

PRICE IN SERVICES

1. Defining the price
2. Pricing tactics
3. Price mix
4. Price elasticity
5. Pricing methods



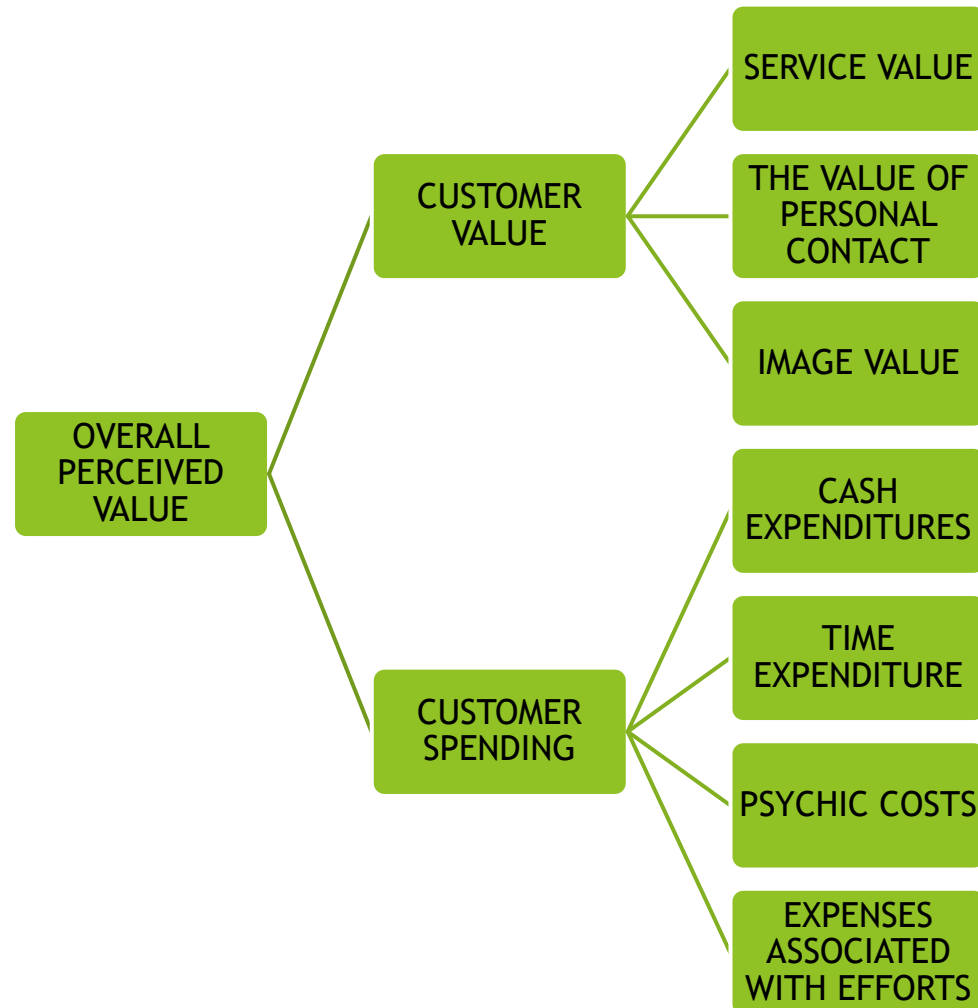
“ Don't ruin the product by selling it too cheap. Give the consumers exactly the price they require. And it's not always the lowest price.”

1. PRICE

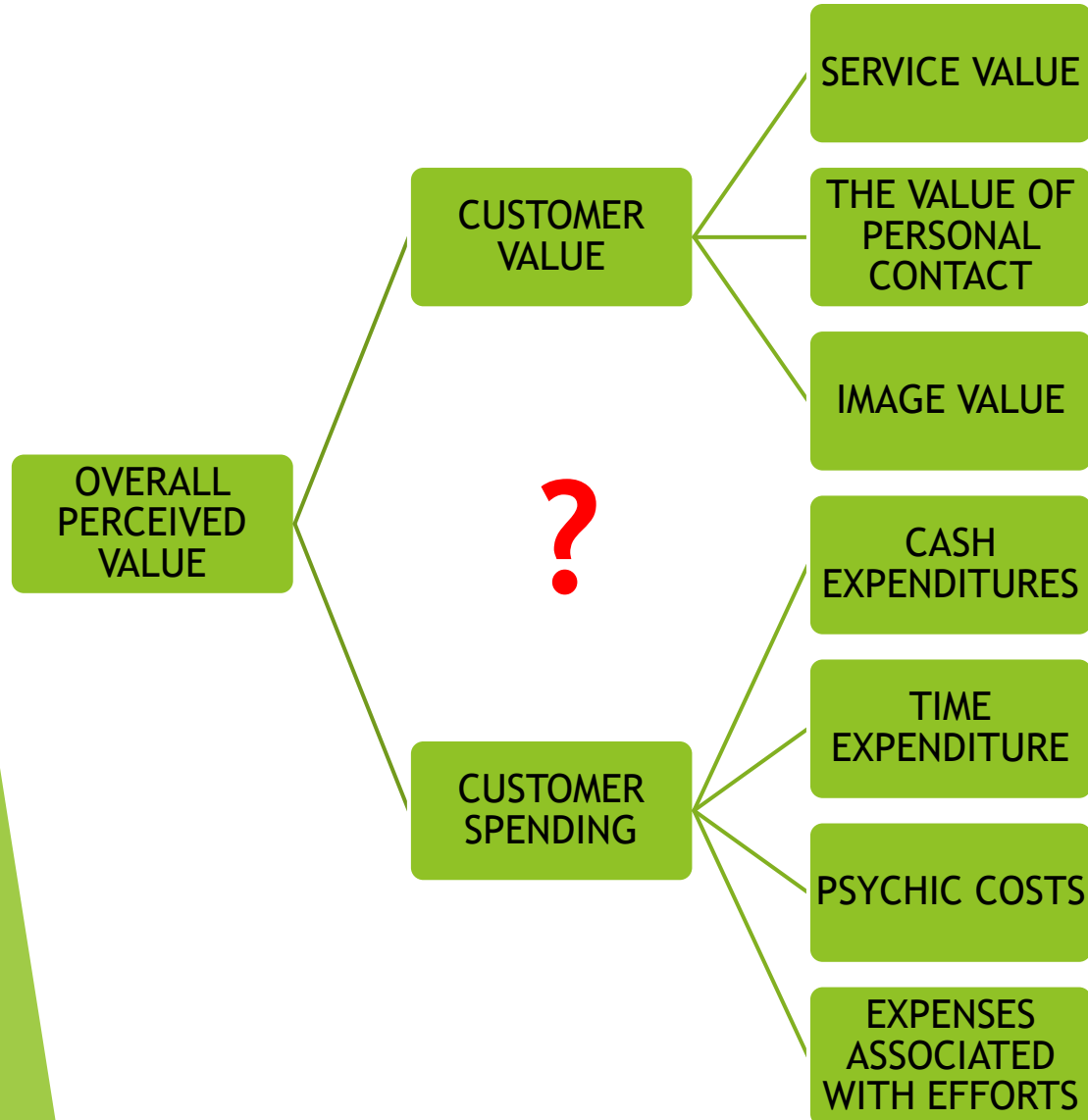
- ▶ The amount of money for the service, or the sum of all the values that customers exchange for the benefit of owning or using the service.
- ▶ School fees, payment for legal services, rent, course fees, theater tickets, interest, bank fees, mortgage interest, ...
- ▶ **Opportunity costs!!! → physical, mental and time effort.**
- ▶ A flexible and profitable element!
- ▶ Source of information and competitive differentiation!
- ▶ Communication tool!
- ▶ It determines the value of the service!



THE CUSTOMER AND HIS PERCEPTION OF THE VALUE OF THE SERVICE



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FACTORS IN THE FORMATION OF THE PRICE

PRICE

**Internal
factors**

**External
factors**

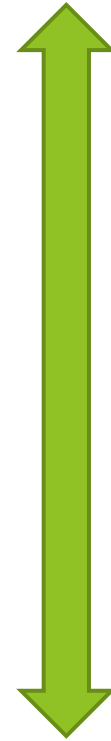


FACTORS IN THE FORMATION OF THE PRICE

PRICE CEILING



PRICE BOTTOM

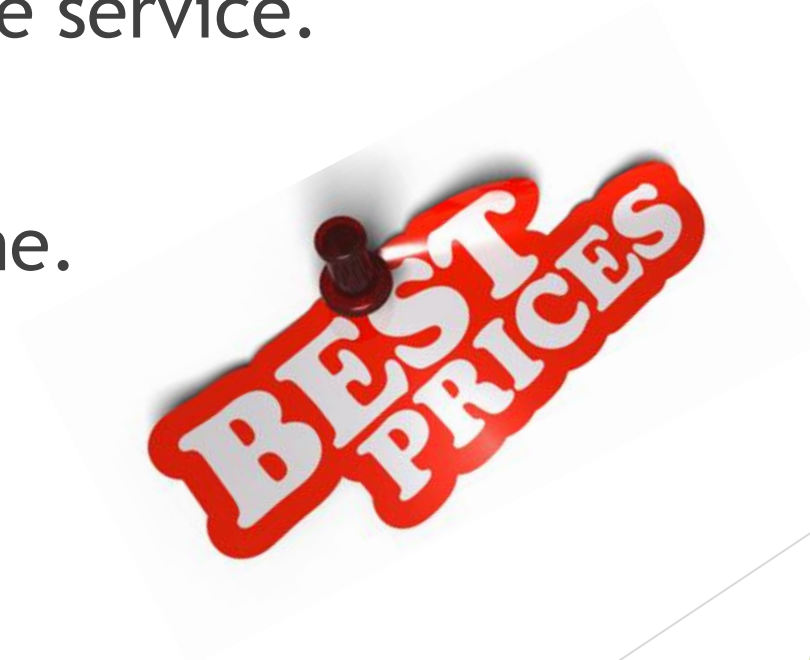


2. PRICE TACTICS

- ▶ Kind of service and service lifecycle!
- ▶ **skimming price**
- ▶ **penetration price**
- ▶ **premium price**
- ▶ competitive price
- ▶ **segmentation price**
- ▶ the price accepted by the customer
- ▶ **two-part prices**
- ▶ cost price
- ▶ individual price
- ▶ **price of the "turnover driver" (hidden price, price of the basic product)**
- ▶ **psychological price**

PRICE DISCRIMINATION IN SERVICES

- ▶ Different groups of users.
- ▶ A different way of using the service.
- ▶ Different service usage time.



3. PRICE MIX



1. Price amount

2. Price discounts

⇒ realization of several products at once, timely payments, loyalty discounts, use of electronic distribution, cashless discounts, ...

3. Price surcharges and additions

⇒ early payment, individual products, additional services, ...

4. Contract conditions (payment and delivery)

PRICE REDUCTION OF SERVICES

- ▶ Need to increase sales.
- ▶ Declining market share.
- ▶ Cost reduction.
- ▶ Changing the service lifecycle phase.
- ▶ And more.



- ▶ A low quality trap!
- ▶ Fragile market share trap!
- ▶ The trap of shallow pockets!

INCREASE IN PRICES OF SERVICES

- ▶ Cost inflation.
- ▶ Excessive demand.
- ▶ And more.



4. PRICE ELASTICITY OF DEMAND

- ▶ Effect of change in service prices on sales volume.
- ▶ Basic obstacles to client mobility to another service:
 - ⇒ Information asymmetry.
 - ⇒ Client disinterest.
 - ⇒ Opacity of fees.
 - ⇒ Product bundling.
 - ⇒ Administrative burden.
 - ⇒ Cancellation fees for existing products.

PRICE ELASTICITY OF DEMAND - FACTORS

- ▶ **The amount of money spent on service:** a higher part of the money spent on services → higher elasticity.
- ▶ **Availability of substitutes:** more substitutes → higher elasticity.
- ▶ **Amount of time available to adapt to a price change:** more time → higher elasticity.



5. PRICE FORMATION METHODS

- ▶ **Costs** (fixed, variable, direct and indirect).
- ▶ **Competition** (higher, average, lower price \Rightarrow a price leader, a cost leader).
- ▶ **Demand - customer!**
- ▶ Legislative regulations.