

Marketing Mix - Price

Lecturer: Nguyễn Quỳnh Hoa, PhD

Email: hoa.nguyenquynh@hust.edu.vn



Objectives

- Explain what price is and why pricing matters.
- Compare major pricing approaches.
- Identify internal and external factors affecting pricing.
- Explain new-product and product-mix pricing strategies.
- Apply price-adjustment strategies.
- Understand how firms initiate and respond to price changes.

What is price?

- Price is the sum of all the values customers give up to gain the benefits of having or using a product or service.
  - Money
  - Time
  - Effort
  - Convenience
  - Opportunity
- Eg: A low-cost airline ticket may be cheap in money but expensive in:
  - travel time,
  - baggage charges,
  - airport distance,
  - inconvenience.

Why price is important to a business?

- Price is the only element of the marketing mix that directly produces revenue.
- Price helps to position its brand in the market and customers' perception
- Eg: **Rolex → high price →** The price communicates: Luxury , Status, Craftsmanship, and Exclusivity
- Price helps to compete with other providers
- Eg: "Who says their price is lowest, we can be lower"
- Price helps to prevent newcomers to the market

Price-beat guarantee: NZ Pharmacy

Chemist Warehouse

- If a customer finds the **same item at a cheaper price at another New Zealand retail store**, Chemist Warehouse will **match that price and give 10% off the difference**.
- if Chemist Warehouse sells an item for **NZ$50** and another eligible retailer sells the exact same item for **NZ$40**:
  - Difference = NZ$10
  - 10% of the difference = NZ$1
  - Chemist Warehouse price = **NZ$39**
- So it is technically a **price-beat**, not just a price-match policy.

Bargain Chemist

- if a customer finds a **cheaper everyday price on an identical, in-stock item at a New Zealand pharmacy**, Bargain Chemist will **beat the difference by 10%**.
- Bargain Chemist price: **NZ$50** Another NZ pharmacy sells the identical product for: **NZ$40**
  - Difference = **NZ$10**
  - Bargain Chemist beats the difference by 10%:
  - 10% × NZ$10 = **NZ$1**
- So the final price would be:
  NZ$40 – NZ$1 = NZ$39

Meat pie price war

For many years, **Fairlie Bakehouse** had been a well-known local bakery in Canterbury, New Zealand. It was especially famous for its **meat pies**, which had won several local food awards for taste and quality. Because of its strong reputation and loyal customer base, the bakery sold its award-winning meat pie for **NZ$8.50** and maintained a healthy profit margin.

A new bakery, **Golden Crust**, then announced plans to open nearby. To attract customers, Golden Crust planned to sell a similar meat pie for **NZ$7.50**. Just before the new bakery opened, Harbour Bakery reduced the price of its meat pie from **NZ$8.50 to NZ$5.50**. It also introduced temporary discounts on sausage rolls, sandwiches, and other popular bakery items.

Harbour Bakery could afford the lower prices for a period because it already had an established customer base, strong brand recognition, and stable supplier relationships. Golden Crust, however, faced high start-up costs and needed time to build its own customer base. At the much lower market price, it struggled to compete profitably. After several months, Golden Crust closed its shop.

Once the new competitor had left the market, Harbour Bakery gradually raised the price of its award-winning meat pie back towards **NZ$8.50** and ended most of its temporary discounts.







Price and Value

- **Value:** The benefits customers perceive when using a product or service.
  - **Eg:** Women do not simply buy lipstick → they buy something that helps them feel more beautiful.
  - **"No one sells a comb to a monk."**
    → A product has little value if it does not match the customer's needs.
  - **"Fish do not eat bread; they eat worms."**
    → Customers respond to what they want, not necessarily to what the seller prefers to offer.
- **Perceived cost:** Not only the money paid, but also the time, effort, risk, and inconvenience involved.
- **Perceived value = Perceived benefits – Perceived costs**

→ **The selling price should reflect customers' perceived value.**

  - **Eg: A raincoat priced at VND 100,000.** On a sunny day: customers may perceive it as expensive. During heavy rain: customers may perceive it as cheap.
- **Perceived value can also change** depending on customer needs, income, usage situation, brand, competition, seasonality, emotions, perceived risk, and timing.
- **Prices often adjust with a time lag** because firms cannot—or may not want to—change prices immediately. Price adjustments may be delayed by contracts, posted price lists, menu costs, brand strategy, customer psychology, or competitive considerations.

Coffee

- Suppose coffee beans, milk and a cup cost only a small amount.
- Yet customers may pay:
  - Street coffee: 15k VND
  - Café coffee: 30k VND
  - Premium speciality café: 50k VND
- Why? → Customers are buying more than coffee:
  - Convenience
  - Atmosphere
  - Location
  - Service
  - Brand
  - Social experience
  - A place to catch up with friends and business

→Customers pay for **perceived value**, not merely production cost.

→“Am I getting good value for what I pay?” → Fair price, not lowest price





Price strategy

Everyday Low Pricing - EDLP	High-Low Pricing
• Maintain relatively low prices consistently. • **Eg: Walmart:** “You do not need to wait for a sale.”	• Charge higher regular prices but frequently offer promotions. • Eg: Alfresco Pizza: Sale off 50% for large pizza every Thursday

Value-Added Pricing

- When competitors reduce price, should a business reduce its price, too? Why and Why not? When and How?
- **Value-added pricing:** Adding features and services to differentiate an offer and support a higher price.
- Eg: Instead of selling a hotel room:

→ **Room + breakfast + airport transfer + late checkout**

- Instead of discounting a laptop:

→ **Laptop + warranty + technical support**

- **Principle:** Add value rather than simply cut price. Why?

Discussion: When price fails to keep pace with perceived value, pricing opportunities or risks may arise.

Price < Perceived value

Opportunity:

- Increase the price
- Introduce a more premium version
- Offer a premium package
- Reduce promotions
- Increase the profit margin
- Move the brand to a higher market position
- Eg: A bottle of water: VND 10,000
  At the airport: VND 50,000

Price > Perceived value

Risk:

- Customers may decide not to buy
- Customers may switch to competitors
- Customers may perceive the price as “too expensive”
- The brand may lose customer trust
- The business may be forced to offer deep discounts
- Customers may complain or boycott the brand

Eg: A bowl of pho: 80.000 VND, but the restaurant is noisy, dirty, slow in service, hot and uncomfortable, poor wifi → Perceived cost increase → Perceived value drops → the customer may think: “This is too expensive for what I get.” → No repeat purchase, negative WOM, poor online review

Price vs. Cost



Types of costs

- Fixed costs (FC): Costs that do not vary directly with production or sales.
- Eg: Rent, Salaries, Insurance, Equipment leases, Depreciation of fixed assets
- Variable costs (VC): Costs that change with the level of production.
- Eg: Ingredients, Packaging, Components, Delivery
- Total costs (TC) = FC + VC

Eg 1: Cost per Unit: Cocoon Pomelo Shampoo

Suppose Cocoon produces 10,000 bottles of Pomelo shampoo per month

VC per bottle:

Cost item	Cost/bottle
Ingredients	VND 35,000
Bottle, pump and label	VND 18,000
Production labour	VND 8,000
Packaging	VND 5,000
Variable production costs	VND 4,000
Total variable cost	**VND 70,000**

Suppose monthly fixed production costs are:

- Factory and equipment: VND 60 million
- Salaries and supervision: VND 35 million
- Quality control and administration: VND 25 million
- **Total fixed costs = VND 120 million**
- FC per unit = 120 m/ 10,000 = 12,000 VND

- Cost per unit = 70,000 + 12,000 = 82,000 VND
- Current price = 261,000 VND
- Distribution, retail margins, mkt, promotion, taxes and other costs

Type of cost: Service
Under the Canopy Homestay: Cost per Room-Night

Suppose **Under the Canopy has two guest rooms**

→Maximum monthly capacity: 2 rooms×30 nights=60 room-nights

Suppose monthly fixed costs are:

But the homestay does **not** necessarily sell all 60 room-nights.

Suppose occupancy is **75%**:

60×75%=45 occupied room-nights

→FC per occupied room per night

→= 36 M / 45 = 800,000 VND

Suppose the VC for each guest stay →

TC per occupied room per night

800,000 + 250,000 = 1,050,000 VND

How this TC change

If in spring, the occupancy falls to 50%?

If in autumn, the occupancy rises to 90%?

Fixed cost	Monthly cost
Property cost/depreciation	VND 18 million
Staff/host	VND 10 million
Internet, administration, maintenance	VND 5 million
Marketing and other fixed costs	VND 3 million
Total fixed costs	**VND 36 million**

Variable cost per occupied room-night	Cost
Cleaning	VND 100,000
Laundry	VND 60,000
Electricity and water	VND 50,000
Toiletries, drinking water, etc.	VND 40,000
Total variable cost	**VND 250,000**

Break-Even Analysis

- Break-even point: The sales volume at which Total Revenue (TR) = Total Costs (TC).
- Break-even volume (Q*) = Fixed costs (FC) / (Price (P) – Variable costs (VC))
- Contribution per unit (Lãi gộp đơn vị) = P - VC
- Eg: A store sells **thermal water bottles**.
  - Monthly fixed costs: **VND 24,000,000**
  - Purchase cost per bottle: **VND 120,000**
  - Packaging cost per bottle: **VND 10,000**
  - Market selling price: **VND 250,000 per bottle**
  - The store decides to sell at the same market price.

Questions: How many bottles must the store sell per month to break even? If the store sells **250 bottles per month**, will it make a profit or a loss? How much will the profit or loss be?

- Variable cost per bottle = **Purchase cost + Packaging cost**
- Contribution per unit = **Price – Variable cost**
- Q*= FC/ (P – VC)
- Profit = TR – TC = TR – (FC + VC)

VC = 120,000 + 10,000 = 130,000 VND

P – VC = 250,000 – 130,000 = 120,000 VND

Q* = Fixed costs ÷ Contribution per unit

= VND 24,000,000 ÷ VND 120,000
= **200 bottles**

If they sells 250 bottles

TR = 250 x 250,000 = 62,500,000 VND

VC = 250 x 130,000 = 32,500,000 VND

TC = 24M + 32.5M = 56,500,000 VND

Profit = TR – TC = 6,000,000 VND

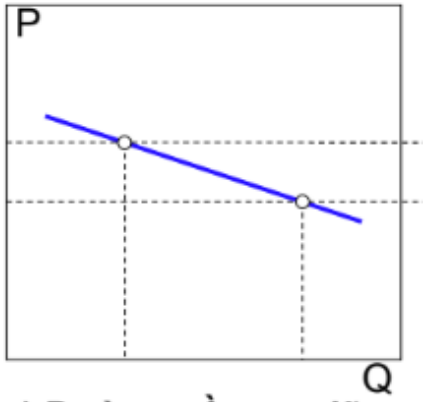
Price Elasticity of Demand

- **Price elasticity m**easures how much demand responds (in %) to a 1% change in price.

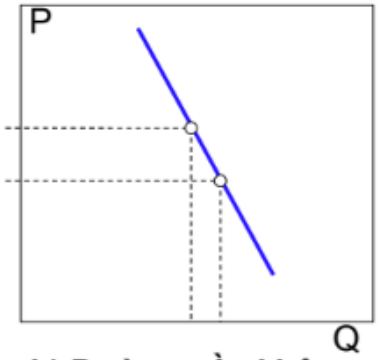
→ **When price varies, how do customers react?**

Ed= % change in demand/ % change in price

- |Ed| > 1: Elastic demand Small price change → large change in demand. Eg: milk tea, movie ticket
- |Ed| < 1: **Inelastic demand:** Price changes have relatively little effect on demand. Eg: Rice, urgent purchases
- |Ed| = 1: unit elastic demand
- Price is less sensitive if the product is unique, quality is difficult to compare, there are few substitutes, someone else pays, switching costs are high, the product has strong emotional or symbolic value.
- Eg: A milk tea shop raised its price from 70,000 to 77,000 VND per cup. The sales per day decreased from 1000 cups to 750 cups. Calculate the Ed and analyse its meaning.



a) Đường cầu co giãn
P tăng → TR=P.Q giảm



b) Đường cầu không co giãn
P tăng → TR=P.Q tăng

Price decision



Price decision influencing factors

Inner factors

- Manufacturing and management cost
- Target goals and profits
- Mkt focus: Brand positioning/ target market/ gain market shares/ niche market

Outside factors

- Macroenvironment
- Competitors
- Customer behaviour

Price target

Profit	Revenue/ Market share	Others
• Maximise profit • Target revenue • No loss • Survive	• **Maximise sales volume / market share** (market expansion) • **Maximise revenue** (e.g. before withdrawing from the market) • **Achieve a target level of sales / market share** • **Prevent competitors from gaining market share**	• **Positioning:** price leadership / quality leadership • **Price stabilisation** • **Survival during difficult market conditions**

Cost-plus pricing / markup pricing

- Adding a standard markup to the cost of the product.
- Example:
- Product cost = $80
- Desired markup = 25%
- Price:
- **$80 + $20 = $100**
- Advantages:
  - Simple
  - Easy to administer
  - Useful when costs are predictable
- Limitation: It ignores customer willingness to pay

COMPETITION-BASED PRICING

Bench marking: A pricing method based on **comparing a company's prices with competitors' prices, the market average, or industry benchmarks**, and then setting an appropriate price for its own product or service.

Pricing	Meaning	Eg
Equal to the market/ competitors	when products are difficult to differentiate	Petrol stations
Less than competitors	to attract price-sensitive customers	Low-cost airlines
Higher than competitors	when it offers superior value	Luxury hotel vs budget hotel
Follow the leader	Smaller brands adjust their prices in response to the market leader's pricing.	Milk market

Setting prices

- Customers often compare alternatives.

Eg: A traveller comparing:

Vietnam Airlines – VietJet – Bamboo Airways

may evaluate fare, baggage, schedule, service, reliability, not price alone.

- Pricing cannot be decided independently. A brand positioned through its product, packaging, distribution, promotion, price.

NEW-PRODUCT PRICING

Market-penetration pricing: start low

- Setting a relatively low initial price to attract many buyers quickly and gain market share.
- Low price
  → Rapid adoption
  → Large sales volume
  → Lower unit costs
  → Strong market position
- Eg: A new pizza brand enters Vietnam
- Instead of charging 300.000 VND/ pizza like other brands on the market, it launches at 49,000 VND/ pizza
- Objective: Encourage trial, Build membership, Create habits, Gain market share quickly → Later, prices may increase.

Market-skimming pricing: start high

- Setting a high initial price to “skim” revenues from customers willing to pay more.
- Price may later decline.
- Suitable when:
  - Product quality/image supports high price.
  - Enough customers are willing to pay.
  - Competitors cannot easily enter.
  - Small production volume does not make costs too high.
- Eg: iPhone, laptop, car

Product Mix Pricing

- Most companies sell several related products.
- Therefore, they must price the **whole product mix**, not each product independently.
- Main approaches include:
  - Product line pricing
  - Optional-product pricing
  - Captive-product pricing
  - By-product pricing
  - Product bundle pricing

Product Line Pricing

- Setting price differences among products in a product line.
- Example:
- iPhone family:
- **Basic model → Higher specification model → Premium model**
- Price steps signal differences in:
  - Features
  - Performance
  - Status
  - Customer value

Optional-Product Pricing

- Pricing optional or accessory products sold with the main product.
- Example:
- Buying a car:
- Base price and
  - Better sound system
  - Leather seats
  - Special wheels
  - Driver-assistance package
- The base price attracts interest, while options increase revenue.

Captive-Product Pricing

- **Captive-product pricing**
- Pricing products that must be used with the main product.
- Examples:
- **Printer → Ink**
- **Coffee machine → Capsules**
- **Razor → Replacement blades**
- Sometimes:
- Main product = relatively inexpensive
- Captive product = higher-margin recurring purchase

Product Bundle Pricing

- Combining several products and offering the bundle at a reduced combined price.
- Examples:
- **McDonald's meal**
- Burger + fries + drink
- **Microsoft 365**
- Word + Excel + PowerPoint + other services
- **Hotel package**
- Room + breakfast + spa
- Bundles can:
- Increase perceived value
- Encourage customers to buy more
- Simplify purchase decisions

Base price

- **Base price** is the initial or standard price that a company uses as the starting point for determining the final selling price.
- From the base price, the company may add or subtract factors such as:
  - discounts;
  - promotions;

  taxes;
  - delivery charges;
  - service fees;
  - surcharges;
  - additional support packages;
  - seasonal, geographic, or customer-segment adjustments.
- A base price can also give salespeople **more flexibility in negotiation** while still protecting the company's profit target.

Example:

- Target price required to achieve the desired profit: **VND 600,000**
- Base price: **VND 1,000,000**
- Bulk-purchase discount: **20%**
- Final selling price:
- **VND 1,000,000 × 0.8 = VND 800,000**
- → The negotiated price is still **above the VND 600,000 profit-target level**.

Price Adjustment as a marketing tool



Price Adjustment Strategies

- Discount and allowance pricing
- Segmented pricing
- Psychological pricing
- Promotional pricing
- Geographical pricing
- Dynamic pricing
- International pricing

Discounts and Allowances

Discount

- A direct reduction in price.
- Eg:
  - Pay within 10 days → 2% discount
  - Buy 10, get a lower unit price
  - Under the Canopy launch promotion offered **15% off all bookings**

Allowance

- A promotional reduction for certain customer actions.
- Eg:
  - Trade in your old phone and receive $200 toward a new one.
  - Introduce 3 new customers, get 10% off for the next purchase

Segmented pricing

- Selling a product or service at different prices even though the differences are not based primarily on differences in cost.
- **Customer-segment pricing**
  - Student ticket
  - Senior discount
- **Product-form pricing**
  - Different versions
- **Location pricing**
  - Concert seats
- **Time pricing**
  - Peak vs off-peak prices
- Eg: Passengers on the **same flight** may pay very different fares, depending on: booking date, travel date, demand, refund conditions, baggage, seat class, customer flexibility, services → Same aircraft, same destination, but different customer conditions and willingness to pay.

Hanoi Five Gates Heritage Train - Product-line / segmented pricing

The **Hà Nội 5 Cửa Ô (The Hanoi Train)** currently uses three ticket levels:

- First-floor seat: **VND 550,000**
- Second-floor seat: **VND 650,000**
- Second-floor VIP seat: **VND 750,000**

The published fare structure therefore creates **VND 100,000 price steps** between the three levels.

→the physical transportation from Hanoi to the destination is broadly the same, but customers pay more for differences in experience, seating and exclusivity.

→Why different prices rather than one price for everyone?

Psychological Pricing

- Meaning of price: $9.99 instead of $10; or $68 instead of $70
- A **higher price** may sometimes signal higher quality

Eg: TH true MILK vs Vinamilk: similar 180 ml cartons of fresh UHT milk

- **Vinamilk:** 4 × 180 ml = **VND 35,000**
- **TH true MILK:** 4 × 180 ml = **VND 39,100**

→TH deliberately communicates a “clean, fresh, farm-to-table” positioning. The customers may think “TH is slightly more expensive. Perhaps it is fresher, cleaner, more natural, or higher quality. But the different of price is not much, I can pay a little higher for better quality for my children” → psychological effect.

→Price itself becomes part of the brand positioning.

Reference Prices

- A shop reduces its price during the Black Friday period. After that, the price goes back to the original price.

→The original price becomes a reference point

→Flash sales, coupons, limited-time discount, buy 1 get 1 free, etc.



- Anchor price:

A mall sells bottled water at: 10,000 VND/ bottle; and 24,000VND/ pack of 3 bottles

A customer may buy 1 pack to get 3 bottles at lower price → 10,000 VND is the reference price → anchor price

Another customer may buy 1 bottle as they don't want to buy more than their need.

In fact, VND 8,000 already gives the seller the desired profit. The seller earns benefit either way.

Initiating Price Raise

- Rising costs
- Inflation
- Strong demand
- Supply shortages
- Improved product value

Risks:

- Avoid making customers feel that the company is **taking advantage of the situation**.
  Eg: raising prices when fuel prices increase.
- **Inform customers clearly in advance** before increasing prices.
- Provide a **brief and easy-to-understand explanation** for the increase.
- Consider alternative measures before raising the headline price, such as:
  - removing discounts;
  - reducing complementary/support services.
- Include **price-adjustment clauses in contracts** to protect against future cost increases.



Bồn nước Inox Sơn Hà 1000 lít Ngang F960

₫3,500,000

Tập đoàn Sơn Hà



Bồn inox Đại Thành SUS304 – 1000N

₫4,311,000

shop.tanadaithanh…



Instead of simply increasing price, firms may:

- Reduce package size
- Remove discounts
- Charge separately for services
- Introduce a premium version
- Reduce product size or quantity → Shrinkflation
- Source cheaper raw materials
- Simplify product features or service elements
- Use lower-cost packaging, or encourage customers to buy in larger quantities to reduce packaging and distribution costs
- Introduce a new, lower-priced brand
- Eg: Lancôme / YSL Beauty / Giorgio Armani Beauty → L'Oréal Paris / Maybelline / Garnier





Do dầu mỏ khan hiếm và tăng giá nên một số sản phẩm snack tại Nhật đã phải thay đổi bao bì sang đen trắng để tiết kiệm chi phí

Initiating Price Cuts

- Excess capacity
- Falling demand
- Strong competition
- Desire to increase market share
- Lower production costs
- Recover the investment quickly
- Create barriers to discourage new competitors from entering the market
- VD: Shopee vs. Temu
- Risk: Customers may think:
  - “Is the product selling badly?”
  - “Is quality falling?”
  - “Will the price fall again?”

Dragon fruit prices fall to only a few thousand dong per kilogram, leaving growers at a loss

Sunday, 24 May 2026, 08:12 (GMT+7)

Dragon fruit prices in many southern provinces have suddenly fallen sharply, dropping to as little as VND 3,000 per kilogram in some areas due to peak harvest season and weak domestic demand.

In Lam Dong Province (formerly Binh Thuan), Ms Luong, who owns a 4,000 m^2 dragon fruit farm, said that since the beginning of May, prices have continuously declined and fluctuated significantly. At present, traders are buying Grade 1 white-fleshed dragon fruit for around VND 7,000–8,000 per kilogram, while Grade 2 fruit is selling for only VND 3,000–6,000 per kilogram, and is still difficult to sell.

Current prices are approximately 50–70% lower than at the beginning of the year, depending on the variety and quality.

Thanh long giá còn vài nghìn một kg, người trồng thua lỗ

Chủ Nhật, 24/05/2026, 08:12 (GMT+7)

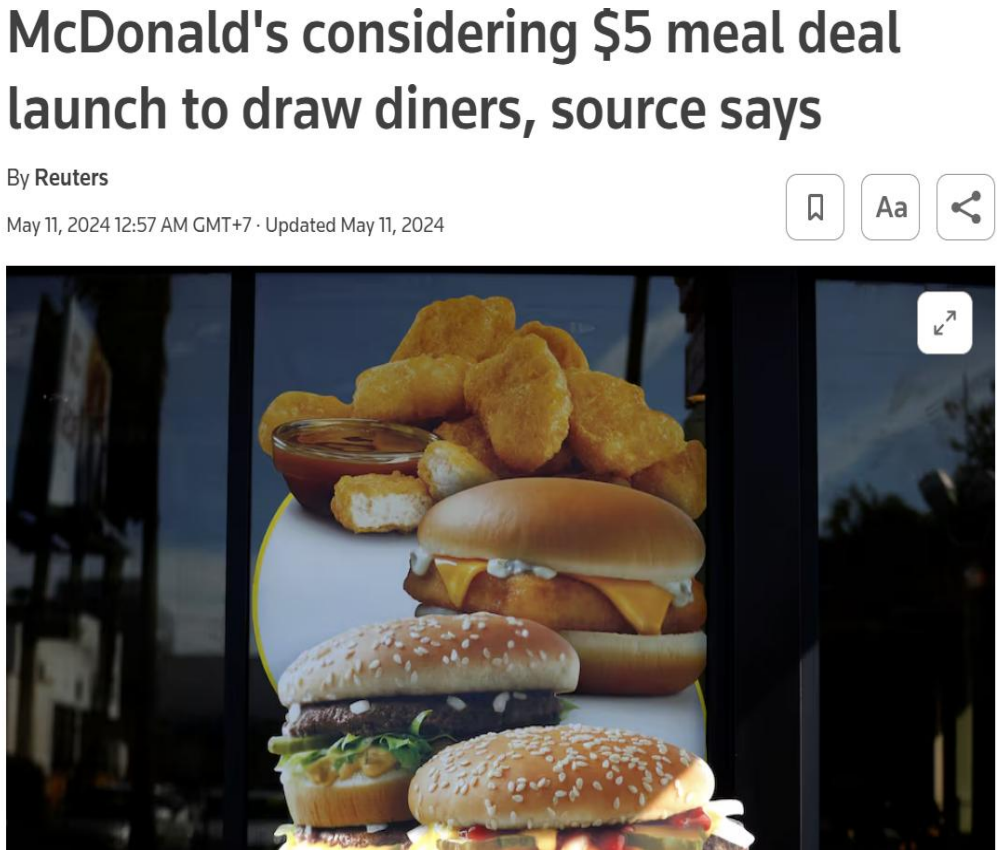
Theo dõi Báo Đồng Tháp trên Google News

Giá thanh long tại nhiều tỉnh phía Nam đột ngột giảm sâu, có nơi chỉ còn 3.000 đồng một kg do vào vụ thu hoạch rộ và sức mua nội địa yếu.

McDonald’s lowers prices through value meal deals

In 2024, McDonald’s in the United States considered launching a **US$5 meal deal** to attract customers affected by inflation. Reuters described the move as an effort to **bring inflation-hit customers back to its restaurants**.

By 2025, **value meals and promotional offers** continued to support McDonald’s sales performance. Reuters reported that U.S. comparable sales rose **2.4% in the third quarter of 2025**, helped by value-oriented offers and meal deals, while lower-income consumers remained under financial pressure.



McDonald's considering $5 meal deal launch to draw diners, source says

By Reuters

May 11, 2024 12:57 AM GMT+7 · Updated May 11, 2024

Risks

- Reduce the brand’s perceived value
- Train customers to wait for promotions
- Reduce profit margins
- Damage the brand image
- “Easy come, easy go”: discounts may attract price-sensitive customers who are not loyal
- Trigger price wars and make it difficult to return to the original price level

Responding to Competitor Price Changes

- Suppose your competitor reduces its price by **20%**.
- Should you immediately match it?
- First ask:
  - Why did the competitor change its price?
  - Is the price cut temporary or permanent?
  - How will customers respond?
  - What happens to our market share?
  - What happens to our profit?
  - Can we respond without cutting price?
- Possible responses:
  - Maintain price
  - Improve perceived value
  - Improve quality
  - Introduce a lower-price brand
  - Match the competitor's price

Questions:

1. What are the potential costs or negative consequences of matching a competitor's price cuts?
2. Why can the same price be perceived as "cheap" by one customer but "expensive" by another? Explain using perceived value, perceived cost, reference price, and purchase context.