted to customers by means of signs and price tags, and no deviations are permitted. Most retail stores employ this policy. A one-price policy offers consistency and reliability. It also allows retailers to estimate sales and profit because they know the set price.

A **flexible-price policy** is one in which customers pay different prices for the same type or amount of merchandise. This kind of policy permits customers to bargain for merchandise. Most retail stores avoid using flexible pricing because it can cause legal problems and it may keep some customers away. A flexible-price strategy is common for goods such as used cars, artwork, antiques, furniture, and selected jewelry. One disadvantage of a flexible-price policy is that it does not offer consistent profits. It can be difficult to estimate sales revenue because of the fluctuations in price. However, with computer technology and huge databases, this may be changing.

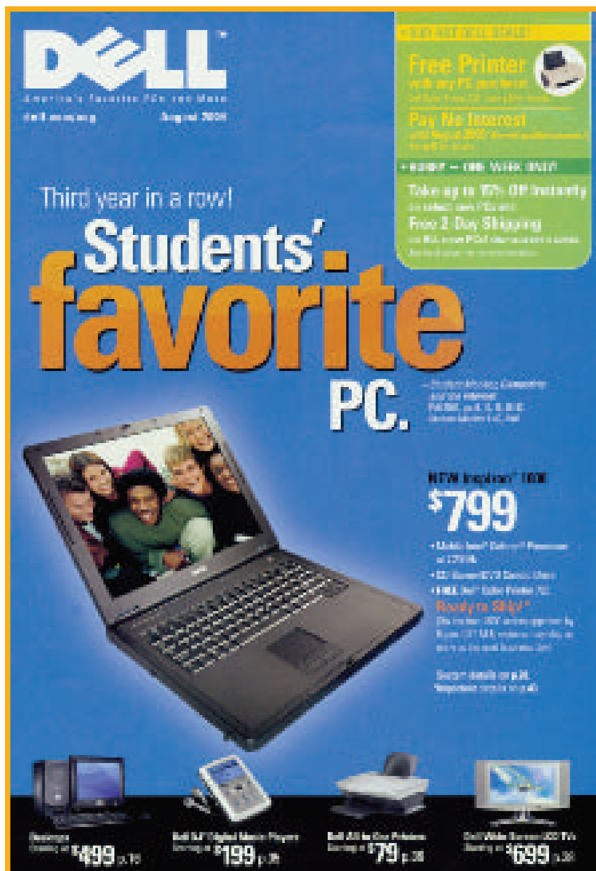
Product Life Cycle

Products move through four stages: introduction, growth, maturity, and decline. Pricing plays an important role in this sequence of events.

New Product Introduction

A business may elect to price a new product above, in line with, or below its competitors depending on the philosophy of the business and market conditions. When a going-rate strategy is not used to introduce a new product, two methods may be used: skimming pricing or penetration pricing.

Method 1 **Skimming pricing** is a pricing policy that sets a very high price for a new



• **PRICING ELECTRONICS** Computers and other electronic appliances quickly go out of date as new technology emerges and becomes more common.

How does this fast product life cycle affect pricing?

MARKET TECH

Pricing and Promotion Software

Chances are you have seen circulars in the mail or in the Sunday newspaper promoting special markdowns or "everyday low prices" at local stores. Stores used to rely on laborious calculations and even guesswork to set prices and decide what products to put on sale. Today, computer software can handle that job.

No More Guesswork

Retail chains including Radio Shack, Albertsons, and Longs Drugs use what is known as retail revenue management software or customer demand software to make pricing decisions.

The computer programs use information collected by point-of-sale terminals, such as sales volume and price. The software combines these data with other factors, including sales and volume goals, price sensitivity, and the prices that the chains pay for their goods.

After crunching the numbers, the software recommends prices and suggests products to put on sale or otherwise promote.

THINK LIKE A MARKETER

Why is the information collected at point-of-sale (POS) terminals not enough for this software to accomplish a complete price analysis?

Online Action!

Go to *marketingessentials.glencoe.com/26/tech* to find an activity on pricing and technology.

product. This kind of policy can be used any time demand is greater than supply. Such a policy is designed to capitalize on the high demand for a product during its introductory period.

Businesses that use this method recognize that the price will have to be lowered once the market for the product changes to more price-conscious customers. While the product is hot, the business will enjoy a high profit margin. Another advantage of skimming pricing is that the price may be lowered without insulting the target market.

One disadvantage of skimming pricing is that the high initial price generally attracts competition. In addition, if the initial price is far above what consumers are willing to pay, sales will be lost and profits diminished.

Method 2 **Penetration pricing** is the opposite of skimming pricing; the price for a new product is set very low. The purpose of penetration pricing is to encourage as many people as possible to buy the product and thus penetrate the market. This type of pricing is most effective in the sale of price-sensitive products (items with elastic demand). Sony used a penetration pricing strategy when it introduced its first PlayStation game console.

To penetrate the market quickly with penetration pricing, mass production, distribution, and promotion must be incorporated into the marketing strategy. The product should take hold in a short period of time. This allows the marketer to save on fixed expenses (through mass production) and to increase the profit margin (through volume sales).

The biggest advantage of penetration pricing is its ability to capture a large number of customers in a relatively short period of time. This blocks competition from other companies.

If the product is not in high demand, however, the lower price will cause the marketer to suffer a bigger loss than it would have if a higher initial price had been set.

Other Product Stages

Pricing during subsequent periods in a product's life cycle is determined by which pricing method was originally used, skimming or penetration. Sales increase rapidly during the penetration stage, and total costs per unit decrease because volume absorbs fixed costs. The main goal of marketers is to keep products in this stage as long as possible.

Sales of products introduced with skimming pricing should be monitored. Once sales begin to level off, the price should be lowered to appeal to the price-conscious target market.

Very little price change will be made in the growth stage for products introduced with penetration pricing. When demand decreases and sales begin to level off, competition is generally very keen. Marketers look for new market segments to hold the prices for their products. A baking soda marketer may stress noncooking uses for baking soda, such as deodorizing refrigerators.

The marketer's principal goal during the maturity stage is to stretch the life of a product. Some companies reduce their prices. Others choose to revitalize products in this stage by adding new features or improvements, or by looking for new target markets. Another option is to seek new markets in other nations in the global marketplace. Products that have been made obsolete in the United States by technological advances may be in the introductory or growth stage in other places. By using techniques like these, marketers can significantly extend a product's life cycle. When such efforts are not successful, however, a product moves into its decline.

Sales decrease and profit margins are reduced in the decline stage. Companies are forced to reduce the price to generate sales. To maintain profitability, marketers try to reduce manufacturing costs or cut back on advertising and other promotional activities. Once a product is no longer profitable, it is phased out.

26.1 AFTER YOU READ

Reviewing Key Terms and Concepts

1. Name and explain the two most common methods of cost-oriented pricing.
2. What is the key to demand-oriented pricing?
3. What three actions may marketers elect to follow in competition-oriented pricing?

Integrating Academic Skills

Math

4. Use the "pricing backward from retail price" approach to calculate the manufacturer's price to a wholesaler for a product that has a suggested retail price of $200. Assume that the retailer's markup on the retail price is 40 percent and the wholesaler's markup is 20 percent.

Civics and Government

5. What is competitive-bid pricing, and why must marketers understand this policy if they want to sell goods and services to the government?

Online Action!

Check your answers at *marketingessentials.glencoe.com/26/read*

Strategies in the Pricing Process

OBJECTIVES

- Describe pricing strategies that adjust the base price
- List the steps involved in determining a price
- Explain the use of technology in the pricing function

KEY TERMS

- product mix pricing strategies
- price lining
- bundle pricing
- geographical pricing
- segmented pricing strategy
- psychological pricing
- prestige pricing
- everyday low prices (EDLP)
- promotional pricing

READ and STUDY

BEFORE YOU READ

Predict How and why do you think prices change?

THE MAIN IDEA

Now that you know how to establish a base price, you need to learn how and why price adjustments are made. Price adjustments are a marketer's way of being creative with pricing. These strategies help businesses stay competitive. Using the right pricing strategy can help increase sales and profitability for a company, as you will see in the examples provided.

STUDY ORGANIZER

Create an outline of this section to identify the strategies for adjusting prices and the steps in setting prices.

Price Adjustment Strategies

1. Product mix strategies
   a. Price lining
   b.
   c.
   d.
   e.
2.

WHILE YOU READ

Connect Note pricing strategy examples from your own experience.

Adjusting the Base Price

Marketers can use specific pricing strategies to fit different economic and market conditions. To adjust base prices, marketers may employ any one or more of the following pricing strategies: product mix, geographical, international, segmented, psychological, and promotional pricing, as well as discounts and allowances. Using these strategies in the appropriate situations helps businesses remain competitive.

Product Mix Strategies

Product mix pricing strategies involve adjusting prices to maximize the profitability for a group of products rather than on just one item. With this method, one product may have a small profit margin while another may be high to balance the effect of the lower priced one. They include price lining, optional product pricing, captive product pricing, by-product pricing, and bundle pricing.

Price Lining

Price lining is a special pricing technique that sets a limited number of prices for specific groups or lines of merchandise. A store might price all its blouses at $25, $35, and $50. When deciding on the price lines, marketers must be careful to make the price differences great enough to represent low, middle, and high quality items. Price lines of $25, $26, $27, and $28, for example, would confuse customers because they would have difficulty discerning their basis.

An advantage of price lining is that the target market is fully aware of the price range of products in a given store. In addition, price lining makes merchandising and selling easier for salespeople, who can readily draw comparisons between floor and ceiling prices.

Optional Product

Optional product pricing involves setting prices for accessories or options sold with the main product. One example is options for cars. All options need to be priced so that a final price for the main product can be established.

Captive Product

Captive product pricing sets the price for one product low but compensates for that low price by pricing the supplies needed to operate that product high. Ink-jet printers are low in price, but the ink cartridges required to operate the printers have high prices.

By-Product

By-product pricing helps business get rid of excess materials used in making a product by using low prices. Wood chips that are residual by-products from making furniture may be sold at a very low price to other manufacturing companies that use that material in making their products.

Bundle Pricing

With **bundle pricing**, a company offers several complementary products in a package that is sold at a single price. The one price for all the complementary products and the main item is lower than if a customer purchased each item separately. Computer companies use bundle pricing when they include software in the sale price of a computer. Bundling helps businesses sell items (parts of the package) that they may not have sold otherwise, which increases their sales and revenue.

Geographical Pricing

Geographical pricing refers to price adjustments required because of the location of the customer for delivery of products. The delivered price includes the cost of the item and delivery charges. In this pricing strategy, the manufacturer assumes responsibility for the cost and management of product delivery.

International Pricing

When doing business internationally, marketers need to set prices that take into consideration costs, consumers, economic conditions, and the monetary exchange rate. Costs may include shipping, tariffs, or other charges. Consumers' income levels and lifestyles will require adjustments to the price.

Segmented Pricing Strategies

A **segmented pricing strategy** uses two or more different prices for a product, even though there is no difference in the item's cost. Used correctly, this strategy helps businesses optimize profits and compete more effectively. Four factors can help marketers use segmented pricing strategies: buyer identification, product design, purchase location, and time of purchase.

Buyer Identification

Recognizing a buyer's sensitivity to price (demand elasticity) is one way to identify a customer segment. For example, to attract customers on fixed incomes, some businesses offer senior citizen and student discounts. Airlines offer different classes of travel—first class and coach. First-class travelers pay a significantly higher price to get to the same destination.

Product Design

Manufacturers may also create different prices for different product styles that do not reflect the cost of making the item but, rather, the demand for a given style.

Purchase Location

Purchase location involves pricing according to where a product is sold and/or the location of the good or service. Tickets for Broadway shows in New York City will be priced higher than those for the same show when it goes on the road.

Time of Purchase

Some types of businesses experience highs and lows in sales activity. During peak times, they are able to charge more because of increased demand. Telephone companies often charge more for long-distance calls made during business hours, a peak time.

Psychological Pricing Strategies

Psychological pricing strategies are pricing techniques that help create an illusion for customers. They are often based on a buyer's motivation for making a purchase and purchasing habits. Among common psychological pricing techniques are odd-even pricing, prestige pricing, multiple-unit pricing, and everyday low prices (EDLPs).

Odd-Even Pricing

A technique that involves setting prices that all end in either odd or even numbers is known as odd-even pricing. This strategy is based on the psychological principle that odd numbers ($.79, $9.95, $699) convey a bargain image. Even numbers ($10, $50, $100) convey a quality image. Whether or not this is true, you will find that many marketers follow the odd-even technique in an effort to project a certain image.

Prestige Pricing

Prestige pricing sets higher-than-average prices to suggest status and high quality to the consumer. Many customers assume that higher prices mean better quality. Rolls-Royce automobiles, Waterford crystal, and Rolex watches are all prestige priced.

Multiple-Unit Pricing

Some businesses have found that pricing items in multiples, such as three for $1.00, is better than selling the same items at $.34 each. Multiple-unit pricing suggests a bargain and helps to increase sales volume.

Everyday Low Price

Everyday low prices (EDLP) are low prices set on a consistent basis with no intention of raising them or offering discounts in the future. Everyday low prices are not as deeply discounted as promotional prices might be, which creates sales stability. Other benefits include reduced promotional expenses and reduced losses due to discounting.

Promotional Pricing

Promotional pricing is generally used in conjunction with sales promotions where prices are reduced for a short period of time. Common types of promotional pricing are loss leader pricing (discussed in Chapter 25), special-event pricing, and rebates and coupons.

Loss Leader Pricing

Loss leader pricing is used to increase store traffic by offering very popular items of merchandise for sale at below-cost prices. The theory behind this practice is that customers will be attracted by the low price. Once in the store, they will buy regularly priced merchandise in addition to the loss leader item.

Special-Event

In special-event pricing, items are reduced in price for a short period of time, based on a specific happening, such as back-to-school, Presidents' Day, or anniversary sales. Manufacturers offer special promotions to wholesalers and retailers willing to advertise or promote a manufacturer's products.

Rebates and Coupons

Rebates are partial refunds provided by the manufacturer to consumers. To receive the rebate, a customer buys the product and then sends in a rebate form along with the product proof of purchase and a store receipt. Manufacturers offer rebates to wholesalers and retailers too, for purchasing certain quantities of goods prior to running promotions that will generate business for those resellers. Coupons allow customers to take reductions at the time of purchase. Coupons may be found in newspapers, advertisements, product packages, and even on sales receipts printed by retailers, such as supermarkets.

Discounts and Allowances

Discount pricing involves the seller offering reductions from the usual price. Such reductions are generally granted in exchange for the buyer's performance of certain functions. These include cash discounts, quantity discounts, trade discounts, seasonal discounts, and special allowances.

Cash Discounts

Cash discounts are offered to buyers to encourage them to pay their bills quickly. Terms are generally written on the invoice, for example, 2/10, net 30 means that a 2 percent discount is granted if the bill is paid in ten days.

Quantity Discounts

Quantity discounts are offered to buyers for placing large orders. Sellers benefit from large orders through the lower selling costs involved in one transaction as opposed to several small transactions. Quantity discounts also offer buyers an incentive to purchase more merchandise than they originally intended to purchase.

A MATTER OF ETHICS

Reward or Punishment?

Some supermarkets offer special discounts on selected items to customers who have a frequent shopper card, but not to those without one. Consider two customers at the checkout counter, both purchasing the same loaf of bread. The customer with a card pays $2.00 for a loaf of bread, while the other without a card pays $2.99. Frequent shopper cards are available to all customers who request one.

Opting Out

Some customers simply do not want their purchases traced through participation in a frequent shopper program. They feel it is an invasion of their privacy. However, they also object to paying higher prices than other customers.

THINKING ETHICALLY

Are loyalty-card programs ethical?

Online Action!

Go to *marketingessentials.glencoe.com/26/ethics* to find an activity on ethics and pricing.

There are two types of quantity discounts: noncumulative and cumulative. Noncumulative quantity discounts are offered on one order, while cumulative quantity discounts are offered on all orders over a specified period of time. Cumulative discounts may be granted for purchases made over six months, for example, in which case all purchases for that period are used to determine the quantity discount offered. In other cases, buyers may be required to sign a contract that guarantees a certain level of business. Advertisers who agree to use a specified number of column inches in their newspaper ads might be charged cheaper contract rates. Generally, the more you advertise, the less you pay per column inch.

Trade Discounts

Trade discounts are not really discounts at all but rather the way manufacturers quote prices to wholesalers and retailers. Many manufacturers establish suggested retail prices, or list prices, for their items. They grant discounts from the list price to members of the channel of distribution. A manufacturer might grant wholesalers a 40 percent discount from the list price and retailers a 30 percent discount.

The manufacturer might also quote the discounts in series, such as 25 percent and 10 percent for retailers and wholesalers, respectively. Series, or chain, discounts are calculated in sequence, with discounts taken on the declining balance as shown below. The example is based on a list price of $50.

Retailer's discount
$50 × .25 = $12.50

Cost to retailer
$50 − $12.50 = $37.50

Wholesaler's discount
$37.50 × .10 = $3.75

Cost to wholesaler
$37.50 − $3.75 = $33.75

In series discounts, note that the wholesaler's discount is based on the retailer's discount, not the original list price.

Seasonal Discounts

Seasonal discounts are offered to buyers willing to buy at a time outside the customary buying season. Manufacturers offer discounts to obtain orders for seasonal merchandise early so that production facilities and labor can be used throughout the year.

Other businesses use seasonal discounts to cut anticipated costs. Many retailers, for example, drastically reduce prices on swimsuits after the summer season. Such retailers prefer to sell this merchandise at a lower markup than pay the costs of warehousing it until the following year. A variation on this device is used by vacation resorts. They offer vacationers lower rates to encourage use of resort facilities during the off-season.

Allowances

Trade-in allowances go directly to the buyer. Customers are offered a price reduction if they sell back an old model of the product they are purchasing. Consumers are generally offered trade-in allowances when purchasing new cars or major appliances. Companies are usually granted such allowances when purchasing machinery or equipment.

The Pricing Process and Related Technology

The pricing process is ongoing, as you will see in the steps of determining a price. As one of the four Ps of the marketing mix, pricing is the most flexible because pricing strategies and prices can be changed quickly.

Steps in Determining Prices

There are six basic steps that are used to determine prices (see Figure 26.4):

Step 1: Establish pricing objectives
Step 2: Determine costs
Step 3: Estimate demand
Step 4: Study competition
Step 5: Decide on a pricing strategy
Step 6: Set prices

Step 1: Establish Pricing Objectives

The first step in the process of pricing a product is to determine the pricing objectives. Pricing objectives must conform to the company's overall goals: making profit, improving market share, and meeting the competition. To be effective, pricing objectives should be specific, time sensitive, realistic, and measurable. Increasing sales of a given product is not a good pricing objective. Increasing unit or dollar sales by 20 percent in one year compared

Figure 26.4 Six Steps in Determining Price

• A Set Procedure Whether setting a price to launch a new product or adjusting the price of an existing product to increase sales, the process of determining price is the same.

What are some factors affecting this process?

STEP 1: ESTABLISH PRICING OBJECTIVES

The main goals of pricing are to make a profit, increase market share, and stay competitive. Remember that objectives should be time sensitive, realistic, and measurable. The objective for this product might be to increase market share by ten percent in the coming year.

STEP 2: DETERMINE COSTS

Costs are an important consideration in pricing. A company must price its product high enough above costs to make a profit. Costs for a soft drink manufacturer include raw materials, bottling, and labor.

STEP 3: ESTIMATE DEMAND

Through market research, a company must determine the size of the market and how much customers would be willing to pay for their product.

STEP 4: STUDY COMPETITION

Knowing what the competition charges for similar products is key to determining price. If a company prices its product too low, it misses out on potential profit, too high and it risks losing customers to the competition.

STEP 5: DECIDE ON A PRICING STRATEGY

The pricing strategy for a product depends on a variety of factors, including whether the product is being sold to segmented markets, whether there is a seasonal market, and where the product is sold. When a company sells soft drinks at a sporting event, purchase location is an important factor in determining price.

STEP 6: SET PRICES

Based on all the information gathered in the first five steps, a company sets a price for its product. Remember, though, that this price is subject to change.

Online Action!

Go to *marketingessentials.glencoe.com/26/figure/4* to find a project on pricing.

with the previous year would be better. Why? Because the latter objective satisfies the requirements of being time-sensitive (one year) and it is specific and measurable (20 percent increase). At the end of one year, a company can evaluate the pricing objective to see if it was met. If not, the company can review the objective and the pricing strategies used to reach that objective.

Step 2: Determine Costs

For resellers (wholesalers and retailers), costs involved in the purchase of a product from their vendors and freight charges constitute the cost of the item. Businesses that provide services must take into account the cost of supplies used in conjunction with performing the service and the cost of labor help. A hair salon's shampoo, gels, hair spray, dyes, permanent wave solutions, and the like, as well as employee salaries, all need to be considered when determining the cost of providing those services. In manufacturing, the cost of materials and labor used in the manufacture of the product makes up the cost of an item. Costs can vary due to ever-changing economic conditions. A business needs to maintain accurate records and keep abreast of any change in its costs, which may affect its ultimate pricing decision.

Step 3: Estimate Demand

Marketers will study the size of the market to determine the total number of possible customers for a given product. For example, let's say the market is for a new soft drink. Sales of soft drinks for the past few years would be studied to see if sales were on the rise or the decline. Additional research might be conducted with consumers to see how they viewed soft drinks versus other beverages, such as water and juice alternatives. From their basic research, estimates would be made regarding the percentage of potential customers who might buy that new product. Much of this analysis is based on supply-and-demand theory and on the exceptions that occur because of demand elasticity.

Step 4: Study Competition

Studying your competitors is the next step in the process. You need to investigate what prices your competitors are charging for similar goods and services. Businesses subscribe to services that provide competitive information on a daily basis.

Step 5: Decide on a Pricing Strategy

Steps 2 through 4 help to establish a base price. In Step 5, you need to revisit the pricing objectives and decide on a pricing strategy or strategies that will help you accomplish your objectives. Everything you learned in Section 26.2 will help you in this endeavor. However, you must remember that as economic and market conditions change, strategies may require changes too.

Step 6: Set Prices

The final step is to set the price that will be quoted to customers, which is the published price that can be found on price tickets, company Web sites, and price sheets, as well as printed in catalogs and promotional materials. For that reason, it is important that all the above steps are carefully considered. Marketers must decide on how often they want to change their published prices. In addition to the cost of changing printed materials, customers' reactions to price changes must be considered.

Pricing Technology

Technology related to pricing can be seen in data that are now made available to marketers when making pricing decisions, as well as in the vehicles for providing price information to customers.

Smart Pricing

Smart pricing, as it is sometimes called, allows marketers to make intelligent pricing decisions based on an enormous amount of data that Web-based pricing technology crunches into timely, usable information. For example, Northern Group (a Canadian retailer) uses software that combines sales data with inventory data. The result is pricing recommendations that the pricing team can decide to accept or reject. Historical sales data are compared with current sales data from the store's point-of-sale system, as well as with its merchandising system, which includes the inventory levels for specific items. Combining all these data helps to suggest prices for new merchandise, as well as when to take markdowns, if any, on current merchandise in stock. This system gives this company the ability to adjust prices according to changing market conditions.

Communicating Prices to Customers

To complement these advances in pricing decisions, electronic gadgets provide customers with real-time pricing information. Retailers that invest in electronic shelves and digital price labels can change prices quickly and easily. They also can send messages to shoppers while they are in the store alerting them to deals on goods of interest to the customer based on their buying habits.

We have already seen kiosks in retail stores where customers can scan a product to determine its price. In supermarket chains, we have seen self-check-out counters, where customers scan their own merchandise and pay for the products without the assistance of a clerk. With these new technological advances, price-marking techniques, such as printed price tags, are quickly becoming a thing of the past in certain industries.

Upcoming Technology: RFID

Upcoming technology that will revolutionize pricing and inventory control is called radio frequency identification, or RFID. RFID is wireless technology that involves tiny chips imbedded in products. A chip has an antenna, a battery, and a memory chip filled with a description of the item.

26.2 AFTER YOU READ

Reviewing Key Terms and Concepts

1. What is the key factor in deciding price lines?
2. Why does bundling discourage comparison shopping?
3. Name four factors that can help marketers use segmented pricing strategies.

Integrating Academic Skills

Math

4. Determine the price a wholesaler would pay for an item with a list price of $35 if the series trade discounts were 40 percent and 10 percent for retailers and wholesalers, respectively.

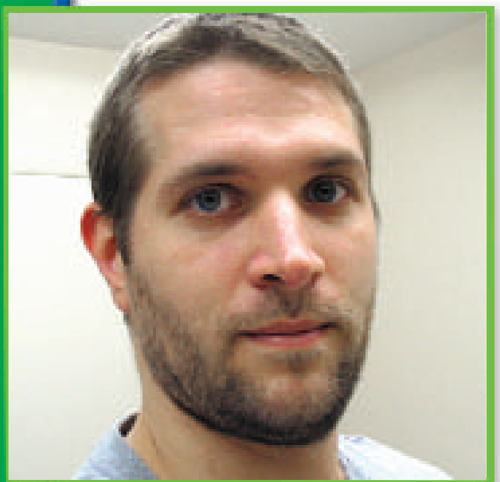
Geography

5. What factors would come into play when setting the price for a child's bicycle if you were selling it in Mexico or China?

Online Action!

Check your answers at *marketingessentials.glencoe.com/26/read*

CAREERS IN MARKETING



RYAN WILSON
CO-OWNER
VEGAN ESSENTIALS

What do you do at work?

I run a new organic food store. With the hiring of additional employees, my position has become a bit more focused in the past year rather than running almost everything myself. Now, my primary focuses are setting a pricing policy, marketing, product research, customer service, and purchasing.

What skills are most important to you?

General management skills from having to run so many aspects of a business. Internet marketing, customer and vendor relations, and product research are other much needed skills. Setting pricing, researching competition's prices and setting the right pricing policy for products that are not widely marketed is a challenge. In retrospect, the jobs I had to do working for others were far easier because my position was focused in one direction.

What is your key to success?

Dedication. There have been countless 12–15 hour days, slow periods, vendor problems, and numerous other issues we've come across, and the only way to be successful has been to persevere through the rough times and keep looking forward. Never lose sight of what you want to accomplish with your business.

Aptitudes, Abilities, and Skills

Organizational skills, general business management, creativity, and flexibility

Education and Training

Many successful retailers have no higher education whatsoever, but general business, management, and accounting degrees can all be helpful.

Career Path

Retail careers often begin with entry-level positions in established stores. Niche retailers often spring from a personal hobby or interest (as in the case of this vegan-oriented store).

THINKING CRITICALLY

What can a business do to make sure its prices are competitive?

Online Action!

Go to *marketingessentials.glencoe.com/26/careers* to find a career-related activity.

CHAPTER 26 REVIEW

FOCUS on KEY POINTS

SECTION 26.1

- Establishing a base price for a product can be accomplished by combining cost-oriented, demand-oriented, and competition-oriented policies, as well as considering resellers' needs.
- Businesses must decide whether to use a one-price policy or a flexible pricing policy.
- The product life cycle needs to be considered in the pricing process. Two polar pricing strategies for the introduction of a product are skimming pricing and penetration pricing.

SECTION 26.2

- Once a base price is established, price adjustments are made with the use of specific pricing strategies. These strategies include product mix pricing, geographical pricing, international pricing, segmented pricing, psychological pricing, and promotional pricing, as well as discounts and allowances.
- There are six steps used to determine prices: establishing pricing objectives, determining costs, estimating demand, studying competition, deciding on a strategy, and setting the actual price.
- Pricing technology has revolutionized the way businesses make pricing decisions and adjustments to prices.

REVIEW VOCABULARY

Review each set of terms below. Note what they have in common.

1. markup pricing and cost-plus pricing (p. 545)
2. one-price policy and flexible-price policy (p. 549)
3. skimming pricing and penetration pricing (pp. 549, 550)
4. product mix pricing strategies, price lining, and bundle pricing (p. 553)
5. geographical pricing and segmented pricing strategy (p. 553)
6. psychological pricing, prestige pricing, everyday low prices (EDLP), and promotional pricing (p. 554)

REVIEW FACTS and IDEAS

7. List three pricing policies that can be used to establish a base price. (26.1)
8. What are two polar pricing methods that may be used when a new product is introduced into the market? (26.1)
9. Explain the relationship between pricing and the product life cycle. (26.1)
10. What are six types of pricing strategies that may be used to adjust the base price? (26.2)
11. List the six steps in the pricing process. (26.2)
12. Provide an example of how technology is used in pricing. (26.2)

BUILD SKILLS

13. Workplace Skills

Human Relations You work for a department store in the women's dress department. A customer approaches you with two dresses that are identical, except that the one from the petite department is not marked down, while the other one is. None of the petite dresses have been marked down because the buyer for that department did not elect to do so.

How will you handle this customer who wants to buy that dress style in the petite size?

14. Technology Applications

Computer Skills Set up a spreadsheet to demonstrate bundle pricing of a computer and needed software. Show the savings to a customer when buying the advertised bundle price as compared with buying each item separately.

15. Math Practice

Incentives Promotional discounts are given to stores by manufacturers to place products in preferred locations or to pay for ads, displays, or in-store demonstrations. Calculate the store's net cost to stock the following items and the percentage of the discount given.

Item	Purchase Amount	Discount Amount	Net Cost to Store	Percent Discount
Snowboards	$5,650	$847.50	________	________
CD Players	$535	$42.80	________	________

DEVELOP CRITICAL THINKING

16. Pick Your Discount

If you were a small business with little storage space, which type of quantity discount would be better for you: cumulative or noncumulative? Why?

17. Life Cycle

Select a product that interests you and research its pricing history and its competition. You can complete these research steps on the Internet, through the company site and through competitors' sites; you can also research companies on their sites at your local library. Make a list of details such as how long a product has been on the market and any product improvements. In which product life cycle stage is it? Why?

APPLY CONCEPTS

18. Cost-Plus Pricing

Using cost-plus pricing, establish a price for a car wash fund-raiser. The local community center will allow you to use its parking lot and water supply for $10.00 per hour from 9:00 A.M. to 5:00 P.M. on a Saturday. To arrive at prices you can advertise, you must purchase all the cleaning supplies and determine how much you will use per auto. Since this is a learning experience, your labor costs will be $2 per hour per worker.

Activity Write a short report that outlines your pricing strategy and calculations and be ready to share it with your classmates.

19. Using the Six-Step Method for Determining Price

Use the six-step method for determining the price of a new hat fad. Competition for this hat will be with similar trucking hats. Your cost to make the hat is $15. Your company expects a gross profit from the sale of the hats to be at least 20 percent.

Activity Prepare a written report to depict the decisions you made in each step. Include all your research and calculations to justify the price you will charge retailers and the suggested retail price for this new hat.

NET SAVVY

20. Comparison Shopping

Browse computer companies' Web sites, such as Dell, IBM, HP, and Gateway, to see pricing strategies in action. Try to find the best price for a laptop computer for your firm. What pricing strategies made comparison shopping difficult?

THE DECA CONNECTION

Role Play: Assistant Buyer

Situation Assume the role of assistant buyer for a costume jewelry store. You are ordering a shipment of earrings in five styles from a supplier. The cost of the earrings is $1.50 per pair. You know that if you set too low a selling price the earrings will not sell well. The buyer (judge) has asked you to prepare a pricing strategy for the earrings. Among the decisions you must make is whether to price all the styles at one price point or to price the different styles at separate price points.

Activity Present your pricing strategy to your supervisor (judge).

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Explain factors affecting pricing decisions
- Use psychological pricing to adjust base prices
- Select promotional pricing strategies used to adjust base prices
- Set prices
- Adjust prices to maximize profitability

Online Action!

For more information and DECA Prep practice, go to *marketingessentials.glencoe.com/26/DECA*