

## Pricing Decisions Meaning & Affecting Factors

Pricing means money charged for a product or service. The price of the product plays a very prominent role in any selling process. It is one of the most important business decisions taken by the man on which future sales depend. In this article, we will learn about pricing it's meaning and the different factors affecting pricing decisions in detail

### Pricing Decisions Overview

Unlike the elements of marketing, making pricing decisions directly affects revenues rather than the cost full stop they contribute towards the perception of a product or service by the customer. There are so many factors responsible for determining a desired price and its change.

### What is the Meaning of Price?

Price is the value that is put on a product or service and is the result of a complex set of calculations Research understanding and risk-taking ability.

According to Philip Kotler, "price is the amount of money charged for a product or service."

According to Stanton, "Price is the amount of money or goods needed to acquire some combination of other goods and its accompanying services.

### Pricing Decisions

Pricing decision is a process whereby a business sets the price at which it will sell its product and services and may be a part of the business marketing plan. In setting prices business considers the price at which it could acquire the good it's manufacturing cost marketing cost brand quality cost etc factors.

### Factors Affecting Pricing Decisions

Below are the major factors affecting the pricing decisions of the firm or business. These factors cumulatively as well as individually influence and impact the pricing decision a product or service.

#### Factors Affecting Pricing Decisions

Internal factors	External factors
Cost	Demand
Marketing Mix	Competition
Product Differentiation	Suppliers
Company Objectives	Customers
Organizational Factors	Government
	Economic Conditions

#### Internal Factors for Pricing Decisions

The internal factors are factors that can be controlled, determined and processed by the organization. These factors are mostly in relation to the organization's business-level strategy and are greatly influenced by the nature of business.

## **Cost**

Major factors that determine price. The cost of production is largely influenced by the supplier cost, macroeconomic trends and the nature of business.

## **Company objectives**

pricing decisions are made, they must be in line with the overall company objectives, as this is what will inform what the pricing objective really is so that the pricing decisions made will not be against the company objective.

## **Organizational factors**

Pricing is affected by the organizational factors. The overall pricing strategy is dealt with by the top executives. On the other hand individual product pricing strategies are dealt with by the lower-level management of the firm hence pricing decisions occur at two levels in the organization.

## **Marketing Mix**

The marketing mix plays a very important role in determining the price of the product. If any one of the marketing elements is affected will ultimately lead to an immediate effect on the pricing decision

## **Product Differentiation**

The price of the product is also affected by the characteristics of the product. These characteristics involved quality size, color attractive package and uses etc. Hence different prices are charged for different styles and packaged Products

## **External Factors for Pricing Decision**

External factors are those factors that are not within reach of the organization. They are external because there are many parties that determine and control these factors below are the major external factors affecting pricing

### **Competition**

Competition is a very important factor in price determination. A firm can fix a price equal to or lower than the competitor as per the situation demands.

### **Demand**

Demand is a prominent factor affecting the price of the product. The product having a high demand in the market can be priced a little higher than the other products. On the other hand, if the product is new then the company needs to penetrate the market and for that, it charges lower prices to attract more customers.

### **Suppliers**

Suppliers of raw materials and Other goods can have a significant effect on the price of the product because the price of the finished product is intimately linked with the price of the raw materials.

### **Economic conditions**

The inflationary and deflationary tendencies of the economy affect the pricing also. The prices are increased in the Boom period to cover the cost of production and meet the needs of changing demand and vice versa.

### **Customers**

The various consumers or customers that buy a company product or service may have an influence on the pricing decisions. Their behavior of purchasing a particular product brand or service affects the pricing levels.

### **Government**

The government also affects the pricing decision by the enactment of different legislations. Like in the scenario of rising prices, the government can fix the maximum cap on the price of certain products. It gives a close watch on pricing in the private sector

### **Conclusion**

Hence, price plays a very prominent role in the marketing decisions of the corporation. It is the sum of value that customers exchange for the benefit and the different factors affecting companies' pricing decisions. Companies need to consider all these factors before charging a valid price for the product or service.

