Chapter 10
Pricing in Market Uncertainties

ABSTRACT

The marketing environment for a competitive environment is a combination of factors that are used for pursuing marketing objectives in the identified markets for achieving targets. These factors have to be strategically mixed in the marketing planning for offering quality services and optimizing customer value. It is an integrated approach for promoting the services with a view to expand the area under services market. This chapter discusses the pricing strategies that can support the firms during marketing uncertainties. The author argues that many pricing decisions are driven by judgmental rather than data-rich uncertainties—the rate of demand shifts, the impact of substitute prices, the consumer conflicts on prices offered, or the extent of price war. This chapter also discusses the strategies for niche pricing. It is also illustrated in the chapter that there are three levels of price analysis in reference to competition—a price system, price at an individual competitor's firm, and industry rival's price.

INTRODUCTION

Marketplace strategy includes elements of product and customer segments, competitive posture, goals, and moves and directions of the firm. The products and customers are categorized in different ways. Customers are segmented on the basis of the products and services they use at any point of time. The customer demographics are also considered to a large extent in segmenting the customers. The competitor's position and direction of the competitor is better known to the distributing channels than any other external agency. Tapping of right information taking the distribution channels into confidence would be more appropriate than any other means to the company. Rival business firms often choose distinctly different channels to reach the end users. The competitive posture reveals how a competitor competes in the market place to attract, win, and retain the customers. The customer is the kingpin in determining the competitive posture. The competitive posture of the company consists of product line, attributes of the product, functionality, service, availability, image, sales relationship, and pricing pattern. The product line broadly refers to the range of products available with the competitor. The distributors and retailers are more concerned with the width (item

DOI: 10.4018/978-1-4666-4094-8.ch010

under product range) of the product-mix. Some companies focus on narrow range of products and build high image among the customers. The product attributes vary in terms of shape, design, style, color and added advantages. Further, the customers may view the functionality of the product as the satisfaction derived from the products. The dimensions of the functionality are highly product specific. In the competitive markets, the efficiency of the services discharged and extended to the buyers also contributes in building or breaking the market place strategy. Products, in the same market or competitive domain, largely vary in their availability may be due to weak or faulty supply chain management. The competing firms must study this situation and develop strategies accordingly. Price game played by the mercantile and service sector companies is very sensitive and may carry enough strength to destroy the rivals business. Such market tactics among the companies dealing with Fast Moving Consumer Goods (FMCGs) and services have been observed time and again. An example of price war is of the low cost airlines in India. Jet Airways, Kingfisher Airlines, and Indian Airlines drive campaigns to attract potential customers as well as to prevent the switching of existing customers by slashing the prices on the domestic trunk routes. The position of products and services, and the level of competition in the marketplace may be assessed by measuring the dynamic moves (strategic and tactical) in the given product-customer segments in a competitive marketplace.

Many technology driven firms consider establishing strategic alliances as an effective strategy to sustain the market competition. They recognize that alliances and relationships with other companies of repute are fundamental to outwit, outmaneuver, and outperform the competitors by ways of better branding, better service, and tagging global brands for assuring the quality of goods and services. Alliances and relationships thus transform the concept of competitor. The strategic alliances may be in various forms like branding, logistics, research and development, productions and operations management, packaging, services, sales, and customers. The company has to list all alliances that it is planning to have to outperform the competitor, categorize all available alliances by activity, value chain and resources and identify the key alliances, which will have the cutting edge on the market place strategy of the competitor. It is essential to identify the alliance partners and know about their marketplace strategies. The purpose of the alliance has to be made transparent at the very beginning of the deal. The company has to draft the terms of alliance clearly for striking the final deal. The terms of alliance must delineate the resources contribution of each partner, roles and responsibilities of either of the alliance partners, duration of alliance and the benchmarks. The company proposing to have alliances must assess the evolution date of the alliance, alliance attributes, signals of the market place and consequences for the competitor in terms of changes in the market places strategy. The company should also identify the indicators to monitor the terms of alliance with a view to reorient the business needs, mutual interest and commitment. Marketing environment for a competitive environment is a combination of factors that the customers use as tools for pursuing its marketing objectives in the identified markets for achieving targets. These factors have to be strategically mixed in the marketing planning for offering quality services and optimizing customer value. It is an integrated approach for promoting the services with a view to expand the area under services market. The traditional components of marketing-mix including product, pricing, place and promotion are further supplemented by another set of 11Ps consisting of product, price, place, promotion, packaging, pace, people, performance, psychodynamics, posture, and proliferation.

A company trying to outwit, outmaneuver and outperform the competitors must also keep a constant watch on the future movements of the competitor and should draw valuable projection for