**3.4 Using the marketing mix**

**Pricing strategies: Activity**

**Task 1: Pricing strategies**

Label the following products depending on what pricing strategies you think they are using. It may be more than one. Be ready to explain your reasoning.

**Pricing strategies:** Price skimming, penetration pricing, premium pricing, loss leader, psychological pricing, price discrimination, seasonal pricing, competitive pricing

|  |  |
| --- | --- |
| Product | Pricing strategy |
| Petrol |  |
| Xbox One at launch |  |
| Food product on short-term offer of 35% off (such as share bag of Doritos or Heinz Ketchup) |  |
| Collectable magazine subscription (First issue £1.99; normal issue £5.99) |  |
| Luxury sports car, e.g. Porsche, Bentley |  |
| Second-hand car priced at £9,999 |  |
| Topshop jacket |  |
| Ryanair flight to Rome |  |
| Cadbury Dairy Milk bar |  |
| iPhone 6 |  |
| New album on CD or online |  |
| Cigarettes |  |

**Task 2: Short case study**

When Sony first released the PlayStation 3 in 2006 they sold it at a loss. It cost about $805 to build and initially sold for $599. Over time costs and prices came down and by 2009 the PS3 was selling for $299 at a cost of $336 to build. The PlayStation 4 costs approximately $381 to make and when launched in 2013 sold for a price of $399, only an $18 difference. These small profit margins are rare in consumer electronics. For example, Apple’s iPad Air sells for a minimum of $499 at retail, yet costs up to $274 to build.

**Questions**

1. What is meant by ‘price skimming’ and ‘penetration pricing’? When would you advise a firm to use these two different strategies?
2. What is a ‘loss leader’? Why would a firm like Sony or any other ever sell a product at a loss?
3. Explain three factors that might influence the price of a product.
4. Name one pricing strategy more likely to be available to a larger business than a small one.