

CFAM3.3.1

Establish and maintain pricing policy for products/services



Overview

This unit is about establishing the pricing policy for an organisation's products/services based upon overall marketing objectives, brand or products/services policy, and an assessment of relevant internal and external factors. It includes monitoring the effectiveness of the policy and refining it continually, in line with the marketing strategy and developments within the marketing environment.

In this unit, 'customer' can refer to end-users of an organisation's products/services, and/or those parties involved in the distribution of the organisation's products/services to its end-users. Such parties might include for example, agents, distributors or retailers.

For the purposes of this unit, 'organisation' can mean a self contained entity such as a private sector company, a charity or a local authority, or a significant operating unit, with a relative degree of autonomy, within a larger organisation.

This unit is recommended for senior and middle marketing managers. Such marketers might be employed directly by the organisation, or work for an agency/consultancy.

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Performance criteria

- You must be able to:*
- P1 determine a pricing strategy for products/services that is in line with agreed marketing strategy and objectives, and takes into account product/service positioning, customer requirements, costs and competitors' prices
 - P2 determine a pricing strategy which takes into account the organisation's full mix of products/services, and requirements to maximise the overall return on investment
 - P3 determine price adjustment strategies where appropriate, taking into account differences in target customer buying patterns, and market circumstances
 - P4 monitor and assess the effectiveness of agreed pricing policies, taking into account marketing objectives, buyer and competitor reaction to the policies, and the required return on investment
 - P5 determine circumstances justifying changes to the pricing policy, and where necessary, make reasoned recommendations regarding the need to increase or decrease prices
 - P6 support recommendations for price changes with an analysis of anticipated impact upon demand and profitability

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Knowledge and understanding

You need to know and understand:

General knowledge and understanding

- K1 internal and external factors to take into account when establishing pricing strategy and policies for products/services, including marketing objectives and strategy, costs, nature of the market and demand, competition and other environmental factors (for example, economy, legal considerations, ethics)
- K2 the types of cost, and how these can impact upon the pricing decision
- K3 the principal approaches to pricing products/services
- K4 the principal types of pricing strategies, their relative strengths and weaknesses and the circumstances where these might be applied
- K5 how to undertake a break-even analysis
- K6 possible responses to competition price adjustments and the relative merits of these responses

You need to know and understand:

Industry/sector specific knowledge and understanding

- K7 those parties likely to be affected by price changes within an industry/sector, including for example, buyers, competitors, distributors and suppliers, and their possible reactions to such changes
- K8 legal, regulatory and ethical requirements in the sector impacting upon the pricing of the organisation's products/services

You need to know and understand:

Context specific knowledge and understanding

- K9 the relationship between price and demand for the organisation's products/services
- K10 returns upon investment required by the organisation for its products/services
- K11 competitor pricing policies and strategies
- K12 the implications upon the organisation's budgets of changes in price of relevant products/services
- K13 the organisation's procedures and lines of authority for agreeing pricing policies and for making price changes

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Additional Information

Behaviours

1. You show clear understanding of different customer segments and their needs
2. You anticipate likely future scenarios based upon a realistic analysis of trends and developments
3. You display a good understanding of how different factors in the work context relate to each other
4. You identify the implications or consequences of a situation
5. You demonstrate an understanding of colleagues' views and needs, and take these into account where relevant
6. You take decisions in uncertain situations or based upon incomplete information where necessary

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