Transcription Lesson 7: Price or customer cost

The price element of the marketing mix considers the sum of money that consumers are willing to spend to acquire a good or experience a service. Alternatively, price is the customer's cost to satisfy that want or need. This requires the company to analyse the product's value for the target customer. Examples of price include:

- The price of a used textbook sold in a second-hand shop or on Facebook Marketplace.
- Promotional pricing such as Steers' buy one burger, get one free on Wacky Wednesdays.
- Discounts to trade intermediaries, such as when Amazon secures a discount by buying a book in bulk from the author and resells it at their own price.

Marketing professionals must analyse what buyers are willing to pay, what competitors are charging, and what the price means to the target customer when calculating the product's value. Determining price is almost always a complicated analysis that brings together many variables – and it gets even more complicated when operating on a global scale.

Price in global marketing strategies can be influenced by distribution channels, promotional tactics, and the quality of the product. In the global marketing mix, pricing factors are manufacturing cost, marketplace, competition, market condition, and quality of product. As one of the four "Ps" in the marketing mix, pricing is the only revenue generating element. Price will always vary from market to market. However, global marketers must be prepared to deal with not only cultural expectations of pricing, but also external variables including trade tariffs, political and economic fluctuations, and the administrative or legal criteria of specific jurisdictions. Pricing can also be affected by the cost of production (locally or internationally), natural resources (product ingredients or components), and the cost of delivery (for example - the availability of fuel). For instance, if a country imposes a minimum wage law that forces the company to pay more to its workers, the price of the product is likely to raise to cover some of that cost. Natural resources, such as oil, may also fluctuate in price, changing the price of the final good. Additionally, the product's positioning in relation to the local competition influences the brand's ultimate profit margin. Global marketers must carefully consider how to position their product in global markets, and whether their products are considered high-end, economical or something in-between according to cultural norms and customs.

The prescribed book introduces the concept of price elasticity (the change in demand in response to a change in price) and highlights the fact that lower-income groups, of which there are many in emerging economies, are particularly price sensitive and companies need to accommodate them. High-end, or luxury products, on the other hand, are less susceptible to price sensitivity – competing on their positioning as status

References: Peng, MW & Meyer, KE. 2019. *International business*. 3rd ed. Andover, United Kingdom: Cengage Learning.

symbols. The appeal of the brand itself becomes more important – think of a pair of Prada shoes versus something you might buy from Ackerman's, for example.

In addition to price elasticity, on pages 478 to 479 in the prescribed book, you would have come across the term "the total cost of ownership" (TCO). In international marketing, the MNE would have to consider the income groups in various countries. As a result, the price of a product often varies from country to country because the MNE has to accommodate each country's TCO. By considering the TCO, the marketer moves from an inward, price-focused dimension to an outward, customer-cost dimension that is characteristic of the 4Cs. It is important to remember that the price of a product is not the only cost-determining factor when satisfying the need for a product or service. Indeed, the TCO is the sum of all the costs, including the purchase price, the operation and maintenance during the product's lifetime, and the possible price of a competitive product or service. Hence it includes all hidden costs, present or future.

References: Peng, MW & Meyer, KE. 2019. *International business*. 3rd ed. Andover, United Kingdom: Cengage Learning.