

## D9 Pricing policy – Solutions

1

- a The tasks of pricing policy include pricing design, price differentiation and price implementation for products and services. The primary goal of pricing policy is the maximization of profit. Other goals include increasing sales, revenue and market share, building a certain image, and customer acquisition and retention.
- b Price is an important point of reference in purchasing decision processes. Changes in the pricing policy can therefore lead to quick reactions of market participants. The amount of the price has a direct impact on the sales volume. Although price reductions can increase the sales volume, they can at the same time reduce the profit margin. Considerations in the pricing design must therefore be well thought-out. The redesign of a package (marketing tool product design) does not have the same strong impact on sales and profits.

2

- a Individual solution.
- b Individual solution.

3

- a Public passenger transport is not only subsidized by government, but also represents a monopoly. There are therefore no direct substitutes. Furthermore, the transport is a service, which means it does not keep and therefore has no permanence. Especially for commuters, the result is, in addition to this lack of permanence, the problem of urgency. All these factors make the good "public transport" particularly inelastic.
- b Especially commuters cannot adapt to short-term price increases, but they will find alternatives over the longer term (for example, carsharing, buying own car). In this way can the result be, albeit with a certain delay, a drop in demand.
- c In general, price-inelastic demand provides enterprises with a monopolistic type of room to play with where they can set prices, which is played out at the expense of consumers.

4

$$\begin{aligned}
 \text{Contribution margin} &= \text{Market price} - \text{variable costs} \\
 &= \text{CHF } 12 - \text{CHF } 9.50 \\
 &= \text{CHF } 2.50
 \end{aligned}$$

The contribution margin is positive, so the pizza contributes to covering fixed costs. "Food AG" should therefore add the specialty pizza to its assortment.

**5**

Sales volume: 50,000 units

Variable costs (VC): CHF 2.50/unit

Fixed costs (FC): CHF 20,000

Profit margin: 12%

a Unit cost = VC + share of FC  
= CHF 2.50 + (CHF 20,000/CHF 50,000)  
= CHF 2.90

b Selling price = Unit cost · (1 + profit margin)  
= CHF 2.90 · (1 + 0.12)  
= CHF 3.25

c Contribution margin/unit = Selling price – VC  
= CHF 3.25 – CHF 2.50  
= CHF 0.75

Break-even sales volume = FC / contribution margin/unit  
= CHF 20,000 / CHF 0.75  
= 26,667 units

**6**

Demand-oriented price determination: The starting point is customers' willingness to pay, where the price of a good is determined according to this willingness to pay.

Cost-oriented price determination: The starting point is the cost of the product or service, where the optimal price is determined according to the cost-element-percentage method (cost + profit margin).

Competition-oriented price determination: The starting point is industry-standard prices for products and services, where the enterprise bases its price determination on the prices of its competitors.

## 7

<b>a) Pricing strategy</b>	<b>b) Description</b>	<b>c) Example</b>
<b>Premium pricing strategy</b>	Prices remain consistently high	IWC watches
<b>Promotional pricing strategy</b>	Prices are intended to be set consistently low	Low-price airlines like Air Berlin
<b>Skimming strategy</b>	Price changes over the product lifecycle: A high introductory price is lowered over time to attract new groups of buyers	Sony PlayStation
<b>Penetration strategy</b>	Price changes over the product lifecycle: Low introductory price will be increased over time. The aim is a rapid market penetration at the beginning of the lifecycle.	Many types of retail products, from automobiles to smartphones to food and drink
<b>Price differentiation</b>	Products and services are offered to different customer groups at different prices. The aim is to maximize the producer surplus.	Movie tickets (special rates for young people, students, seniors)

## 8

Coop and Migros operate a mixed strategy. Both enterprises offer products, whose prices are set according to the premium pricing strategy ("Fine Food" at Coop and "Sélection" at Migros). At the same time, products are offered at prices that are set consistently low ("Prix Garantie" at Coop and "M-Budget" at Migros), with which the enterprise pursue a promotional pricing strategy.

Aldi and Lidl, in contrast, mostly pursue promotional pricing strategies. The corporate mission statements talk about optimal price-performance ratio or value for money. Aldi and Lidl want to offer products at the lowest possible prices. This is enabled by low costs (e.g., warehousing).

Sources: [www.coop.ch](http://www.coop.ch), [www.migros.ch](http://www.migros.ch), [www.aldi.ch](http://www.aldi.ch), [www.lidl.ch](http://www.lidl.ch)

9 Individual solution.

## 10

a Individual solution

b Prerequisite: The goods must be homogeneous.