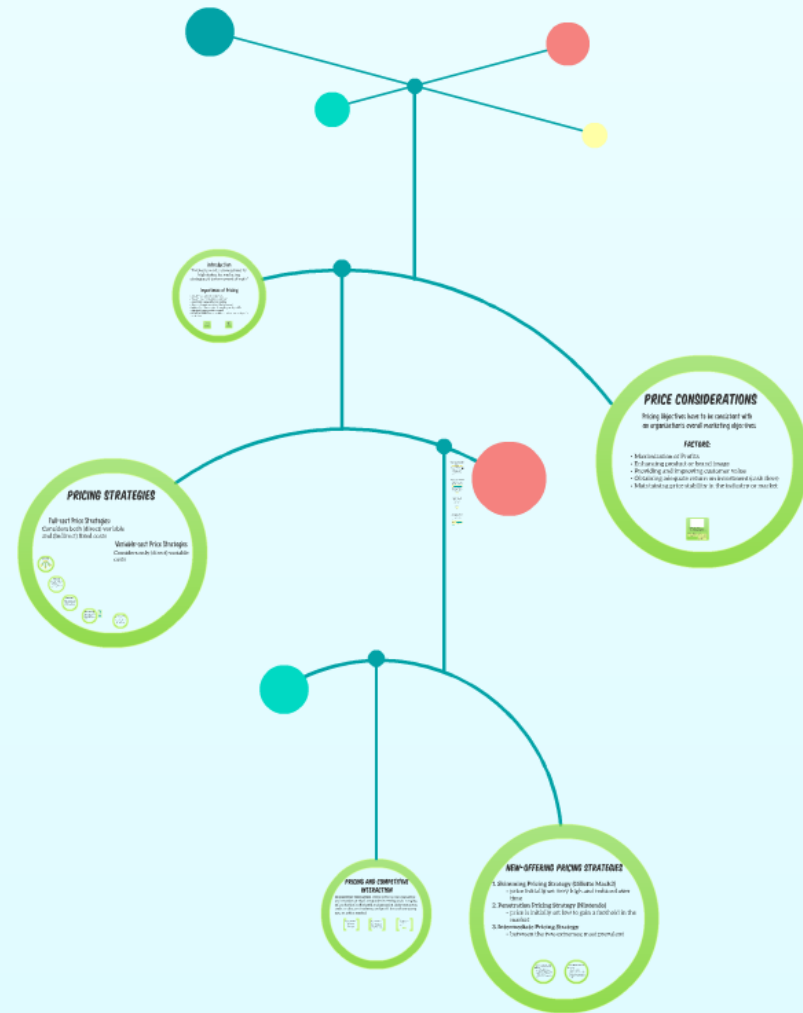


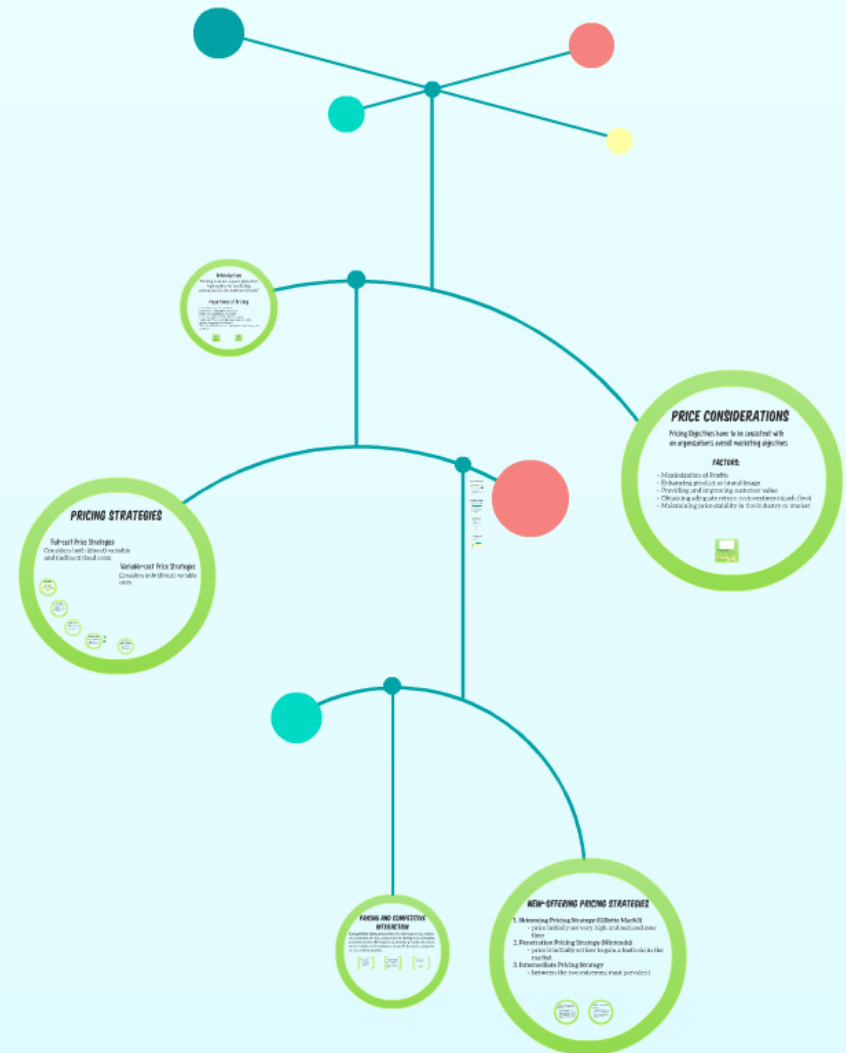
# FINGERHUT PRICING STRATEGY

Ashley Carlson and Lisa Hollingshead



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# Introduction

"Pricing is an art, a game played for high stakes; for marketing strategists, it is the moment of truth"

## Importance of Pricing

- determines type of customers
- determines competitors attracted
- easiest for competition to imitate
- direct determinant of profits (or losses)
- indirectly affects costs (through quantity sold)
- affects the image of the brand
- PRICING ERROR can nullify all other marketing mix activities



## Relationship between Price and Profits

$$\text{Profit} = \text{Total Revenue} - \text{Total Cost}$$

Total Revenue = Price per Unit x Quantity Sold

Total Cost = Fixed Cost + Variable Cost

- affected by quantity sold which is dependent on unit Price

**ONE OF THE LEAST UNDERSTOOD AND MOST CHALLENGING  
MARKETING MIX ACTIVITIES**

## Pricing Considerations:

Price as an Indicator of Value

Price Elasticity of Demand

Product-Line Pricing

Estimating the Profit Impact from Price Changes

## Pricing Strategies

Full-Cost Pricing

Variable-Cost Pricing

New-Offering Pricing Strategies

Pricing and Competitive Interaction