Pricing Strategies

It is important to note that intelligent export pricing consists of more than the mechanical task of simply applying a cost calculation. Successful companies also focus on strategic goals in setting their prices. Any one of a number of strategies can make sense, depending on business objectives and market research.

Pricing Strategy and Market Entry

Strategy	Description
Static pricing	Charging the same price for all customers. Used in a market with relatively stable demand and little competition. It is seen as fair for all and easy to administer, but does not respond to price sensitivity and thus may not capture every potential buyer.
Flexible pricing	Charging different groups of consumers different prices as a means of capturing all possible demand in the marketplace. This requires positioning the product differently with different audiences. For instance, airlines use flexible pricing a great deal, capturing the bulk of their revenues from business travel and using discounts or seat sales to market their excess capacity to special classes of customers.
Penetration pricing	Charging low prices to capture market share and knock competitors out of the game. Large sales volumes allow a company to benefit from economies of scale. Excessive use of this mechanism, however, runs the risk of eliciting a response in the form of anti-dumping legislation on the part of the government in the target market.
Market skimming	Charging premium prices and focussing on the wealthiest market segment as a way of maximizing profits from low sales volumes. This is often used when a new technology is introduced as a way of quickly recovering R&D costs.
Market maintenance	Holding prices down to maintain market share, even if costs rise. For example, when the Mexican peso was devalued in December 1994, companies exporting to Mexico would have had to raise their prices drastically to cover their domestic costs. Some may not have done so, however, in order to keep their share of the Mexican market.