



“बेटी बचाओ, बेटी पढ़ाओ”

# JAYOTI VIDYAPEETH WOMEN'S UNIVERSITY, JAIPUR

## (Format for Preparing E Notes)

### Faculty of FEM

**Faculty Name-**                    **JV'n Daksha I (Assistant Professor)**

**Program-**                         B-des (FD)7<sup>th</sup> Semester

**Course Name -**                 Fashion Marketing

**Session No. & Name –** 2023-2024

### Academic Day starts with –

- Greeting with saying ‘**Namaste**’ by joining Hands together following by 2-3 Minutes Happy session, Celebrating birthday of any student of respective class and **National Anthem**.

Lecture Starts with-

Topic to be discussed today- Price decision and its factors to affect it .

Introduction & Brief Discussion about the Topic

University Library Reference-

- E-notes, handmade notes.
- E- Journal
- Online Reference if Any.

- Suggestions to secure good marks to answer in exam-
- Explain answer with key point answers
- Questions to check understanding level of students-
- Small Discussion About Next Topic-

- Academic Day ends with- National song ' Vande Mataram.'

## Price decision

Businesses make decisions about pricing when determining the costs of their goods and services.

Because pricing affects a company's relationship with customers, it is regarded as a component of its marketing strategy: Fair and competitive prices encourage customers to return, which boosts the business's profitability.

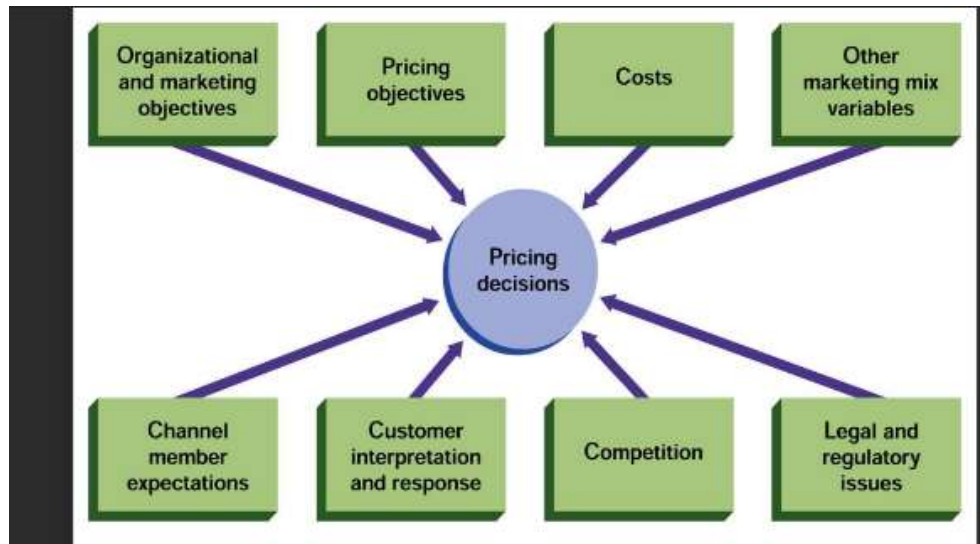
Businesses make decisions about pricing when determining the costs of their goods and services. Given that pricing affects a company's relationship with customers, it is regarded as a component of its marketing strategy. 1. Pricing's primary goals may include maximizing short- and long-term profits, maximizing return on investment, reducing turnover in sales, meeting sales targets, gaining market share, breaking into new markets, and making a profit across the board for the entire product line.

Pricing decisions can be simple or complex.

- **Simple pricing** is setting a price based on what rival businesses charge for comparable goods and services. When selling commodities, retailers and wholesalers frequently employ this tactic. Simple pricing decisions made by businesses frequently aim to boost sales by implementing tiny, competitive changes like purchase allowances, volume discounts, and discounts on purchases.

- **Complex pricing** The uniqueness of a good or service and the price that consumers are willing to pay determine complex pricing. This kind of pricing, which is established by discussion with the client, is typical for personalised furniture, artwork, and advisory services.

## Factor affecting price determination



- Fixation of price is an important exercise for every firm. There are numerous factors which affect fixation of price.

**These factors may be stated as follows:**

### ***1. Product Cost:***

The most important factor which affects pricing is the product cost. The cost sets the minimum price at which the products may be sold. This minimum price is called as 'floor price'. At times when a firm introduces a new product it may launch the product at a price less than its cost but in the long run every firm aims to earn a certain margin of profit.

- The total product cost consists of fixed cost, variable cost and semi-variable cost.
- a. Fixed cost is the cost which does not change with change in production volume. It remains constant whether 1000 units or 10 units or zero units are produced.
- Examples of fixed cost are rent, salaries etc.

- b. Variable cost is the cost which changes with change in production level. It is directly proportional to the level of production. Therefore, variable cost will be incurred only if there is production. If there is no production there will not be any variable cost
- Examples of variable cost are raw material, petrol expenses, labour cost etc.
- c. Semi-variable cost on the other hand is the cost which varies with the level of production activity but is not directly proportional to the production activity.
- Examples of semi-variable cost are telephone expenses, salesmen's incentives etc.

## **2. The Utility and Demand:**

The utility value of the product determines the maximum price a buyer is willing to pay, and the product's cost determines the lowest price a seller is willing to accept. As a result, the price should be set based on the degree of demand and the usefulness of the product, taking into account the interests of both the seller and the buyer. Additionally, a product's price is influenced by how elastic its demand is. A firm can choose to set high prices in the event of inelastic demand, but it cannot set high prices in the event of elastic demand.

## **3. Extent of Competition in the Market:**

The cost of the product establishes its lowest price, and its utility establishes its highest price. However, the nature and level of competition ultimately determines the product's price. The market price of the product will be closer to the maximum price in a situation where there is less competition, and it will be closer to the minimum level in a free market. As a result, the company must take the prices of its competitors and their expected responses into account when setting the product's price.

#### **4. Government and Legal Regulations:**

Government may intervene or regulate prices by declaring a product as essential product to protect the interest of society at large. Therefore, a firm has to fix price of its product within the rules and regulations stated by the government.

#### **5. Pricing Objectives:**

Each firm has its own set of objectives guiding the fixation of prices.

##### **These objectives may be:**

- Price maximization (a): A company that wants to maximize profits in the short term will set high prices; however, if it wants to maximize profits in the long term, it will set low prices and boost sales volume to make more money.
- (b) Achieving Market Share Leadership: A company that wants to gain a larger portion of the market will set low prices in order to attract a lot of clients.
- (c) Surviving in a Competitive Market: In order to stay in business, a company may have to lower its prices in response to competition from rivals who are introducing more efficient products.
- (d) Attaining Product Quality Leadership: If a company wants to manufacture superior goods and be.
- Marketing Methods Used: Price fixation also depends on the other marketing elements used. If a firm provides unique services then it has an edge over its competitors' and thus can fix higher prices.