

# MK 322 Retail Management

## Chapter 14: Retail Pricing

By Ajarn Suwalya K.

# Value

- Value is ratio of what customers receive (the perceived benefit of the products and services offered by the retailer) to what they have to pay for it.
- Retailers can increase value and stimulate more sales (exchanges) by either increasing the perceived benefits offered or reducing the price

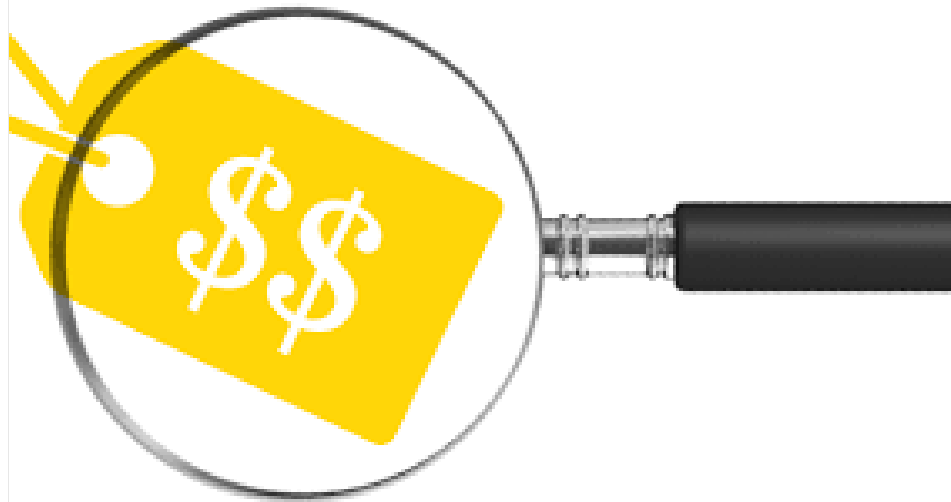
Value

$$\text{Value} = \frac{\text{Perceived benefits}}{\text{Price}}$$



# Pricing Strategies

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# STRATEGIC PRICING

Pricing Strategy	What it Does	Who Should Use It	When to Use	Possible Expectations
<b>Market Penetration</b>	Attracts customers initially with a low price, works to retain them with value, then increases prices	Businesses with wide-spread products that are in high demand  New businesses	First putting certain goods or services on the market  When a business first opens	Drop in profits in the beginning  High long-term profits  Potential price wars
<b>Price Skimming</b>	High initial prices, then eases off once competition drives prices down	Businesses with a unique product, service, or feature	Beginning of a product's life cycle  Before another business offers it	High profit margins in the beginning  Drop in profit margins when prices are lowered
<b>Economy</b>	Prices certain generic products at a low rate	Businesses that produce basic goods or services, like a grocery or retail store	When businesses can get items in bulk to sell	Lower profit margins and more customers
<b>Competitive</b>	Looks at what competitors are charging for similar products or services	Businesses that offer similar products or services	Anytime offerings are similar to other businesses	Lower profit margins
<b>Discount</b>	Marks down outdated inventory to increase consumer traffic	Any business	Toward the end of a product's life cycle; when you need to get rid of outdated items	Increase in customers and sales
<b>Psychological</b>	Prices products and services based on what would appeal to consumers' mindsets	Any business	Anytime	Increase in sales
<b>Bundled</b>	Sells multiple items for a lower price than if purchased separately	Any business	Anytime	Increase in sales of certain goods



[Source: Strategic Pricing | Types of Strategies, Do's and Don'ts, & Beyond \(patriotsoftware.com\)](http://patriotsoftware.com)

# Pricing Strategies

Two basic pricing strategy

- ✓ High/ low pricing strategy
- ✓ EDLP



# High/Low Pricing

- **Retailers use this strategy frequently**
- Often **weekly**
- Discount the initial prices for merchandise through **sales promotions**
- Customers learn to expect frequent sales and simply wait until the merchandise they want goes on sale and **then stock up at low prices**



# Pricing Strategies



The retailer on the left is using a high/low pricing strategy, whereas the one on the right is using everyday low pricing strategy.

# Everyday Low Pricing (EDLP)

- This strategy emphasizes the continuity of retail prices at a level somewhere between the regular nonsale price and the deep-discount sale price of high/low retailers
- They occasionally have sales
- Although retailers use EDLP, may not be lowest price in the market, but their sale may be lowest

# Advantages of High/Low Pricing

The high/low pricing strategy has the following advantages:

- *Increases profits.* High/low pricing allows retailers to charge higher prices to customers who are not price-sensitive and will pay the “high” price and to charge lower prices to price-sensitive customers who will wait for the “low” sale price.
- *Creates excitement.* A “get them while they last” atmosphere often occurs during a sale. Sales draw a lot of customers, and a lot of customers create excitement. Some retailers augment low prices and advertising with special in-store activities, such as product demonstrations, giveaways, and celebrity appearances.
- *Sells slow moving merchandise.* Sales allow retailers to get rid of slow-selling merchandise by discounting the price.

# Advantages of Everyday Low Pricing (EDLP)

The EDLP approach has its own advantages, as follows:

- *Assures customers of low prices.* Many customers are skeptical about initial retail prices. They have become conditioned to buying only on sale—the main characteristic of a high/low pricing strategy. The EDLP strategy lets customers know that they will get the same low prices every time they patronize the EDLP retailer. Customers do not have to read the ads and wait for items they want to go on sale.
- *Reduces advertising and operating expenses.* The stable prices caused by EDLP limit the need for the weekly-sale advertising used in the high/low strategy. In addition, EDLP retailers do not have to incur the labor costs of changing price tags and signs and putting up sale signs.
- *Reduces stockouts and improves inventory management.* The EDLP approach reduces the large variations in demand caused by frequent sales with large markdowns. As a result, retailers can manage their inventories with more certainty. Fewer stockouts mean more satisfied customers, resulting in higher sales. In addition, a more predictable customer demand pattern enables the retailer to improve inventory turnover by reducing the average inventory needed for special promotions and backup stock.



## Everyday Low Price Champions

Walmart · 6K views · 4 years ago



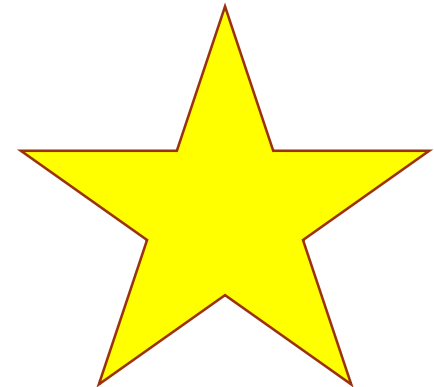
# Considerations in Setting Retail Prices

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# Considerations in Setting Retail Prices

1. The price sensitivity of consumers
2. The cost of the merchandise
3. Competition
4. Legal constraints



# Customer Price Sensitivity and Cost

- Generally as price of product increase, and sales decrease due to fewer customers feel the product is good value
- Price sensitivity of consumers determines how many units will be sold at different price levels
- Price-sensitive reactions to a price decrease?

# Customer Price Sensitivity and Cost

- Experiment



To determine the most profitable price for a riblet basket, a restaurant chain may set different prices at different locations.

# Customer Price Sensitivity and Cost

One approach that can be used to measure the price sensitivity of customers is a price experiment. Consider the following situation: A restaurant chain wants to determine the best price for a new item, a riblet basket. It selects restaurants in the chain with very similar trade areas and sets prices at different levels in each of the restaurants for a week. Assume that the variable cost of the riblets is \$5 per plate and the fixed cost of operating the restaurant for a week, the cost for rent, labor and energy, is \$8,000.

The results of this experiment are shown in Exhibit 14-1. Notice in Exhibit 14-1a that as prices increase, the fixed costs remain the same, sales and variable costs both decrease, but sales decrease at a faster rate than variable costs (Exhibit 14-1b). So the



# Customer Price Sensitivity and Cost

highest profit level occurs at a \$7 price (Exhibit 14–1c). If the restaurant considers only customers' price sensitivity and cost in setting prices, it would set the price for the riblet basket with these demand characteristics at \$7 to maximize profits. Retailing View 14.2 highlights how showrooming and mobile apps are increasing consumers' price sensitivity.



# Customer Price Sensitivity and Cost

Price Experiment EXHIBIT 14-1

(a) Data from Price Experiment EXHIBIT 14-1a

(1) Theater	(2) Price	(3) Quantity Sold	(4) Column (2) × Column (3) = Revenue	(5) Column (3) × \$5 Variable Cost per Riblet Basket = Variable Cost	(6) Fixed Cost	(7) Column (4) – Column (5) – Column (6) = Contribution to Profit
1	\$6.00	9,502	\$57,012	\$47,510	\$8,000	\$1,502
2	6.50	6,429	41,789	32,145	8,000	1,644
3	7.00	5,350	37,450	26,750	8,000	2,700
4	7.50	4,051	30,383	20,255	8,000	2,128
5	8.00	2,873	22,984	14,365	8,000	619
6	8.50	2,121	18,029	10,605	8,000	-577

# Customer Price Sensitivity and Cost

EXHIBIT 14-1b

(b) Quantity Sold at Different Prices

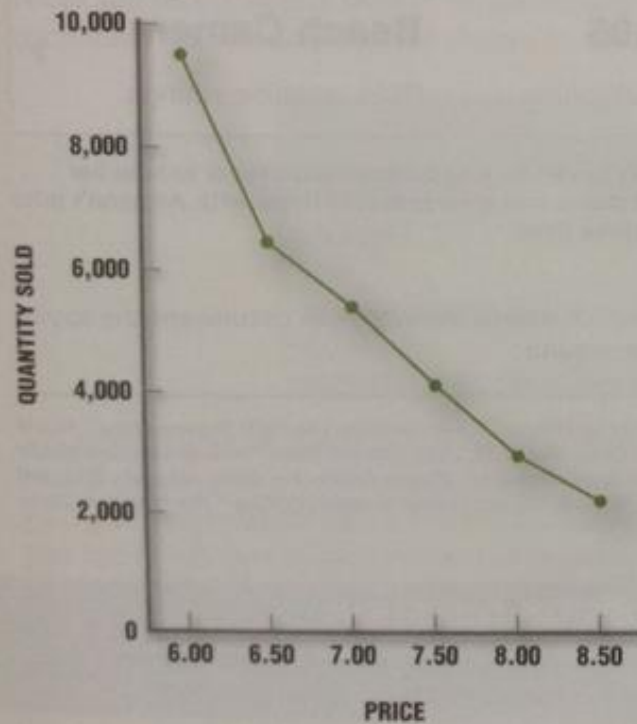
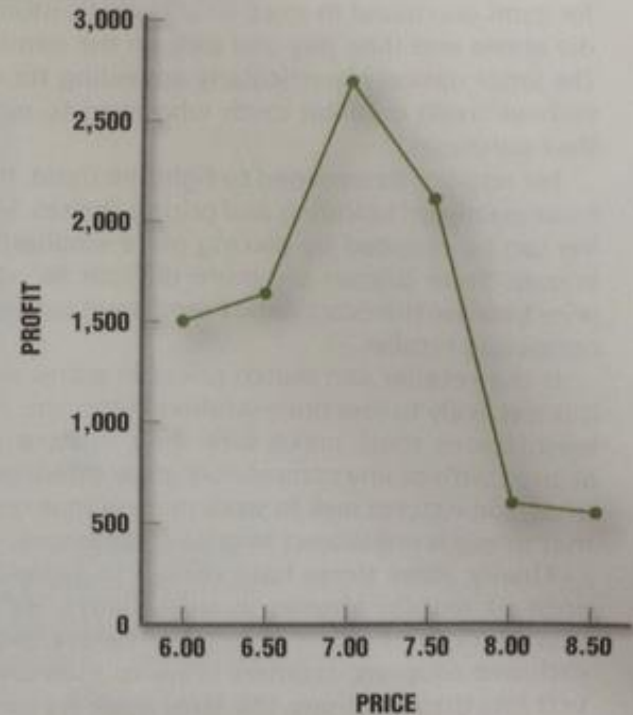


EXHIBIT 14-1c

(c) Profit at Different Prices



# Customer Price Sensitivity and Cost

- **Factors affecting price sensitivity**
  1. Substitutes- fast foods (price-elastic)
  2. Products and Service that are necessity – medicare (price-inelastic)
  3. Products that are expensive relative to consumer's income- cars (price-elastic)

# Customer Price Sensitivity and Cost

$$\text{Elasticity} = \frac{\text{Percentage change in quantity sold}}{\text{Percentage change in price}}$$

Assume that a retailer originally priced a private-label DVD player at \$90 and then raised the price to \$100. Before raising the price, the retailer was selling 1,500 units a week. When the price increased, sales dropped to 1,100 units per week. The calculation of the price elasticity is as follows:

$$\begin{aligned}\text{Elasticity} &= \frac{\text{Percentage change in quantity sold}}{\text{Percentage change in price}} \\ &= \frac{(\text{New quantity sold} - \text{Old quantity sold}) \div (\text{Old quantity sold})}{(\text{New price} - \text{Old price}) \div (\text{Old price})} \\ &= \frac{(1100 - 1500)/1500}{(10 - 9)/9} = \frac{-0.2667}{.1111} = -2.4005\end{aligned}$$

# Customer Price Sensitivity and Cost

Various factors affect the price sensitivity for a product. First, the more substitutes a product or service has, the more likely it is to be price-elastic (sensitive). For example, there are many alternatives for a riblet basket at a restaurant like Applebee's, and thus fast-food prices are typically price-elastic, but branded luxury goods have almost no substitutes and are price-inelastic (insensitive). Second, products and services that are necessities are price-inelastic. Thus, medical care is price-inelastic, whereas airline tickets for a vacation are price-elastic. Third, products that are expensive relative to a consumer's income are price-elastic. Thus, cars are price-elastic, and books and movie tickets tend to be price-inelastic. The estimated elasticities for some commonly purchased items are shown in the following table.<sup>1</sup>

Product Class	PRICE ELASTICITY	
	Short Run	Long Run
Clothing	-0.90	-2.90
Wine	-0.88	-1.17
Jewelry and watches	-0.44	-0.67
Gasoline	-0.20	-0.60

# Customer Price Sensitivity and Cost

$$\text{Profit-maximizing price} = \frac{\text{Price elasticity} \times \text{Cost}}{\text{Price elasticity} + 1}$$

So, if the private-label DVD player described in the preceding example costs \$50, the profit-maximizing price would be:

$$\begin{aligned}\text{Profit-maximizing price} &= \frac{\text{Price elasticity} \times \text{Cost}}{\text{Price elasticity} + 1} \\ &= \frac{-2.4005 \times \$50}{-2.4005 + 1} = \$85.70\end{aligned}$$

# Competition

- Retailers need to consider competitor's pricing **when setting their own**
- Routinely **collect price data and adjust prices to remain competitive**



# Pricing Strategies



Target is reinforcing its low prices by highlighting its price match guarantee.

# Pricing Strategy Used by Services Retailers



- The need to match supply and demand
- The difficulties customers in determining service quality

# Pricing Strategy Used by Services Retailers



Airlines use yield management to adjust prices in response to demand.

# Alternative Service Pricing Strategies

## Satisfaction-based Pricing

Recognizing and reducing customers' perceptions of uncertainty, which the intangible nature of service magnifies.

## Relationship Pricing

Encouraging long-term relationships with the company that customers view as beneficial.

## Efficiency Pricing

Sharing with customers the cost saving that the company has achieved by understanding, managing, and reducing the costs of providing the service.

[Source: Alternative Service Pricing Strategies - Pricing Services effectively \(marketing-insider.eu\)](#)

# Matching Supply and Demand

- Yield management is the practice of adjusting prices up or down in response to demand to control sales generated
- Computerized programs monitor the reservations and ticketing for each flight and adjust prices according to capacity utilization
- Prices are lowered on flights when sales are below forecasts and there is significant excess capacity
- As ticket sales approach capacity, prices are increased

# Determining Service Quality

- Often difficult for customers to assess service quality due **to intangibility**
- Assessment offered to **fees charge**, i.e.. Legal service
- **Higher risk situations** tend to arise in relation to credence services – legal, medical services, and even hair salons
- Need to carefully select price as **customers depend on price as cue for quality** and helps retailers in capacity management



# Setting Retail Prices

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# Setting Prices Based on Costs

- Retail price = Cost of merchandise + Markup

Retail price = Cost of merchandise + Markup

The **markup** is the difference between the retail price and the cost of an item. Thus, if a sporting goods retailer buys a tennis racket for \$75 and sets the retail price at \$125, the markup is \$50. The appropriate markup is the amount that covers all of the retailer's operating expenses (labor costs, rent, utilities, advertising, etc.) incurred to sell the merchandise and produces a profit for the retailer.

The **markup percentage** is the markup as a percentage of the retail price:

$$\text{Markup percentage} = \frac{\text{Retail price} - \text{Cost of merchandise}}{\text{Retail price}}$$

# Setting Prices Based on Costs

Thus, the markup percentage for the tennis racket is:

$$\text{Markup percentage} = \frac{\$125 - \$75}{\$125} = 40\%$$

The retail price based on the cost and markup percentage is:

$$\begin{aligned}\text{Retail price} &= \text{Cost of merchandise} + \text{Markup} \\ &= \text{Cost of merchandise} + \text{Retail price} \times \text{Markup percentage} \\ &= \frac{\text{Cost of merchandise}}{1 - \text{Markup percentage (as a fraction)}}\end{aligned}$$

Thus, if a buyer for an office supply category specialist purchases calculators at \$14 and needs a 30 percent markup to meet the financial goals for the category, the retail price needs to be:

$$\text{Retail price} = \frac{\text{Cost}}{1 - \text{Markup percentage}} = \frac{\$14.00}{1 - 0.30} = \$20$$

# Profit Impact of Setting a Retail Price: The Use of Break-Even Analysis

Retailers often want to know the number of units they need sell to begin making a profit. For example, a retailer might want to know:

- Break-even sales to generate a target profit.
- Break-even volume and dollars to justify introducing a new product, product line, or department.
- Break-even sales change needed to cover a price change.

A useful analytical tool for making these assessments is **break-even analysis**, which determines, on the basis of fixed and variable costs, how much merchandise needs to be sold to achieve a break-even (zero) profit.

The **break-even point quantity** is the quantity at which total revenue equals total cost, and then profit occurs for additional sales.

The formula for calculating the sales quantity needed to break even is:

$$\text{Break-even quantity} = \frac{\text{Total fixed costs}}{\text{Actual unit sales price} - \text{Unit variable cost}}$$

# CATEGORY COMPARISON

## AVERAGE PERCENTAGE MARKUP



































- Services
- Education
- Home/family
- Food/drink
- Health care
- Electronics
- Entertainment
- Fashion

Source: [37 Products With Crazy-High Markups \(businessinsider.com\)](http://businessinsider.com)



[Source: 37 Products With Crazy-High Markups \(businessinsider.com\)](http://businessinsider.com)

# 32 PRODUCTS AND SERVICES WITH THE HIGHEST MARKUP

 <p><b>TEXT MESSAGES</b> (without an unlimited plan)</p> <p><b>6,000%</b></p> <p>Phone companies usually charge around 20 cents a text, but a single text from T-Mobile's My Way service is valued at \$1.20.</p>	 <p><b>BOTTLED WATER</b></p> <p><b>4,000%</b></p> <p>A 2.0-liter bottle generally costs the manufacturer around 5 cents to make.</p>	 <p><b>BRAND-NAME PRESCRIPTION DRUGS</b></p> <p><b>200-3,000%</b></p> <p>They're expensive to manufacture, they apply for an FDA approval, and they're sold to pharmacies by distributors. Not to mention, they're sold to consumers at a markup.</p>	 <p><b>HIGH SCHOOL RINGS</b></p> <p><b>1,329%</b></p>
 <p><b>MOVIE THEATER POPCORN</b></p> <p><b>1,275%</b></p> <p>The markup is low for a small popcorn it adds 15 cents.</p>	 <p><b>FOUNTAIN OR RESTAURANT SODA</b></p> <p><b>1,150%</b></p>	 <p><b>GRADUATION CAP AND GOWN</b></p> <p><b>1,000%</b></p>	 <p><b>MATTRESSES</b></p> <p><b>900%</b></p> <p>A \$3,000 mattress often only costs \$300 to manufacture.</p>
 <p><b>TEXAS PLUS CALCULATOR</b> (graphing calculator)</p> <p><b>892%</b></p>	 <p><b>EYEGLASS FRAMES</b></p> <p><b>250-1,000%</b></p>	 <p><b>DOMESTIC BEER</b> (at a restaurant)</p> <p><b>694%</b></p>	 <p><b>MIAMI LOADED PIZZA</b></p> <p><b>686%</b></p> <p>According to The Post, a Miami Loaded pizza at Thick 'N' Crust only costs \$10 to make.</p>
 <p><b>CHEESE</b> (when added to a meal like a hamburger at a restaurant)</p> <p><b>500%</b></p>	 <p><b>RESTAURANT COCKTAILS</b></p> <p><b>500-800%</b></p> <p>Many drinks at the bar are sold for four times their cost to the customer.</p>	 <p><b>DESIGNER JEANS</b></p> <p><b>500%</b></p> <p>The higher prices of designer jeans are due to the brand name and the quality of the fabric.</p>	 <p><b>FUNERAL CASKETS</b></p> <p><b>300-500%</b></p> <p>A casket that costs \$1,200 often sells for around \$1,200 to \$1,500.</p>
 <p><b>HOTEL MINI-BAR CONTENTS</b></p> <p><b>400%</b></p>	 <p><b>RESTAURANT CHAMPAGNE OR WINE</b></p> <p><b>400%</b></p> <p>The price per glass of wine at a restaurant is often 400% higher than the cost of the wine.</p>	 <p><b>COFFEE ON THE GO</b></p> <p><b>300%</b></p> <p>A drink made by a franchise coffee shop costs about 25 cents to make.</p>	 <p><b>PRINTER INK</b></p> <p><b>300%</b></p>
 <p><b>BARREL GOODS</b></p> <p><b>300%</b></p> <p>The price of a barrel of oil is often 300% higher than the cost of the oil.</p>	 <p><b>WEDDING DRESSES</b></p> <p><b>300%</b></p>	 <p><b>GREETING CARDS</b></p> <p><b>200%</b></p>	 <p><b>FURNITURE</b></p> <p><b>200-400%</b></p> <p>Some people pay 200% more for a chair than it costs to make.</p>
 <p><b>COLLEGE TEXTBOOKS</b></p> <p><b>200%</b></p>	 <p><b>DIAMONDS</b></p> <p><b>100%</b></p> <p>High-quality diamonds tend to have a 100% markup.</p>	 <p><b>NAME-BRAND SPICES</b></p> <p><b>100%</b></p> <p>The bulk of the price is from packaging.</p>	 <p><b>DESIGNER HANDBAGS</b></p> <p><b>100%</b></p>
 <p><b>FILE FILLET MEAT, CHICKEN, OR FISH</b></p> <p><b>60%</b></p> <p>Chopped, cooked, or marinated meats are often 60% more expensive than the raw meat.</p>	 <p><b>FILE FILLET PRODUCE</b></p> <p><b>40-100%</b></p> <p>Vegetables like broccoli and asparagus are often 40-100% more expensive than the raw vegetable.</p>	 <p><b>APPLE IPHONES</b></p> <p><b>40-65%</b></p> <p>The iPhone 11 Pro Max retails for \$1,199, but the cost of components is around \$500.</p>	 <p><b>NAME-BRAND CEREAL</b></p> <p><b>44%</b></p> <p>Generic cereals are often 44% cheaper than name-brand cereals.</p>

Source:  
www.thefrugalmom.com  
www.dailymail.com  
www.foxnews.com  
www.foxnews.com  
www.foxnews.com  
www.foxnews.com

 swagbucks



# MARGIN VS. MARKUP

Knowing the difference between margin and markup can help you increase your bottom line.

## TERM CHEAT SHEET:

You need to know these 3 terms before you can calculate margins and markups.

**Revenue:**  
Earnings before deducting costs

**COGS:**  
Costs to create sales items

**Gross Profit:**  
Revenue - COGS

## MARGIN

Margin shows the revenue earned after paying the COGS as a percentage of the gross profit.

$$(\text{Gross Profit} / \text{Revenue}) \times 100$$

## MARKUP

Markup shows how much more your selling price is than the amount sale items cost you.

$$(\text{Gross Profit} / \text{Cost}) \times 100$$

Revenue earned:  
\$ 200



COGS spent:  
\$150

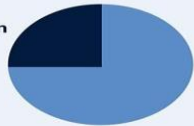
### FIND THE MARGIN

STEP 1: FIND THE GROSS PROFIT  
\$200 - \$150 = \$50 Gross Profit

STEP 2: GROSS PROFIT / REVENUE  
\$50 / \$200 = 0.25 Margin

STEP 3: MARGIN X 100  
0.25 X 100 = 25% Margin

25%  
Margin



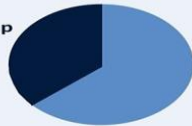
### FIND THE MARKUP

STEP 1: FIND THE GROSS PROFIT  
\$200 - \$150 = \$50 Gross Profit

STEP 2: GROSS PROFIT / COGS  
\$50 / \$150 = 0.33 Markup

STEP 3: MARKUP X 100  
0.33 X 100 = 33% Markup

33%  
Markup



Margin and markup measure profitability differently.  
Each markup relates to a specific margin.

Markup	Margin	Markup	Margin
20%	16.7%	43%	30%
25%	20%	50%	33%
30%	23%	75%	42.9%
40%	28.6%	100%	50%

Source: [01-Markup-vs.-Margin-Explained.pdf](http://01-Markup-vs.-Margin-Explained.pdf) ([suiterbusinessbuilders.com](http://suiterbusinessbuilders.com))

# Markdowns

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# Reasons for Taking Markdowns

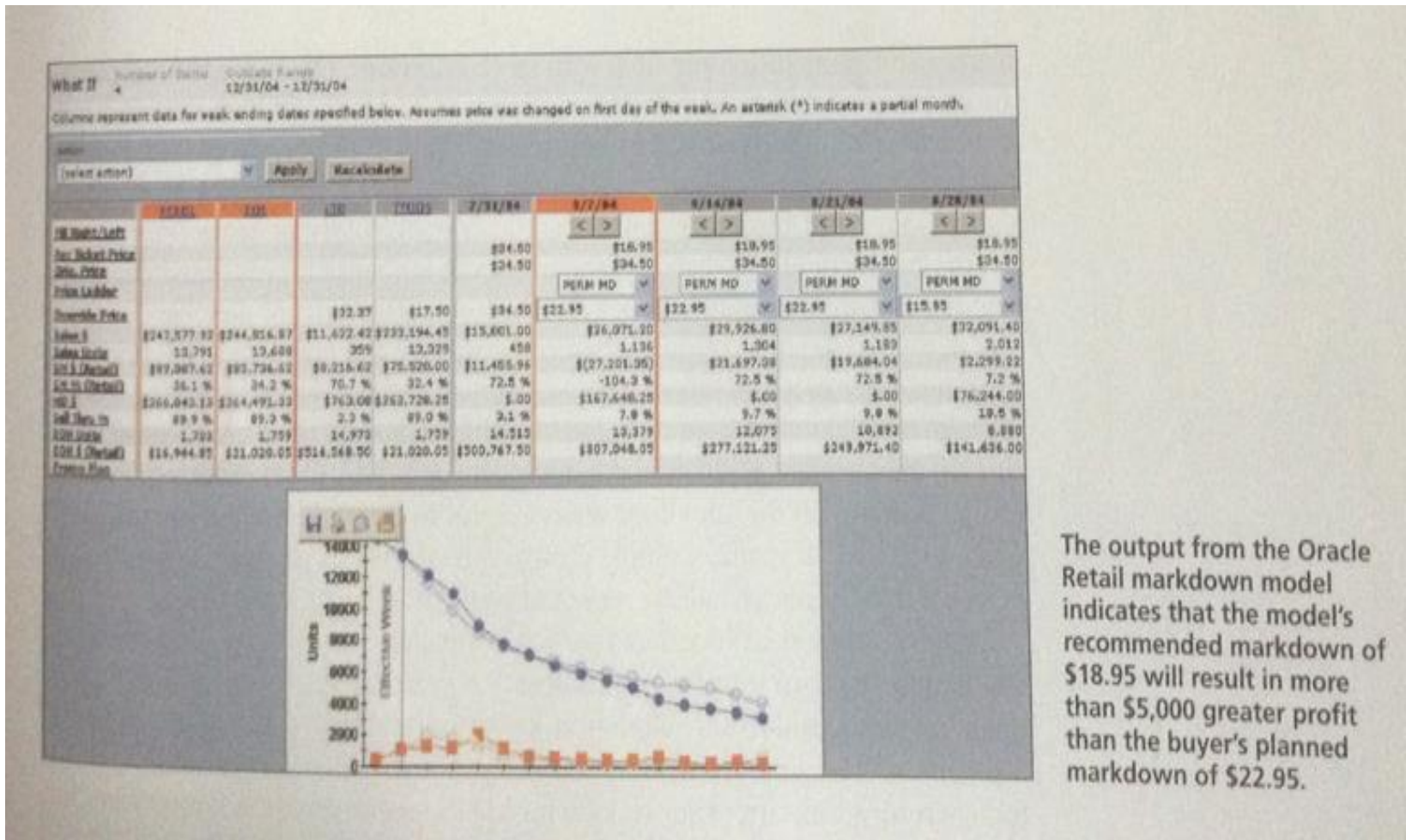
- Two reasons for taking markdowns
  1. **Clearance** – to dispose of merchandise
  2. **Promotional**- to generate sales

# Markdowns



Pricing Optimization software recognizes when sales for winter coats are slower than expected and suggests both the timing and amount of markdowns.

# Markdowns



The output from the Oracle Retail markdown model indicates that the model's recommended markdown of \$18.95 will result in more than \$5,000 greater profit than the buyer's planned markdown of \$22.95.

# Pricing Techniques for Increasing Sales and Profits

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# Variable Pricing and Price Discrimination

- Individualized Variable Pricing – retailers could maximize their profits if they charged each customer as much as the customer was willing to pay
- First-degree price- Charging each individual customer a different price based on their willingness to pay, i.e., auction bidding
  - legal, but difficult to assess customer's willingness to pay and retailer cannot change the posted prices



# Variable Pricing and Price Discrimination

- Dynamic pricing or individualized pricing refers to the process of charging different prices for goods and services based on the type of customer, time of day, week or even season, and level of demand
- Retailers may also charge customers different prices based on their loyalty status derived from their CRM systems – i.e., the platinum customers receive lower prices than the silver ones

# Variable Pricing and Price Discrimination

- **Second-degree price discrimination is when retailers offer**
  - ❖ Promotional and clearance markdowns,
  - ❖ Coupons (Issued in newspapers, on products, on the shelf, at cash register, over the internet and mobile, via mail, in flyers)
  - ❖ Price bundling (KFC family meal 299 bt.)
  - ❖ Multi-unit pricing (quantity discounts)

# Variable Pricing and Price Discrimination

- **Self-Selected Variable Pricing-** an alternative approach for dynamic pricing is to offer the same multiple-price schedule to all customers which encourages price-sensitive customers to take advantage of the lower price or also known as second-degree price discrimination



# Coupons



Extreme couponing causes havoc on a retailer's supply chain when one customer buys all of a store's stock of a single SKU.

# Price Bundling

**McDonald's**  
**Value Meals**

**Half Price**  
**Full Treat**  
Rs. **275** Each  
With Regular Fries & Drink

**Spicy Chicken Burger**  
with Cheese

**Mini McRoyale**

**Value McArabia**  
Chicken

**1112-44-622**   
[www.mcdelivery.com.pk](http://www.mcdelivery.com.pk)

The advertisement features the McDonald's logo and slogan 'I'm lovin' it' in the top left. It displays three meal bundles on colored backgrounds: a green background for the Spicy Chicken Burger with Cheese, an orange background for the Mini McRoyale, and a purple background for the Value McArabia Chicken. Each meal includes a sandwich, a Coca-Cola soft drink, and a side of French fries. The price of Rs. 275 is prominently displayed in large purple text. Contact information and the website URL are provided at the bottom right.

McDonald's uses price bundling when it combines a sandwich, French fries, and a soft drink in a value meal.

# Multi-Unit Pricing



Offering two or more similar products or services for sale at one lower price is called multiple-unit pricing.

# Variable Pricing and Price Discrimination

- Third-degree price discrimination : retailers charge different prices to different demographic market segments
- For example movie theaters have discounts for students and seniors





A sign for Regency Theatres with the logo at the top. The logo features a stylized 'X' shape above the words 'REGENCY THEATRES'. Below the logo, the text 'TICKET PRICES' is written in large, bold, black letters. Underneath, a list of ticket categories and their prices is displayed in a two-column format. The sign is flanked by two dark silhouettes of people's heads in profile, facing each other.

REGENCY THEATRES	
<b>TICKET PRICES</b>	
ADULT	\$9.00
MATINEE*	\$7.00
SUNDAY'S	\$5.50
CHILDREN (2-11)	\$7.00
SENIOR (61 & better)	\$7.00
3D SURCHARGE	\$2.50



A promotional graphic for student tickets. The background is a light yellow with faint mathematical equations and a pencil. The main text is in large, bold, red letters with a white outline. Below the main text, there is a line of text in black. To the right of this text is a list of ticket types and prices, each in a colored box with a white outline. To the left of the list is a cartoon illustration of a boy in a blue shirt pointing upwards. At the bottom, there is a line of text in black.

**MOST AFFORDABLE  
STUDENT TICKET YOU CAN GET!**

Present your **STUDENT PASS** & enjoy movies at a special rate

Regular Tickets*	\$6.50
3D Movie Tickets*	\$9.00
IMAX Digital Tickets*	\$12.00
IMAX 3D Tickets* <small>*Except for Friday &amp; Opening Titles</small>	\$14.00

\*Terms & Conditions Apply • Visit [www.shaw.sg](http://www.shaw.sg) for more details

# Leader Pricing

- **Leader Pricing or loss leader** is the practice of pricing certain items lower than normal to increase traffic flow and boost sales of complementary products



# Price Lining

- **Price Lining: Retailers frequently offer a limited number of predetermined price points within a merchandise category**
- For example Kroger's vision for its store brands is to build loyalty among customers, with strong store brands that are exclusive to the retailer, it pursues a price lining store brand strategy to provide Kroger products to all customer segments

# Price Lining



When retailers like Kroger offer three SKUs for ice cream that reflect good, better, and best quality at three different price points, they are using a price lining technique.

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BASIC	STANDARD	PRO
1 USER	3 USERS	10 USER
50GB STORAGE	1000GB STORAGE	UNLIMITED STORAGE
20 MAILS	50 MAILS	100 MAILS
ONE CLICK INSTALS	ONE CLICK INSTALS	ONE CLICK INSTALS
FULL SUPPORT	FULL SUPPORT	FULL SUPPORT
\$9.99 <small>PER MONTH</small>	\$14.99 <small>PER MONTH</small>	\$24.99 <small>PER MONTH</small>
SIGN UP	SIGN UP	SIGN UP

# PRICE LINING

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EVERYTHING YOU SHOULD KNOW





iPhone 8

From  
**\$449**



iPhone X®

From  
**\$599**



iPhone 11

From  
**\$699**



iPhone 11 Pro

From  
**\$999**



iPhone 11 Pro Max

From  
**\$1099**

# Odd Pricing

- Odd pricing refers to the practice of using a price that ends in a 9.



The practice of offering odd prices—a price that ends in an odd number, typically a 9—is more than 100 years old. Although empirical studies have mixed results, many retailers believe that the practice can increase profits.



**That's All Folks**