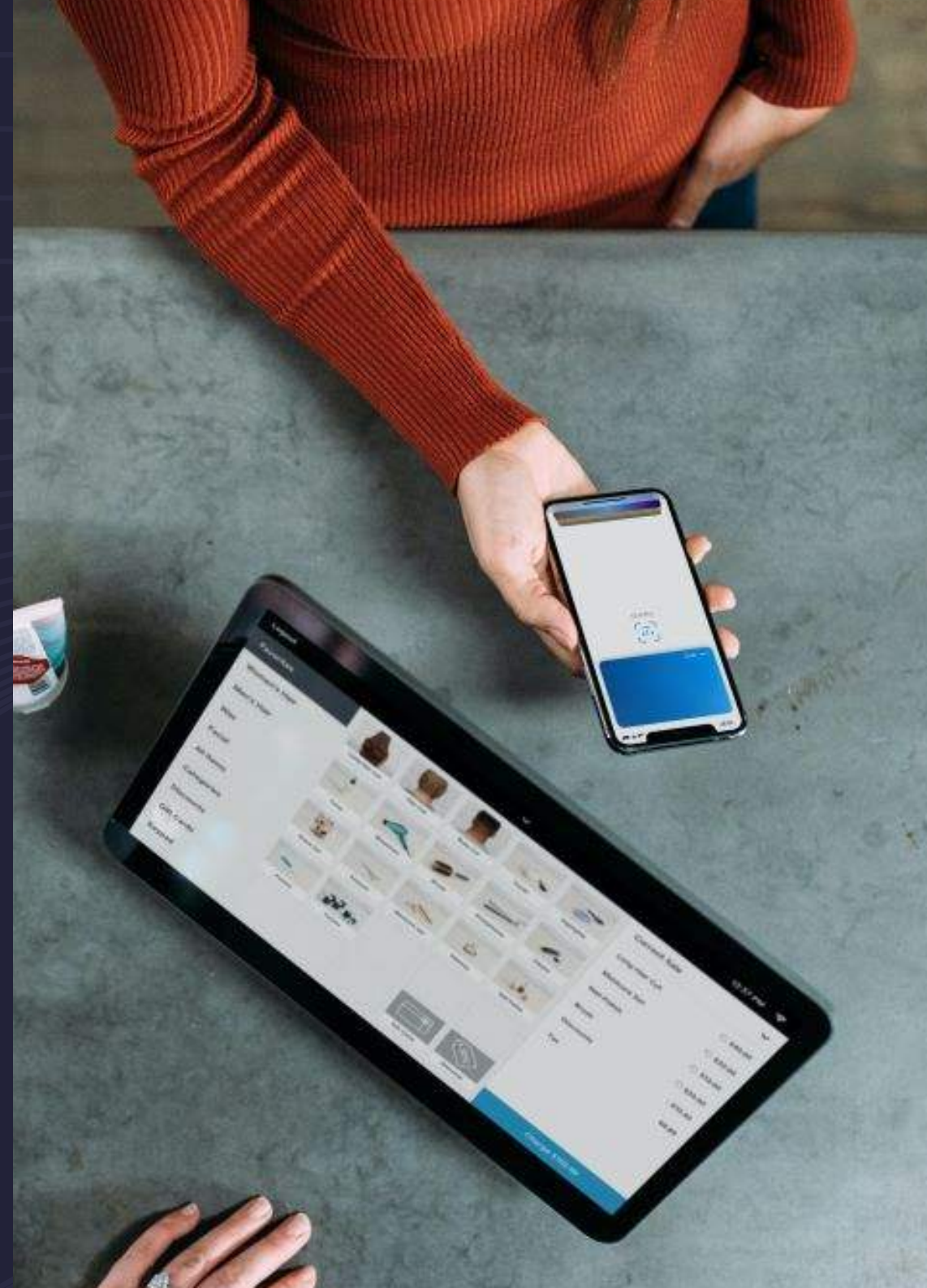


PRICING GUIDE

Make confident pricing decisions



Pricing Goals

Clear pricing objectives determine how businesses price their products and to what effect. We explore 7 common pricing goals and when to use them.

Companies must have clear objectives that reflect the motivation behind their pricing decisions before implementing pricing strategies to ensure these align effectively with their broader organisational needs. There are many directions a company's pricing goals may take, dependent on numerous factors, such as organisational structure, size, purpose, and brand image.

Here are some commonly administered pricing goals that companies keep in mind when determining their product pricing.

They work for SaaS pricing as much as for consumer goods.



Maximise Profit

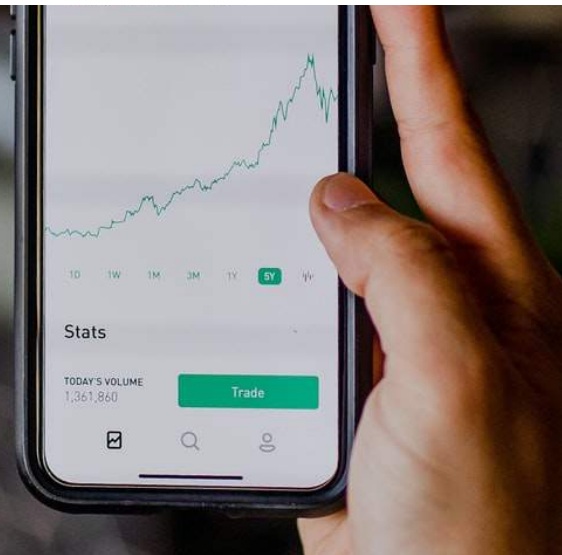
Companies assess the best pricing and output strategies to achieve profit maximisation.

Generally, small companies have this objective to gain external investment and increase their market penetration. As short-term profit maximisation is a high-risk move, it's rarely undertaken as an ongoing pricing goal.

Raising prices: ensure price covers not only production costs but also reflects its value to consumers.

Cutting costs: understand overheads, negotiate with suppliers, improve manufacturing efficiency.

Increasing revenue: increase product marketing, diversify product lines, up-sell to existing customers.



Example: A new e-commerce platform is seeking investment from larger organisations and must demonstrate its profitability within a short timeframe. The company slightly raises its product pricing, increases visibility over its inventory to remove slow-moving products and orders fast-moving product lines in bulk to save costs. They also offer free shipping on orders over a certain amount to encourage additional spend.

Maximise Revenue

Larger/more established companies rely heavily on increased revenue to attract more investors. Even if companies are making little to zero profit, higher revenues help to grow market share and lower costs, effectively driving high profitability in the long-term.

Broaden market: conduct market research to assess if/which new markets can be tapped into.

Create special promotions: use price bundling, add loyalty programmes, offer product discounts.

Cutting costs: understand overheads, negotiate with suppliers, improve manufacturing efficiency.

Example: A longstanding fast-food chain is preparing to become publicly listed and needs to boast high revenue to attract potential investors. To maximise revenue, the company conducts market research to discover the best geographical areas for new stores, creates a loyalty programme to grow brand awareness, and offers price bundling on meals at discounted pricing. The company's supply chain is assessed and optimised to reduce wastage and improve cost efficiency.



Maximise Quantity

Companies looking to maximise quantity aim to sell as many units of their product/gain as many new customers as possible in a designated timeframe. Increasing sales volume requires setting product pricing that will attract a record number of purchases. As such, companies do not usually have this objective for profit/revenue-raising purposes, but to increase market share and raise brand awareness and loyalty.

Companies need to re-prioritise their existing long-term objectives to achieve this goal as a large amount of time and money must be committed to marketing, sales, and promotional activity of their product.

Example: Consider two smartphones on the market – Brand A (\$599) and Brand B (\$589). Both are priced similarly and offer near-identical features in terms of overall functionality and quality. However, Brand A holds 50% market share and Brand B has just launched its product with 10% market share. Brand A prepared for Brand B's release by offering a special 20% discount in the weeks leading up to the release. Rather than grow profit, Brand A aims to maximise quantity to prevent customers from purchasing Brand B, hence retaining/growing market share.



Maximise Profit Margins

Profit margins are calculated by companies on three levels - gross profit, operating profit, and net profit. The simplest to determine is the gross profit margin; the amount a company earns once the cost of goods sold (COGS) is deducted, expressed as a percentage of total revenue. Profit margins are important as they accurately indicate if a company is or isn't making money and if its products are priced appropriately or require adjustment.

Companies aiming for long-term profitability must actively monitor their profit margins and undertake strategies to maximise them. One of the most effective ways that companies can achieve high-profit margins is by increasing their brand's perceived value which enables higher product pricing for both the short and long term.

Example: A cosmetics company is pursuing consistently higher profit margins to establish itself for long-term growth. The company has decided to frame itself as a luxury brand to build exclusivity of its product and justify a significant pricing increase across its entire range. The company works extensively on re-packaging, re-marketing, and relaunching its new look, hoping to increase profit margins through sales of the higher-priced product line.

Follow External Controls

For certain industries, external organisations determine prices, such as regulators, wholesalers, and retailers. In these cases, there is limited negotiation between involved parties and the external body makes the final decision.

Example: In Australia, processors buy, process, and package milk from farmers, before delivering it to supermarkets for retail. Processors set the buying price for milk, meaning farmers do not determine how much they sell their product for. Supermarkets' retail prices are then determined separately, and independently from the initial farmgate value.



Differentiate from Competitors

Products/services that have been on the market for a substantial amount of time often reach a level of equilibrium as a range of alternatives become available. Companies that are looking to differentiate their product from competitors can do so by changing several of its elements, one of which is price. This could involve setting lower prices to appear more economical than other brands or setting higher (premium) prices to appear more prestigious.



Example: An electronics company is facing market saturation across its wide range of products. To differentiate from its competitors the company sets its prices significantly higher than other brands and promotes itself as a leader in the tech space to remain unique from the rest of the market and justify their higher prices.

Promote Social Fairness

To increase access to products/services for broader society, companies will opt for “fair” pricing, taking socio-economic constraints into account during the pricing process. Such companies are typically not-for-profit or run on considerably low-profit margins to deliver lower pricing to their customers and services that are highly accessible. This objective focuses on enabling affordable access to everyday provisions, and in some cases to help establish self-sufficiency and long-term investment opportunities for underprivileged individuals.



Example: Microfinance companies operate in some of the world’s poorest countries, providing loans to people living in poverty. These loans help these individuals to start businesses under living circumstances that would cause ineligibility for other financial services. Such organisations offer low-interest fees and extended repayment periods to further support the borrower.

Powerful pricing research tools

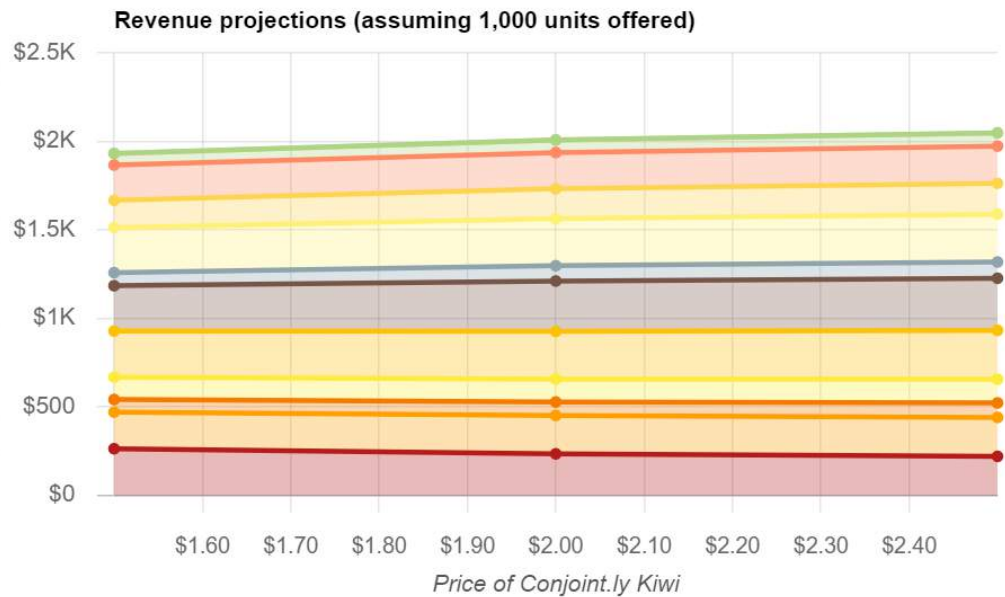
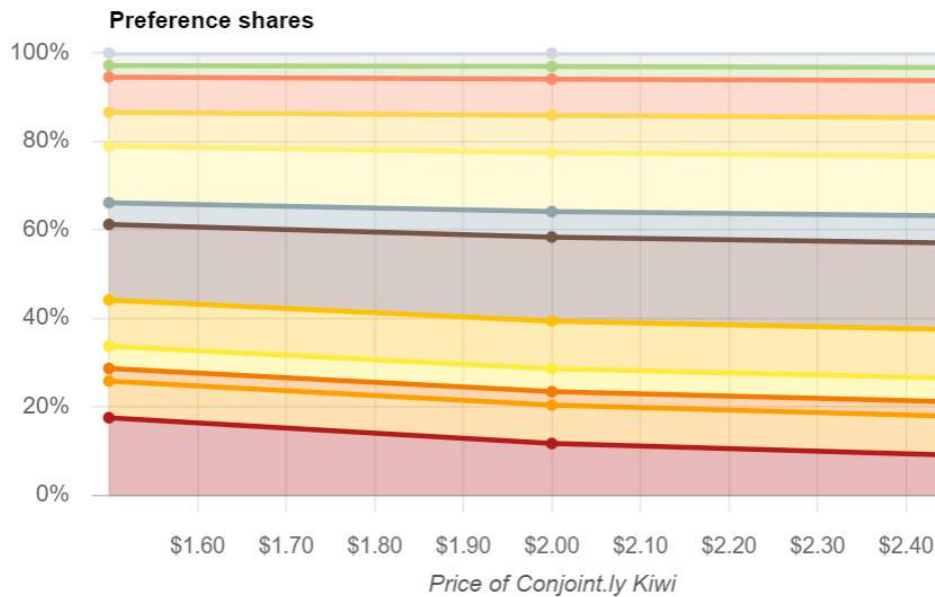
Access a complete toolbox of advanced automated research methods.
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Pricing Strategies

Once a business selects its pricing goals, the next step is to consider which strategy/ies can help achieve these objectives. Like most factors surrounding pricing, this depends on the industry, a business' broader objectives, market performance, and brand image.

Setting the right pricing for products/services requires extensive testing, altering, and constant monitoring to ensure the most profitable strategy is in place. There are many strategies that a business may use to determine its pricing, each with its own strengths and weaknesses.

Identifying which strategy works best with the nature of your product is a challenge worth undertaking as it will serve as the pathway to higher revenue and higher profit margins for your business.

We've listed 7 popular pricing strategies and why and when to use them.

1. Dynamic Pricing

Dynamic pricing works off market demands and allows companies to set flexible prices for their products/services. Businesses determine customers' willingness to pay in certain circumstances and adjust their prices accordingly.

Pros:

- Enable flexibility with prices that reflect periodic market demand.
- Maximise profit margins through increase in price.
- Sell more services/products during slow sales periods.

Cons:

- Frustrate and confuse customers due to increased prices and lack of consistency.
- Lose out to competition offering lower pricing during times where price is increased.

PRICES IN £'S FOR ADULTS ONLY (13YRS +)	LOW SEASON 1 Nov – 31 Mar 01 Nov – 31 Dec	MID SEASON 1 Apr – 31 May 1 Oct – 31 Oct	HIGH SEASON 01 Jun – 30 Sep
1 adult in room	£816	£943	£1069
2 adults in double/twin room	£626	£690	£714
3 adults (triple)	£556	£600	£664
4 adults (triple + extra bed)	£498	£563	£626

PRICES IN £'S FOR ADULTS & CHILDREN (12 YRS & UNDER) SHARING A ROOM (Children 0 – 5yrs free)	LOW SEASON 1 Nov – 31 Mar 01 Nov – 31 Dec	MID SEASON 1 Apr – 31 May 1 Oct – 31 Oct	HIGH SEASON 01 Jun – 30 Sep
1 adult & up to 3 children in room	£816 (adult) £326 (each child)	£943 (adult) £326 (each child)	£1069 (adult) £326 (each child)
2 adults & up to 2 children in room	£626 (adult) £326 (each child)	£690 (adult) £326 (each child)	£714 (adult) £326 (each child)
3 adults & 1 child in room	£556 (adult)	£600 (adult)	£664 (adult)

2. Freemium Pricing

Freemium pricing splits product/service users into two categories – free and paid service. Free users have their access limited to certain product features, and paid users have full unrestricted access.

Pros:

- Display product value in a practical and effectively.
- Encourage free advertising through word-of-mouth recommendations.
- Build brand loyalty and increase retention rates by easing users into the product.

Cons:

- Lose profit from free service customers who are content with its features.
- Lessen customers' perception of product value by having a free version on offer.
- Increase sales cycle from customers using free service before adopting premium.

The image shows a comparison of two pricing models. On the left, the 'Free Forever' plan is highlighted with a light blue background. It features the text 'Free Forever' at the top, 'Always' in the middle, and '\$0 / month' in a large font. Below this, it says 'Automate personal tasks. Be less busy, and get more done.' On the right, the 'For Work' plan is shown with a light grey background. It features the text 'For Work' at the top, 'Starting at' in the middle, and '\$20 / month' in a large red font. Below this, it says 'Automate your business. Turn c workflows that make any job ea' and 'Make Zaps with 3+ steps' with a red checkmark icon.

3. High-Low Pricing

High-Low pricing involves setting a high (reference) price for a product/service then lowering it during a sale/promotional period before once again increasing the price. The reference price serves to reflect the product's value and reputation before it's discounted.

This strategy works by pushing a sense of urgency onto customers to purchase the product during the sales period. The general increase in traffic during these periods results in high sales as customers often also buy full-priced products when in-store.

High-Low pricing works best in instances where customers are not sure of what a product's pricing should be in ordinary circumstances, and with customers who directly relate promotional sales with low prices.

Pros:

- Establish value by showing the product's worth through higher pricing.
- Drive store traffic and product demand through promotional efforts.
- Generate higher sales volumes by reaching broader markets during sales.

Cons:

- Discourage customers who may perceive discounted product as lacking quality/value.
- Decrease profit during promotional periods.
- Lose sales during the reference pricing period for customers who wait for promotional sales.



4. Price Skimming

Price skimming is a strategy which businesses usually implement when a new product enters the market. A business sets the highest price that customers are willing to pay for the new product before lowering the price over time to appeal to the more price-sensitive segments of the market. This technique is commonly used for promotional purposes when launching new consumer products.

Reducing the price also allows businesses to align with any competitor products which appear over this time. Effective marketing is crucial to a successful price skimming strategy, as customers must feel the product is of high quality and demand to justify the higher price.

Example: An electronics company releases a new gaming device. The company advertises the product for months before its release and boasts its new features. The product is originally released at \$699 which the brand's loyal customers are happy to pay.

After a few months, the company reduces the price to \$549 to attract price-sensitive customers and to compete with the latest similar products.

Pros:

- Generate maximum profit from initial product sales.
- Create a strong brand image by conveying quality and value of the product.
- Differentiate product by setting pricing higher than other products on the market.

Cons:

- Isolate market initially through high pricing that drives away the price-sensitive markets.
- Lose sales to competition if pricing is not lowered at the correct time or to an appropriate amount.
- Decrease profit as market demand diminishes and product price is lowered.

5. Premium Pricing

Premium pricing involves setting product prices permanently higher than competitors' prices in a bid to differentiate from the market. Businesses that use this strategy spend a large amount of time and money to market their product as superior, unique, and worth the extra cost.

Once a company cements itself as 'luxury' through initial marketing expenses, premium-priced products can drive high profit margins in the long-term and establish a reliable and reputable brand image.

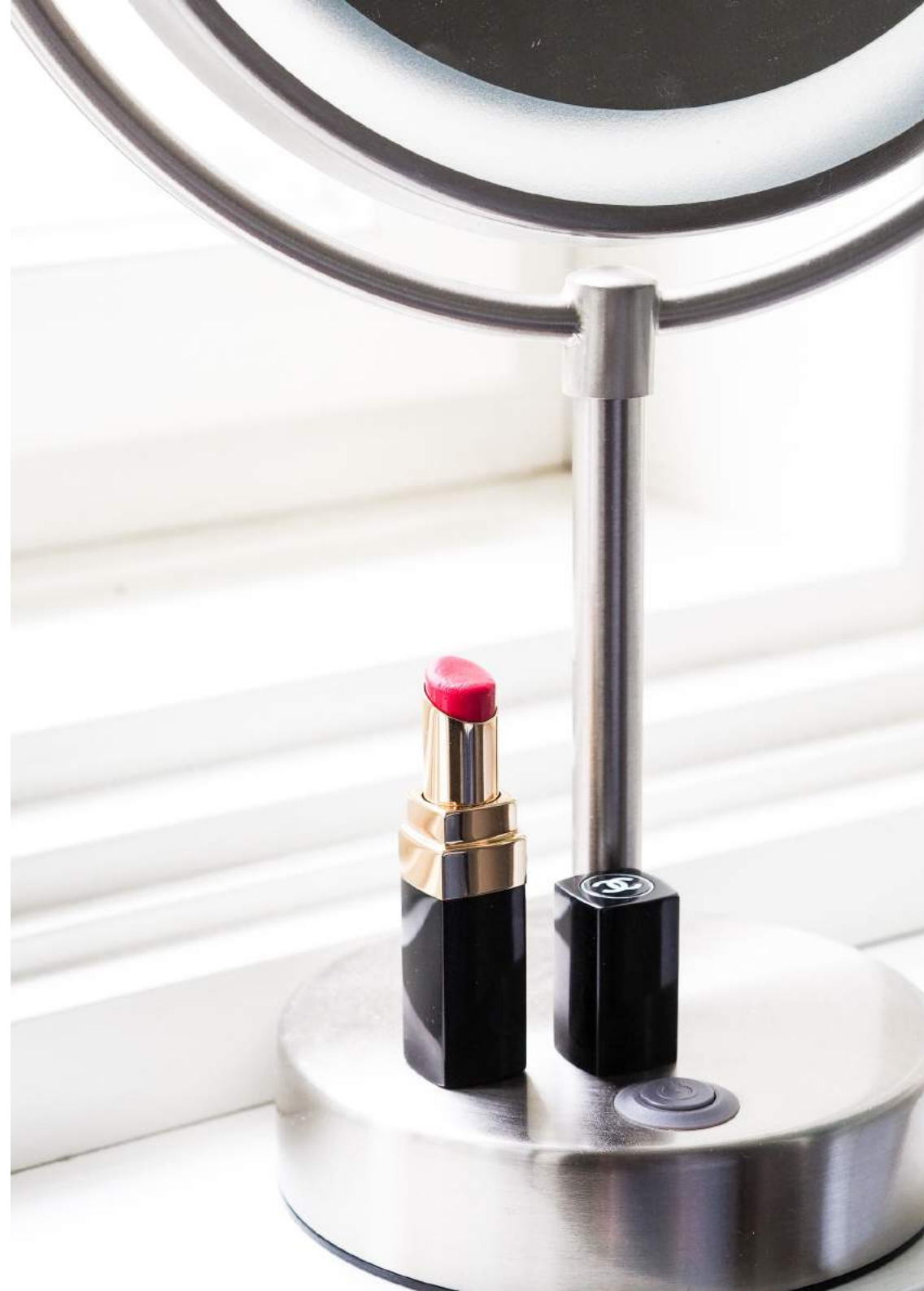
Generally, premium pricing strategies determine that a business never discounts its products to ensure its perception is not 'cheapened' within the market.

Pros:

- Increase long-term profit margins through higher pricing.
- Establish a renowned, sought-after brand with a loyal customer base.
- Differentiate from competitors through unique marketing and pricing strategy.

Cons:

- Alienate the price-sensitive market due to higher pricing.
- Lose profits initially due to the high cost required to market premium products.
- Experience lower sales volumes as higher price appeals mostly to top tier of the market only.



6. Tailored Pricing

Unlike fixed pricing, where customers pay a pre-determined amount for a product/service, tailored pricing determines that prices are set on a case-by-case basis. Businesses that offer custom offerings, with varying time, cost, and scale, will often use this strategy.

Tailored pricing works best in instances where the sales cycle is in-depth and lengthy as salespeople can better understand each clients' needs, budget, and potential for upselling. It also means that customers are more likely to need assistance with their purchase, unlocking opportunities to provide the best/highest value product/service bundle.

Pros:

- Better understand customer needs and align product/service with them.
- Maximise profit from each sale through scrutinised pricing.
- Improve customer retention through increased sales touchpoints.

Cons:

- Discourage customers who are looking for an upfront cost.
- Lose visibility over profit margins/revenue due to fluctuating price points.
- Delay sales through lengthy nurturing period and quote determination.

7. Fixed Pricing

Fixed pricing works off a set model that offers the same price to customers regardless of time, cost, and other determining factors. Due to its restrictive nature, fixed pricing is commonly used by businesses who offer rigid products/services with little to no variation across their customer portfolio.

Businesses must allocate ample time to devise appropriate rates for fixed pricing to ensure they're covering all involved costs and resources required for the full scope of service. It's also important that the products/services on offer have been available for long enough to gain an accurate understanding of the time and expenses involved before implementing fixed pricing.

Pros:

- Encourage customers with transparency and confidence in pricing.
- Predict profit margins and revenue through early knowledge of price points.
- Shorten sales cycle through straightforward transaction for customers.

Cons:

- Misjudge service timing/costs and lose profit.
- Discourage customers who are asking for custom services.
- Lose control over unexpected additional costs.

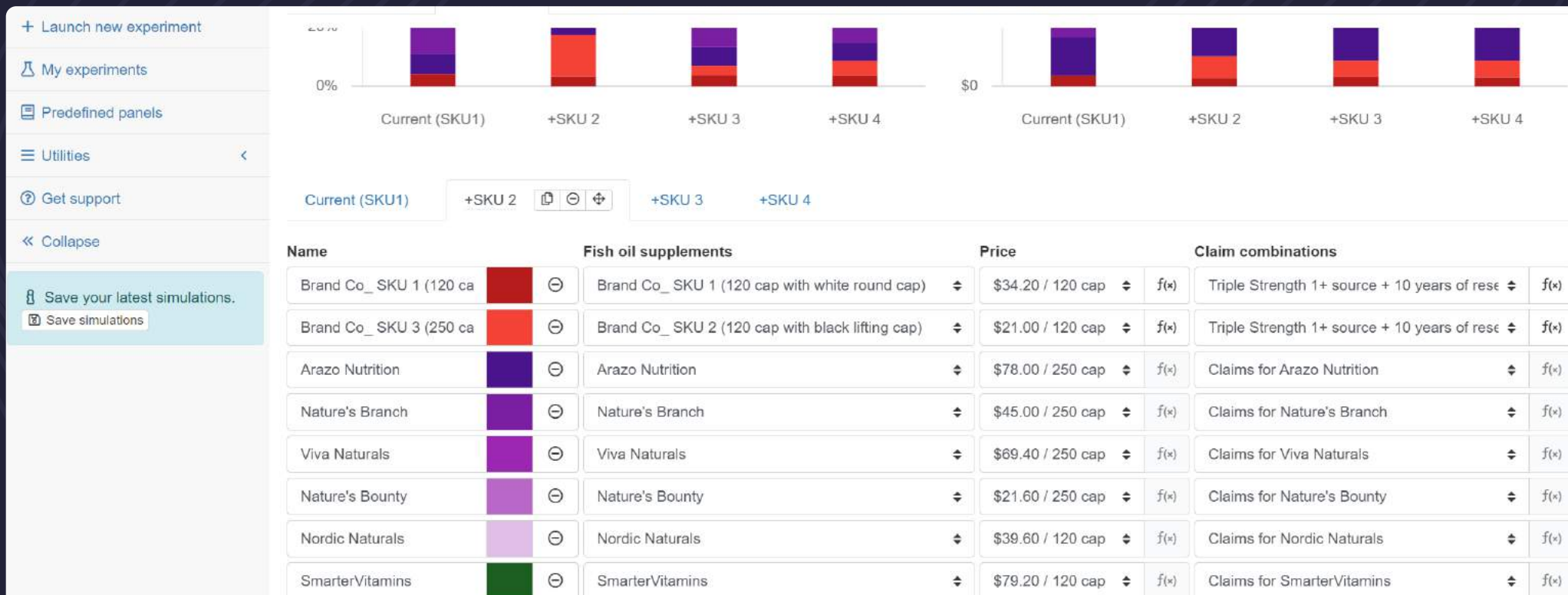
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You get agency-quality results at a fraction of the cost and time investment. One powerful end-to-end platform for insights teams for fast and reliable market research.

Get answers to questions about pricing strategy and running pricing experiments. Book a quick call today to talk with the team who specialise in pricing research methods.

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The screenshot displays the conjoint.ly interface for a pricing experiment. On the left is a navigation sidebar with options: Launch new experiment, My experiments, Predefined panels, Utilities, Get support, and Collapse. A 'Save your latest simulations' button is also visible. The main area shows two bar charts comparing 'Current (SKU1)' with '+SKU 2', '+SKU 3', and '+SKU 4' across two price points: 20% and \$0. Below the charts is a table of product configurations.

Name	Fish oil supplements	Price	Claim combinations
Brand Co_ SKU 1 (120 ca	Brand Co_ SKU 1 (120 cap with white round cap)	\$34.20 / 120 cap	Triple Strength 1+ source + 10 years of rese
Brand Co_ SKU 3 (250 ca	Brand Co_ SKU 2 (120 cap with black lifting cap)	\$21.00 / 120 cap	Triple Strength 1+ source + 10 years of rese
Arazo Nutrition	Arazo Nutrition	\$78.00 / 250 cap	Claims for Arazo Nutrition
Nature's Branch	Nature's Branch	\$45.00 / 250 cap	Claims for Nature's Branch
Viva Naturals	Viva Naturals	\$69.40 / 250 cap	Claims for Viva Naturals
Nature's Bounty	Nature's Bounty	\$21.60 / 250 cap	Claims for Nature's Bounty
Nordic Naturals	Nordic Naturals	\$39.60 / 120 cap	Claims for Nordic Naturals
SmarterVitamins	SmarterVitamins	\$79.20 / 120 cap	Claims for SmarterVitamins