Pricing Toolkit

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Here is a starter kit of pricing tools. Some are mutually exclusive, while others overlap. As you come across new pricing approaches, add them to the list. Continue to ask yourself how you can combine or adapt the various pricing tools for new ideas to achieve your objectives.

Ownership variations

- ***Leasing***

  a process by which a customer can use certain fixed assets for a series of contractual, periodic, (and often) tax deductible payments

- ***Licensing***

  the legal right to use a patent owned by another

- ***Layaway***

  a customer receives an item after they pay it in full; there is sometimes a fee associated, since the seller must "lay" the item "away" in storage

Pay now, benefit later

- ***Membership***

  program whereby a joiner in an association, organization, society, etc. receives preferred pricing

- ***Subscription***

  business model in which a customer pays a specified price to have access to a fixed set of goods or services; renewal of a subscription may be periodic and activated automatically

- ***Retainer***

  work-for-hire contract where the customer pays in advance for work to be specified later

- ***Pre-payment***

  fees provided by the customer to the seller before receiving the product or service

- ***Lock-in pricing***

  fees to guarantee a future price

Buy now, pay later

- ***Financing programs***

  customer purchases a product and pays the seller on an installment plan

- ***Credit***

  purchasing with deferred payments, often to a third party (such as a credit card)

Discount variations

- ***Rebate***

  a discount or return of a percentage of the original payment for some service or merchandise; a future partial refund

- ***Promotional pricing/sales***

  short term reduction in price for a limited time period or a specified situation

- ***Price match guarantee***

  lower price to meet a competitor's price

- ***Package pricing***

  bundling products with other products or services at a price lower than buying the items separately

- ***Penetration pricing***

  setting prices as low as possible (while still being profitable) to gain market share

- ***Order volume discounts***

  lower prices for minimum order/size purchase

- ***Cumulative volume discounts***

  lower prices for total purchases over some time period (perhaps a quarter or year)

- ***Product mix discount***

  lower prices for purchasing a complete or specified portfolio of products

- ***Step (or block) discount***

  unlike most volume discounts that apply a lower price to all purchases after attaining a minimum level, step discounts apply sequentially lower prices to blocks of purchases

- ***Deductibles***

  allowing customers a lower initial price for taking a higher risk or doing more of the work themselves; the amount for which the insured is liable on each loss, injury, etc., before an insurance company will make payment

- ***Preferential terms***

  building in special incentives for a particular purchase, situation, or customer

Consumption pricing

- ***Peak and off-peak***

  customers pay different prices based on whether they use the product or service when overall market usage is high or low

- ***Metering***

  the company bills the customer for the net product or service consumed during the billing period

- ***Usage***

  different prices for *how* the product or service is consumed (e.g., Kindle vs. print)

- ***Two-part pricing***

  separate charges for different parts of consumption, e.g., entry fee to an amusement park plus fees for individual rides

Product line variation pricing

- ***Flanker brands***

  new brand introduced into a product category by a company that already markets an existing brand in that category; may be a different size, flavor, or type of the existing product but is a logical extension within the product category

- ***Fighter brand***

  modified brand sold at a lower price point to compete against lower-priced competitor

- ***Private label***

  products or services typically manufactured or provided by one company for offer under another company's brand; often positioned as lower cost alternatives to regional, national or international brands

- ***Life-cycle pricing***

  pricing new products at a higher price point (skimming) and reducing price over time

- ***Good-better-best***

  product-line pricing based on perceived quality differences

- ***Versioning***

  product line pricing based on offering different product versions to different customer segments; similar to flanker brands, but might occur without brand name changes

- ***Bundling***

  creating a package of complementary products or services

- ***A la carte/menu pricing***

  unbundling a ‘standard” product/service package and selling the component parts

One-size-fits-all

- ***Flat rate***

  a single fixed fee for a service; also called postage-stamp pricing

- ***All-you-can-eat***

  one stated price regardless of consumption

Real-time price variations

- ***Negotiation***

  each transaction results from negotiation between a buyer and a seller

- ***Dynamic demand***

  pricing system that dynamically adjusts prices based on fluctuating demand based on time, temperature, interest, etc.

- ***Competitive bid pricing***

  process whereby a seller responds to a request by a buyer for a proposal, stating performance and pricing metrics

- ***Auction pricing***

  prices set by interaction between buyers and sellers for a fixed time period

Customer-engagement

- ***Loyalty pricing***

  providing special pricing or benefits for “preferred” customers

- ***Guaranteed rate***

  a maximum fee or interest rate for a product of specified quality, content, or benefit

- ***Priority access***

  allowing a customer, usually for a specified fee, special access to new products or first-in-line status for services

- ***Location segmented pricing***

  charging different prices based on where purchase or consumption happens

- ***Goal attainment***

  the ultimate fee charged depends on whether the seller was successful in helping customers attain an agreed-upon goal

- ***Yield management***

  selective discounting (e.g., airline industry) whereby customers pay different prices based on when they purchase or the restrictions placed on the purchase

- ***Protection pricing***

  providing an escape clause based on unknown future events (e.g., job loss protection after purchase)

- ***Enhanced warranties***

  providing better "peace-of-mind" than the competition through better warranties, or charging additional fees for extended warranties

- ***Bartering***

  charging different prices for endorsements or in exchange for other products and services

- ***Customer segmentation***

  pricing differently for different demographic and/or psychographic customer characteristics

- ***Price match***

  guarantee that customers will receive any lower prices that occur within a specified time period after a purchase