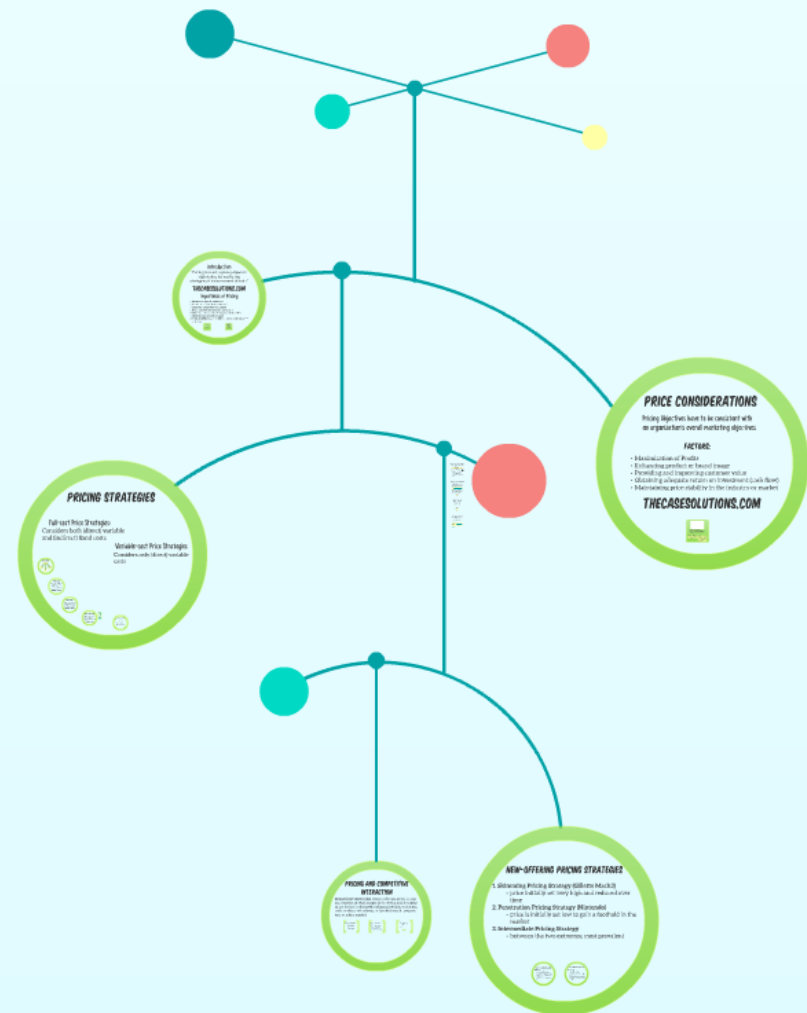


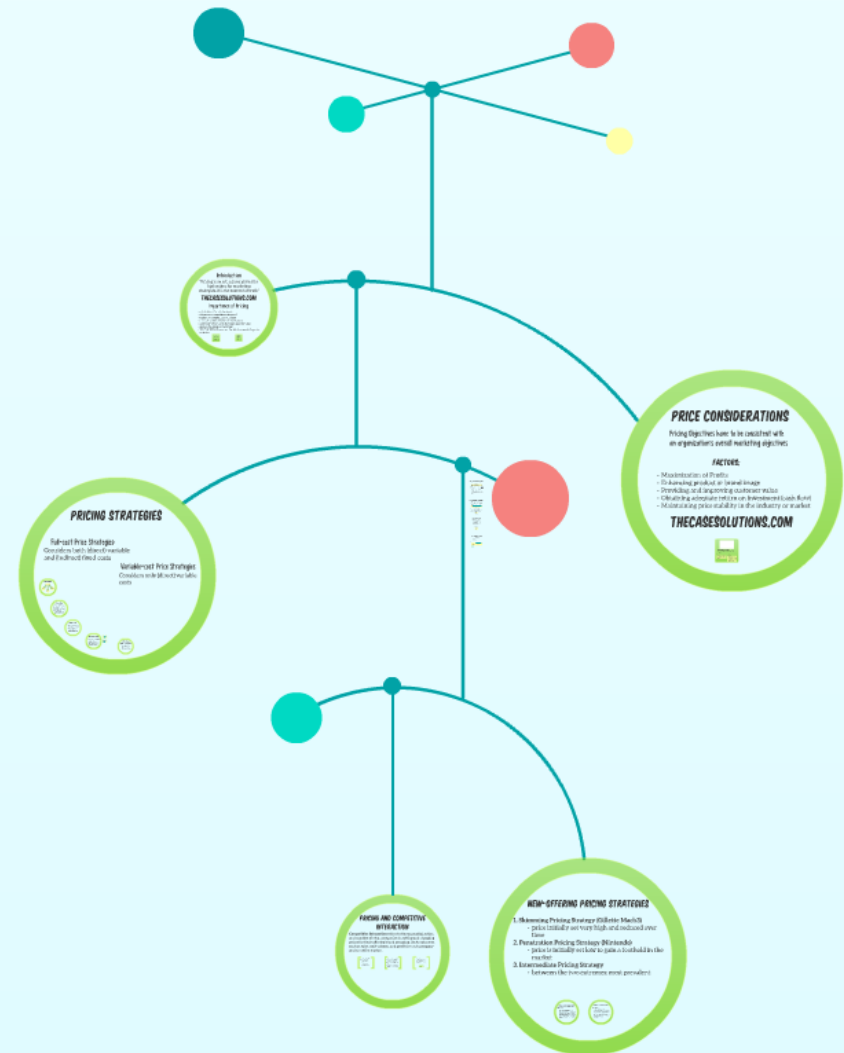
TOKYO DISNEYLAND (3): NEW PRICING POLICY NEEDED FOR SLUGGISH DEMAND

THECASESOLUTIONS.COM



TOKYO DISNEYLAND (3): NEW PRICING POLICY NEEDED FOR SLUGGISH DEMAND

THECASESOLUTIONS.COM



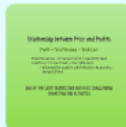
Introduction

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

THECASESOLUTIONS.COM

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



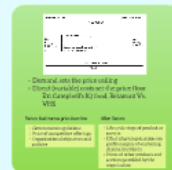
PRICE CONSIDERATIONS

Pricing Objectives have to be consistent with an organization's overall marketing objectives

FACTORS:

- Maximization of Profits
- Enhancing product or brand image
- Providing and improving customer value
- Obtaining adequate return on investment (cash flow)
- Maintaining price stability in the industry or market

THECASESOLUTIONS.COM



Factors Effecting Elasticity of Demand:

- The more substitutes the product or service has, the greater the elasticity
- The more uses a product or service has, the greater the elasticity
- The higher the ratio of the price of the product or service to the income of the buyer, the greater the elasticity

THECASESOLUTIONS.COM

Product-line pricing involves determining:

THECASESOLUTIONS.COM

1. the lowest-priced product and price
 - plays the role of traffic builder
2. the highest-priced product and price
 - positioned as the premium item
3. price differentials for all other products in the line
 - reflect differences in their perceived value of the products offered
 - Ex: Rate Fences in the Airline Industry
 - Ex: Holiday Inn Express vs Intercontinental
 - Ex: Budweiser vs Bud Select or Black Crown

MARKUP PRICING

- Selling price is determined by adding a fixed amount, usually a percentage, to the (total) cost of the product
- Most commonly used pricing method (e.g., groceries and clothing)
- Simple, flexible, controllable
- Example: If a product costs \$4.60 to produce and selling price is \$6.35, the markup on cost is 38% and markup on price is 28%.

THECASESOLUTIONS.COM

BREAKEVEN PRICING

- Equals the per-unit fixed costs plus the per-unit variable costs
- Useful tool for determining the minimum price at which a product must be sold to cover fixed and variable costs
- Often used by non-profit organizations, or by profit-making organizations that may have a short-term breakeven objective

THECASESOLUTIONS.COM

RATE-OF-RETURN PRICING

- Price is set so as to obtain a pre-specified rate of return on investment (capital) for the organization
- Assumes a linear demand function and insensitivity of buyers to price
- Most commonly used by large firms and public utilities whose return rates are closely watched or regulated by government agencies or commissions

THECASESOLUTIONS.COM

RATE-OF-RETURN

$$ROI = Pr / I = \frac{\text{revenues} - \text{costs}}{\text{investment}}$$

where P = Unit Selling Price, C = Total Cost
Solving for P , we get:

$$P = \frac{ROI \times I + C}{Q}$$

RATE-OF-RETURN

An organization desires an investment of \$80,000. It is estimated to be \$0.175. For 20,000 units. The necessary price is:

$$P = \frac{(0.15) \times \$80,000 + \$0.175 \times 20,000}{20,000}$$