

# Top 5 Marketing Models

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## Preface

This eBook describes five essential marketing models that will aid you in constructing your marketing campaigns, developing marketing plans that meet your organizations strategic goals.

It describes following tools, models and techniques:

- The 4 P's Marketing Model
- The 4 C's Marketing Model
- Keller's Brand Equity Model
- The STP Model
- Pricing Models

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## Table of Contents

<b>Preface</b>	<b>3</b>
<b>Visit Our Website</b>	<b>3</b>
<b>Introduction</b>	<b>5</b>
The 4 P's Marketing Model	8
The 4 C's Marketing Model	13
Keller's Brand Equity Model	18
The STP Model	23
Pricing Models	29
<b>Other Free Resources</b>	<b>34</b>
<b>References</b>	<b>35</b>

## Introduction

This eBook describes five essential marketing models that will aid you in constructing your marketing campaigns, developing marketing plans that meet your organizations strategic goals.

These different models enable you to better understand how to position your product(s) and service(s). Then use this knowledge to develop more effective mix of marketing communications activities and events.

This data also helps in deciding how to allocate your marketing budget in the more effective and efficient way.



Integrating all the marketing mix activities is critical to the success of any organization and typically includes the items show in the diagram above. Using the most appropriate techniques as part of your decision-making will ensure you develop the most effective marketing plan for your organization.

### 1. The 4 P's Marketing Model

The 4 P's of Marketing model enables you to better understanding your whole marketing process. It helps to match which products and services should be promoted to specific market segments. The 4 P's are:

- Product
- Place
- Price and
- Promotion.

## 2. The 4 C's Marketing Model

In today's market the customer is critical to your success and the 4 C's Marketing Model helps you to view your marketing activities from your customers perspective. The 4 C's stand for:

- Customer,
- Cost,
- Convenience and
- Communication.

Each of these four topics plays a significant role in you organization's overall marketing strategy.

## 3. Keller's Brand Equity Model

Success of organizations often depends on the strength of their brand. Building your reputation is an essential part of any marketing communications plan.

Keller's Brand Equity model creates a four-tier a pyramid – with lowest tier being 'Identity' working up through 'Meaning, then "response' to the top tier 'Relationships.'

Long-term success is based on building your organization's pyramid solidly from the ground up.

## 4. The STP Model

Most products are sold to a specific group of people, referred to as a market segment, not to all consumers. Whilst this is easy to say it is harder to define the exact make-up of your market segment. This is the concept behind the STP Model, which stands for:

- Segmentation,
- Targeting and
- Positioning.

When you are able to target the right customers with the right message and positioning of your products or service success is closer. These three concepts play a significant role in marketing communications but need to be integrated into your overall plan.

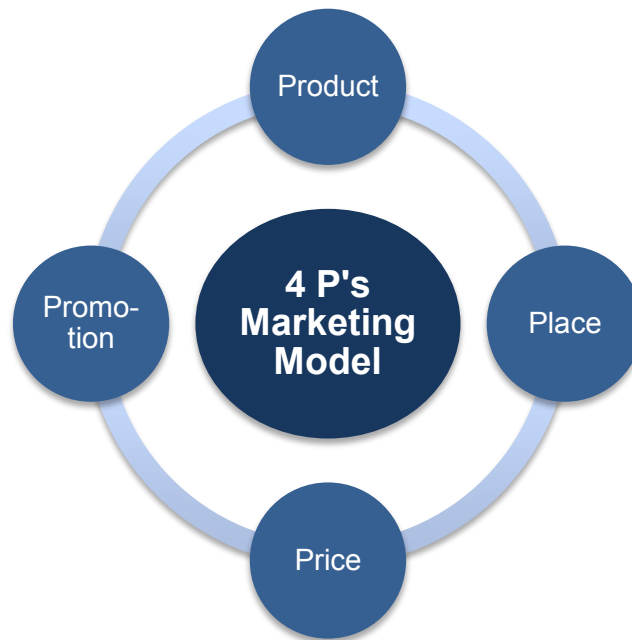
## 5. Pricing Models

Organizations use pricing models to help identify the 'best' price at which to sell their product or service. Understanding how much a customer is prepared to pay is essential to success. The four pricing models described are:

- Cost-based Pricing,
- Market Pricing
- Portfolio Pricing and
- Freemium Pricing.

## The 4 P's Marketing Model

Marketing is at the heart of any business. Without marketing, it won't matter how great your products or services happen to be – you aren't going to make any sales. The marketing department is one of the key departments within any organization, as its success is going to go a long way toward determining the success or failure of the organization as a whole.



The 4 P's marketing model is a simple tool that will help you gain a better understanding of the marketing process from start to finish. You have to think logically and clearly about what you are offering to your customers before you can market your goods successfully – and the 4 P's will help bring the clarity that you need. The 4 P's are as follows:

- Product
- Place
- Price
- Promotion

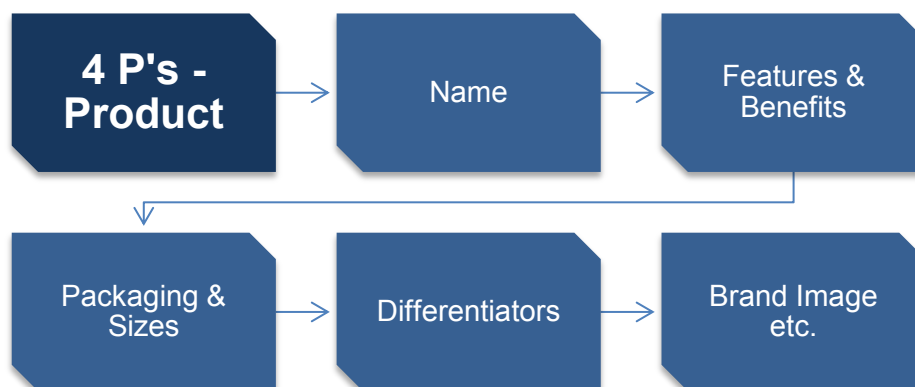
It's just that simple. If you can think about how each of those four points relates to what you are doing from a marketing perspective, you will be on the right track toward a successful marketing campaign. Of course, you



probably have some questions about what each of those four points really means in the marketing context, so we have created a closer look below.

## Product

You are going to start, of course, with the product itself. Or, if you are offering a service, you would think about your service in this place instead. As you build a marketing campaign, you want to make sure that you aren't leaving out any relevant details regarding your product that could be important to a potential customer.



To start with, your marketing needs to cover the basics such as the name of the product, the brand that is selling it, the basic features it offers, and more. Once you have the basics covered, you can drill down into greater detail by thinking about how this product is different from the rest of the products currently on the market. This is the heart of your marketing communication, and it is what is going to sway customers over to your website or your side of the aisle.

Consumers have choices in just about every market today, so you need to be very clear as to why your product is superior.

*Does it offer features that are not available otherwise?*

*Is it made from better materials than the products produced by your competition?*

Give your target audience a tangible reason to buy your product and they often will oblige.

## Place

Getting outside of your own company, you now need to think about where you are going to find the buyers that you would like to target for your product.

*Where are other, similar products sold?*

*Are you going to be attempting to distribute your product via only online channels?*

*Do you want to find a space in physical stores as well?*

*Should you build a sales team that can take on the challenge of closing deals for your product?*

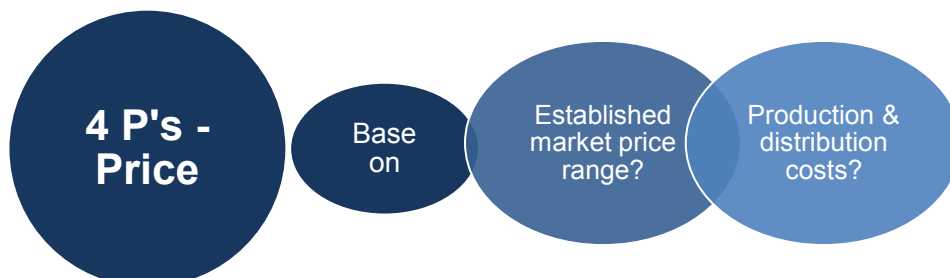
*Will it be enough to setup a website and run some ads?*

It is obviously important to find the right places to sell your products, however this task has been made significantly easier through the development of the web.

Today, it is not hard to find the exact market that you are looking for, because nearly every kind of buyer is represented somewhere online. As long as you are willing to do the research, you should be able to find a clear path online that leads directly to your ideal market.

## Price

Before you can take any product or service to market, you need to be sure that it has a clearly defined, appropriate price. Depending on the market you are entering, this could be an easy task, or it could be quite complicated.



The easiest way to find your price point is by looking at other products that are already for sale. How are they priced? You don't have to match this price exactly, but it certainly is a good place to start.

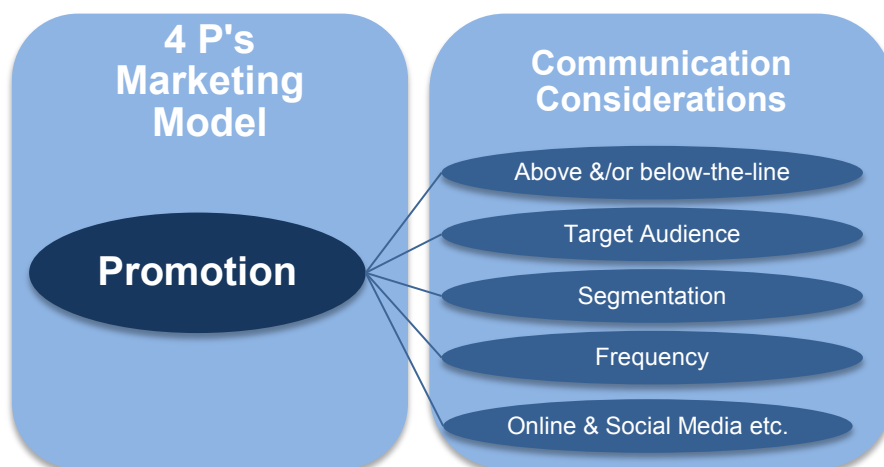
For instance, if a product from another company that is in your market is being sold for \$10, and you are using superior materials, you may choose to come in around \$15.

Or, if you are trying to be the low-cost option in the market, your ideal price may be \$8-\$9.

If the product you are taking to market does not have a well-established price, you are going to need to set the price based on your production costs. As long as you get somewhere close to the true market value of the item, you can adjust as necessary going forward until you find the perfect price point.

## Promotion

Finally, we get down to the topic of actually promoting your product. You might be tempted to think that this should be the first step when talking about marketing, but you actually need to work through the other topics above before you form a promotional plan.



At this point, you will start to think about what kind of mediums you can use to connect with the audience.

*Are you going to run television or radio ads for your product?  
What about using online pay-per-click ads, or social media marketing?*

In addition to deciding how you are going to market your product, you also want to think about when. If your product is seasonal in some way, it

obviously makes sense to spend most of your marketing budget during the high season for sales. Or, if you are running TV adverts, you will want to be sure to buy those adverts during a time of day when your target market is likely to be watching.

Marketing does not have to be complicated to be effective, but you do have to carefully think through your strategy before you put it into action. Every organization is working from a limited marketing budget, so wasting money on ineffective adverts should be avoided if at all possible.

Through the use of the 4 P's Marketing Model, you should be able to come up with a plan that is going to put your products and/or services in front of the right people, at the right price, at just the right time.

### **Key Points**

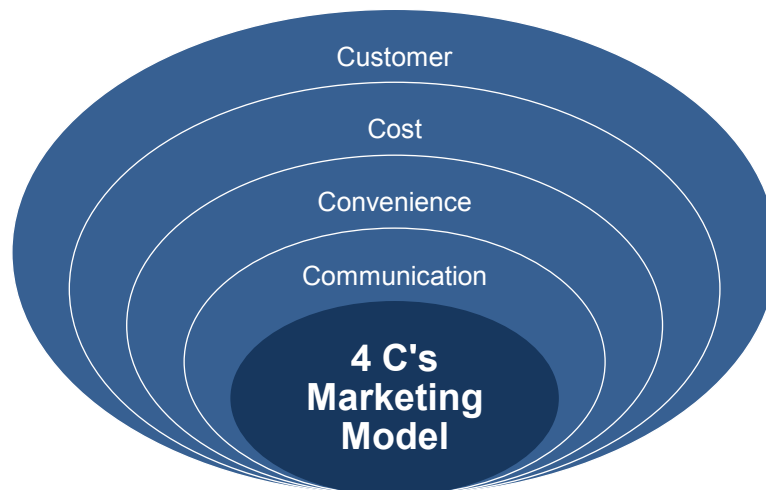
- You have to think logically and clearly about what you are offering to your customers before you can market your goods successfully.
- The 4 P's stand for: Product, Place, Price, and Promotion.
- Your marketing needs to cover the name of the product, the brand that is selling it, the basic features it offers, and more.
- Consumers have choices in just about every market today, so you need to be very clear as to why your product is superior.
- Place refers to where the product is sold.
- The easiest way to find your price point is by looking at similar products that are already for sale.
- Promotion refers to how you are going to market your product and is influenced by the first three Ps.
- The 4 P's model can help you to put your products and/or services in front of the right people, at the right price, at the right time.

## The 4 C's Marketing Model

As the owner or manager of a business, it is easy to think of things only from your perspective. However, that would be a mistake, as you really should be viewing things from the perspective of your customers.

*It is those customers' needs that you are trying to meet, so it only makes sense to see the world through their eyes.*

When you do just that, it will immediately become easier to deliver exactly what those customers want, when they want it, for a price they are willing to pay.



With that in mind, we are going to take a look at the 4 C's Marketing Model. This model is similar to the 4 P's Model, except this version turns things and looks at them more so from the perspective of the customer. In this model, the 4 C's in question stand for the following –

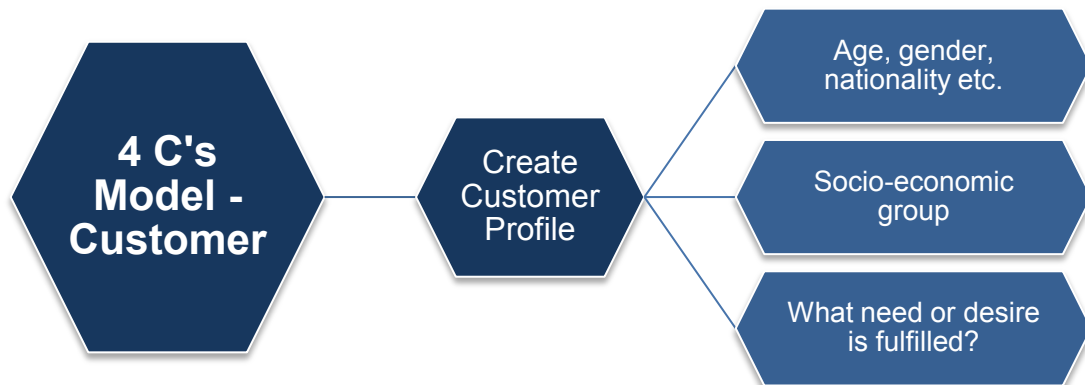
- Customer
- Cost
- Convenience
- Communication

Each of those four topics is going to play a role in your overall product or service marketing strategy. As you already know, your marketing strategy is going to have a great deal to do with the success or failure of your business

in the long run. So, let's take a moment to work through each of the 4 C's so you can be sure you have a clear understanding of what this model means for your marketing plans.

## Customer

Identifying your target market is one of your key tasks in the marketing process. After all, you can't possibly expect to make sales to your target market if you can't find those people in the first place. Take as much time as possible to accurately identify your ideal customer and then build your marketing plans around the task of finding that customer.



As you are thinking about this ideal customer, you need to think clearly about what he or she wants or needs from your product.

*Why are they looking for this product in the first place?*

*What is it that they hope to achieve through the use of your product or service?*

If you fail to meet the needs of this ideal customer, that individual is simply going to move on to another option. It may take some time to develop an accurate profile of your target market, but that time will be well spent once you are able to move forward with your marketing efforts.

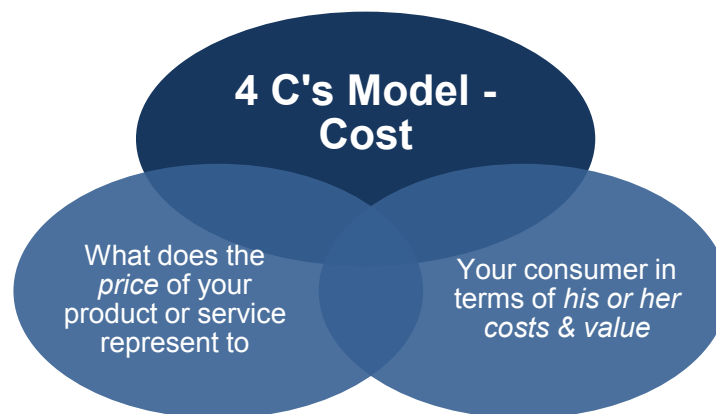
## Cost

In many marketing models, you would label this section 'price', as you would be thinking of it from the company's point of view. However, in this case, it is called 'cost', as you should be thinking about the cost of the product from the perspective of the customer.

*How much is your ideal customer going to be willing to pay for your products?*

*What do they have to pay to purchase the products of your competition?*

Picking the wrong price can ruin an otherwise successful project, so make sure you are thinking this point through completely before you take your new item to market.



Of course, you can't just think about this topic from the perspective of your customer alone, as that line of thinking would have you pricing the product at the bottom of the market.

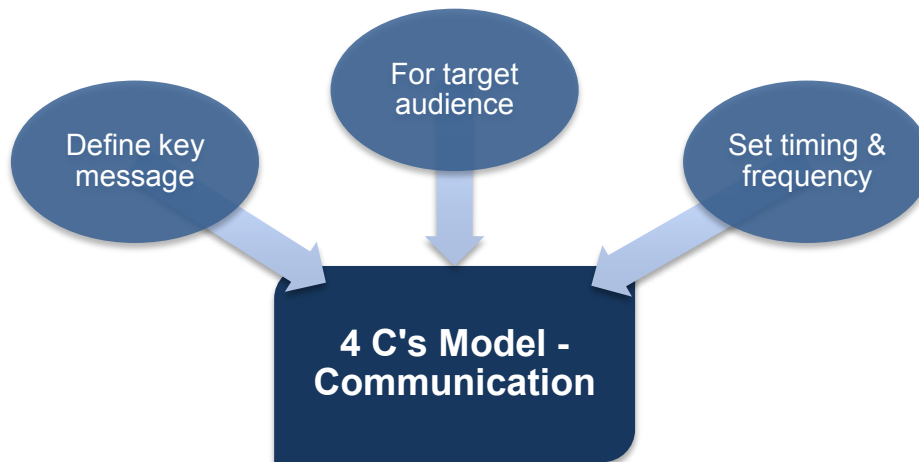
*In addition, you need to think about your own costs to confirm that you will still be able to turn a profit at a given price.*

Remember, there are plenty of successful products that are not sold at the lowest price point in the market, so you don't have to compete only on low cost. If you are able to convince your customers that your product is worth the premium price, for instance, you may be able to dominate the market even at a higher cost.

### **Communication**

Rarely are sales going to be made simply by blasting your target audience with a string of different types of marketing communications. Most potential customers will find this approach to be annoying, and it certainly won't build up any respect or trust in your brand within the mind of the consumer.

Therefore, it is important to communicate effectively with your target audience, delivering a message that they will remember.



At the end of the day, the customers that you are targeted only want to know one thing – what they will get out of purchasing your product. If they aren't going to gain from buying your product, they will purchase a product from someone else.

So, as you formulate your communication strategy, make sure that the benefits to the consumer are spelled out as clearly as possible throughout your message.

### **Convenience**

Not only do you want to deliver a product that has great features and is sold at a great price, but you also want:

*To make sure the product is convenient to acquire.*

If there are hurdles along the way when trying to make a purchase, it is likely that at least a certain percentage of your potential customers will give up and go somewhere else. If you do things like making your product available in a variety of different locations, you will be going a long way toward making your product convenient for the buyer.

Convenience not only speaks to the physical locations where your product can be found, but also to the way in which that product can be purchased on your website.



*Is your site easy to use, and can the prospective buyer contact you easily if they have a question?*

Many businesses do far more sales online than they do in the 'real world', so make sure your website is living up to the expectations that your customers will have.

The 4 C's Marketing Model does a great job of helping you to see the task of marketing from the perspective of your customers. By thinking about your products and services in this way, you will be more likely to deliver a marketing message that is going to hit home with your audience.

### **Key Points**

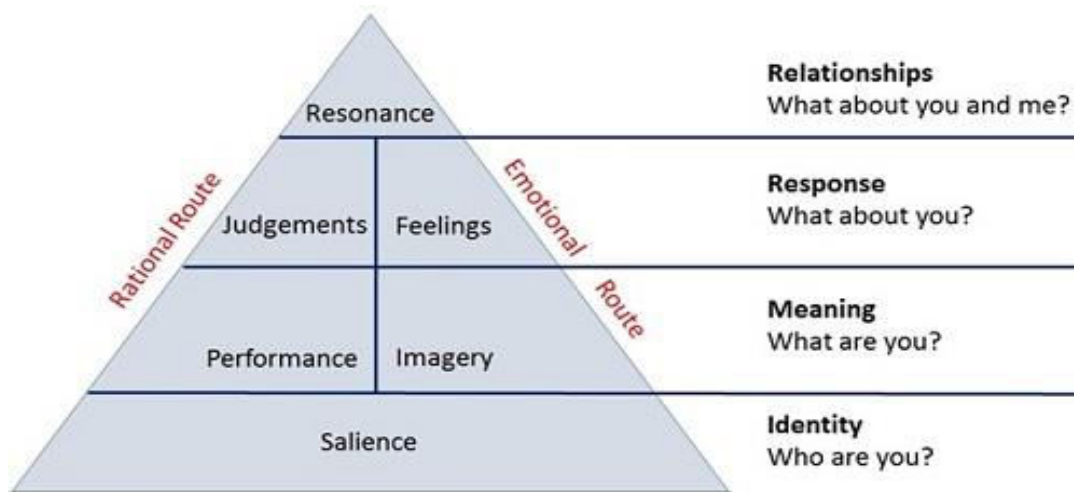
- The 4 C's marketing model helps you to see things from the perspective of your customers.
- In this model, the 4 C's stand for: Customer, Cost, Convenience, and Communication.
- Take as much time as possible to accurately identify your ideal customer and then build your marketing plans around the task of finding that customer.
- How much is your ideal customer going to be willing to pay for your products?
- Marketing means communicating effectively with your target audience and delivering a message that they will act on.
- Convenience not only speaks to the physical locations where your product can be found, but also to the way in which that product can be purchased on your website.

## Keller's Brand Equity Model

In business, there is nothing quite like the power of a strong brand. If you can build up the reputation of your brand in the minds of consumers, you will have a far better chance to continue to grow your business over time.

*When you think of the biggest, most-profitable companies in the world, they all have strong brands that they work hard to protect.*

No matter what industry you happen to be in, it is safe to say that you can benefit from the development of your brand name and image.



This model takes the shape of a pyramid, and that pyramid has four levels.

The levels of the Brand Equity pyramid are as follows –

- Identity
- Meaning
- Response
- Relationships

That list is in reverse order - meaning brand identity is located at the bottom of the pyramid, while relationships are at the top level (as shown in the diagram).

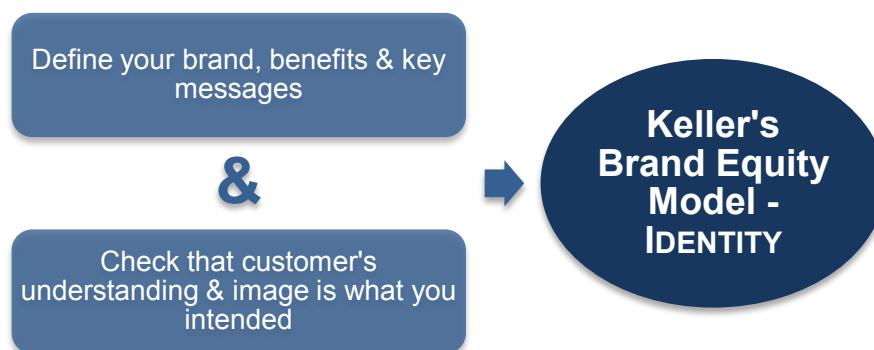
*In order to create a strong brand for your organization, you need to make sure that you build the pyramid solidly from the ground up.*

To help you in that task, please read on to find greater detail on each of these four levels.

## Identity

The basis of your brand is figuring out, and communicating, what your brand is all about. Not only do you need to make sure that people are aware of your brand, but you need to be sure that they are getting the right message as well.

For instance, imagine that you are trying to create a brand, which is dedicated to delivering high-end clothing items to the market. You are not going to compete on cost – you are going to compete on quality, and your goods will be sold for a high price relative to the rest of the market.



At this first level of the pyramid, it is your job to deliver the message that you are a luxury brand offering high-end goods for premium prices. If customers don't get that message, they are simply going to wonder why your clothes are so expensive. They need to see your identity as a premium luxury brand in order for the rest of your marketing and pricing to make sense.

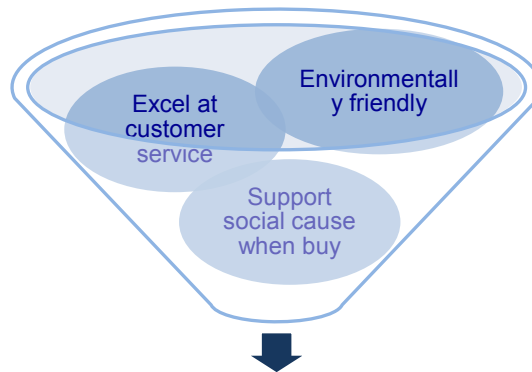
This concept can be seen clearly in the automotive market. Buyers know which carmakers offer luxury vehicles, so they are not surprised when those models are more expensive than the rest. No matter what identity it is that you are trying to create, be sure that this job is done before you go any further.

## Meaning

With a general identity in place, the next step is going to be to carve out a meaning for your brand that will begin to build loyalty within your audience.

*Brand meaning is going to go beyond the quality of products that you offer, or the price point that you use at market.*

You could build the meaning of your brand around a number of different things, including your commitment to specific social causes, your dedication to customer service, or just about anything else. The meaning of your brand is going to give people a reason to be proud of their purchases, and it will give them a reason to come back time and time again.



### **MEANING - Keller's Brand Equity Model**

Continuing with our clothing example from above, you could attach the meaning of a social cause to your brand, along with your luxury reputation. For instance, you may publicize your offer of donating a certain percentage of your sales to important causes like clothing the homeless or something similar.

In this way, your buyers will not only come to love the products you deliver, but they will also come to respect what you are doing with some of the proceeds from each sale.

### **Response**

Once a customer makes a purchase from your brand, what is their response to that purchase?

*This is where your brand has to **live up to the reputation** that you have attempted to build earlier in the pyramid.*

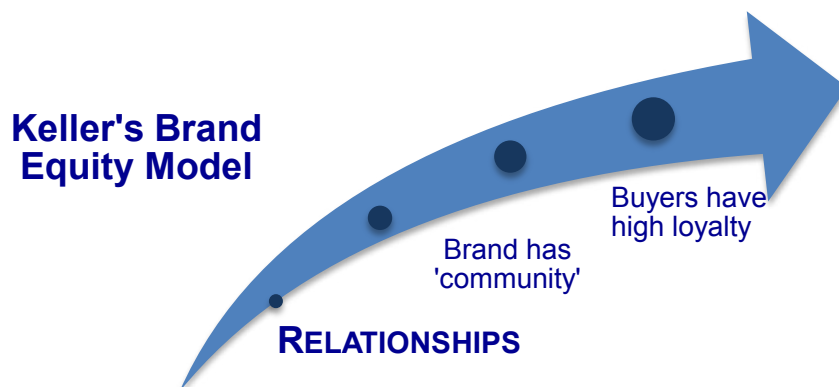
If those luxury clothes that you are selling for a high price don't deliver on the quality that is expected, the response from your customers is not going to be a positive one. However, if you –

*Do deliver great quality as expected, your brand will only be strengthened and you will have a great opportunity for growth and success.*

Keeping in mind the importance of the way your customers respond to your products, you always need to make sure you are delivering on your promises. Failing to deliver on expectations is one of the most-damaging things that can happen to a brand, and you might not be able to recover from an extended period of falling short.

## Relationships

At the top of the brand pyramid we find 'Relationships', which is concerned with the concept of resonance. It is difficult to climb all the way to this point in the pyramid, but the brands that do make it to this point will be in line for tremendous rewards.



The rare brands that land at this level are able to actually create a community around the ownership of their products – in other words, buyers of the products will feel connected to one another because they are devoted to the same brand.

Customers tend to be extremely loyal at this level, and they will often buy just about anything that the brand puts out as long as it continues in same tradition as previous models or items.

*Building brand equity is one of the biggest challenges that is faced by the average organization, but it is also an exciting opportunity to build tremendous value.*

If you are hoping to create brand equity in the months and years to come, be sure to use Keller's Brand Equity Model as a great starting point for the process. With any luck, you will be able to take these lessons and translate them into real-world success.

Not every brand is destined to become a household name around the world, but even small brands have the opportunity to grow a dedicated following which can lead them to ongoing financial prosperity.

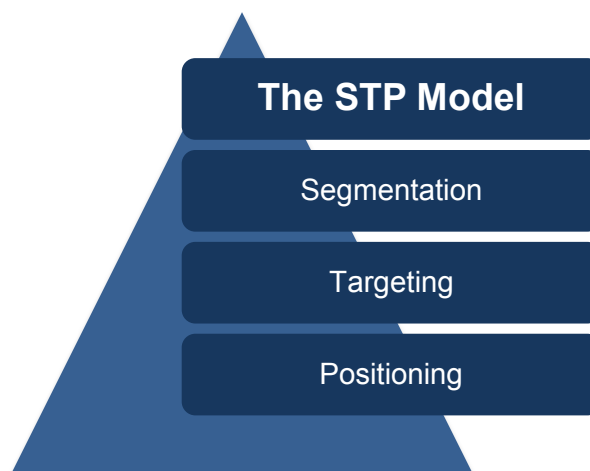
### **Key Points**

- If you can build up the reputation of your brand in the minds of consumers, you will have a far better chance to continue to grow your business over time.
- This model takes the shape of a pyramid with four levels: Identity, Meaning, Response, and Resonance.
- That list is in reverse order - meaning brand identity forms the base of the pyramid with relationships at the top.
- Brand identity is the way a business wants consumers to perceive its brand.
- The meaning of your brand is going to give people a reason to be proud of their purchases, and it will give them a reason to come back time and time again.
- Brand Response is an approach where brand building drives response, which in turn builds the brand in a virtuous circle of effectiveness.
- Brand Relationships means that there is a community around the ownership of the product or service amongst the extremely loyal consumers.

## The STP Model

To succeed in business, you don't have to sell your products or service to everyone in the world. There are no products that appeal to every single consumer in the market, no matter how great those products may be.

So, rather than trying to sell to everyone, you are actually trying to sell directly to your target market. By figuring out exactly who is likely to buy your product, and then marketing that product directly to that group of people, you will stand a great chance of success.



It is this concept that is behind the STP Model. The title of this model stands for the following three concepts –

- Segmentation
- Targeting
- Positioning

Marketing is much more effective and efficient when it follows a model such as this one. By segmenting your market, targeting the right customers, and positioning your products/services correctly, you can take big steps forward overall.

There are still other factors that will influence your success or failure in the market, but these three concepts play a big role in how well your marketing will be received.

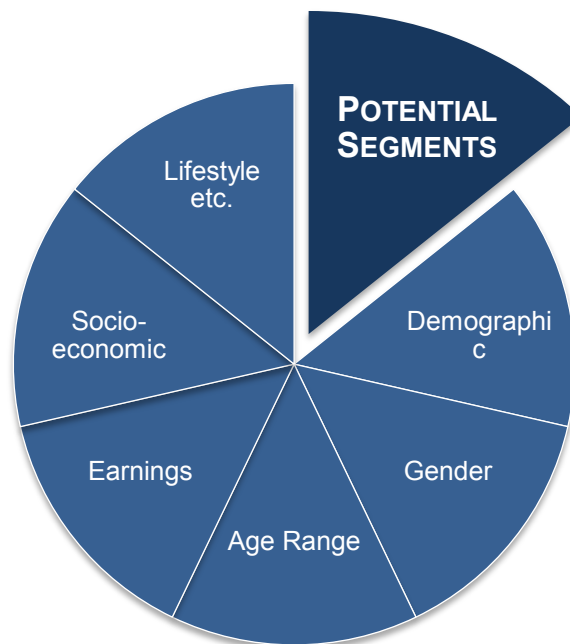
To help you better understand the power of the STP Model let's take a look at each of these three concepts individually.

## Segmentation

One of the common mistakes made by new business owners is trying to please everyone. If you try to impress every single consumer with your products or services, you are almost certain to fail.

*It is a much better strategy to market specifically to certain segments of the market, rather than the market as a collective whole.*

A small company may choose to simply focus all of their offerings within one market segment, while a larger company may be able to develop a range of products to suit the needs of buyers in various segments.



When you begin the process of trying to segment the market in a logical manner, you will quickly find that there are an incredible number of segmentation options. For instance, you could quickly break up the market based on geography.

*For example, a clothing company is likely going to sell different garments in cold, wet climates as compared to dry, warm parts of the world. In this case, segmenting by geography would make a lot of sense.*



Selling garments that fit the climate of each local market, rather than trying to sell everything in every market, is a strategy that is likely to succeed.

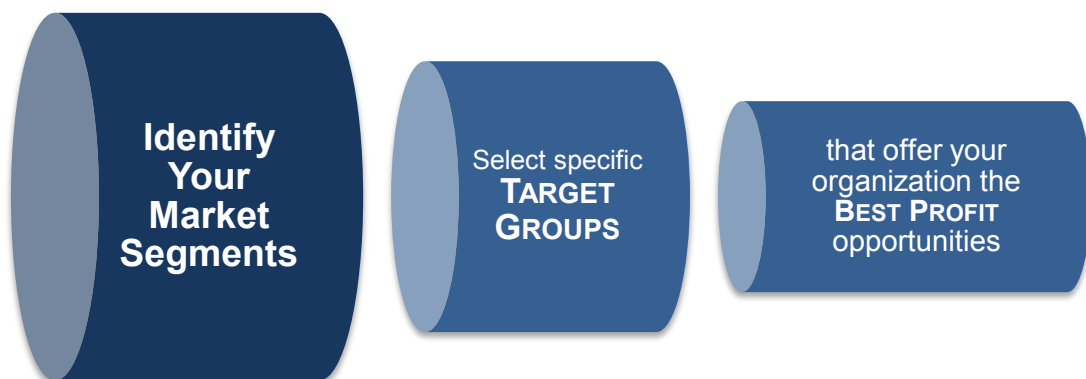
Demographic segmentation is another option that is commonly used in business. The demographics that people fit into say a lot about their likely buying habits, so researching this area may lead to helpful marketing insights.

*Continuing on with the example of a clothing company, people in their 20's and 30's are unlikely to buy the same clothes as individuals in their 60's and beyond.*

Marketing the same clothes to people of all ages would not only be a waste of time, it would be a waste of money as well.

## Targeting

Now that you have some attractive segments in mind, the next step involves zeroing in on the segments that you feel will be the most profitable for your business. You likely will not be able to pursue all of the segments you picked out, so targeting is an important part of the process.



Obviously, it is profitability that you are going to be concerned with first and foremost. Which of the segments do you believe will provide you with your best return on investment? It is not only the size of the segment that should be considered, but also the financial resources of the individuals within that segment.

Let's take another look at our example from above to highlight the importance of targeting. As a clothing retailer, you may determine that you

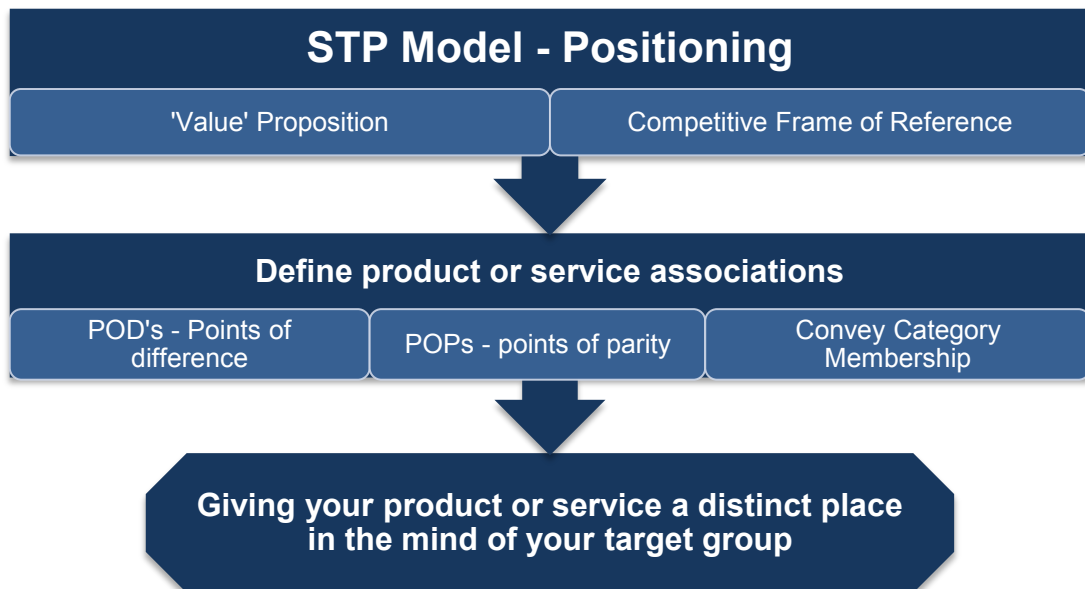
are able to sell clothes to both young and old consumers. In fact, you decide that the number of units you could sell to each market is roughly the same, based on your research and past results.

*However, since older consumers tend to have larger incomes and more spending money available than do young adults, it may be the older segment that makes the most sense.*

With a higher price point possible, you could turn that older market segment into a larger return on investment than you would find with the younger crowd.

### Positioning

In the final step of the process, you are going to figure out how to place your product effectively in front of the market segments you selected. You need to think not only about which marketing channels you are going to use, but also about how you are going to present the products or services you wish to sell.



The concept of a unique selling proposition (USP) is important at this point. What is it that allows your product to stand out from the rest of the market? Is it more affordable than other options, or is it of a higher quality? Your ability to position your items logically within the market as a whole will go a long way toward determining just how many sales you are able to make.

You will need to define what your 'value' proposition is for your target consumers and what its frame of reference is in terms of your competitors.

Then you need to define your:

- Points-of-difference (POD's) these are the benefits or attributes your product gives a person that they can't find with another product.
- Points-of parity (POP's) these are features and attributes that may be shared with other brands.
- Category membership – tells consumers your product benefits through your product description and compares it to other typical products or brands.

Again here, we can understand the important of positioning by looking at our example.

*The clothes that are to be sold to the older market are going to need to be marketed in places that are likely to be frequented by an older crowd.*

*In addition to picking the right marketing methods, you will want to position the product as a quality item that is worth the premium price you have attached to it.*

Even wealthy markets want to receive great value for their money, so you can't take for granted that these buyers are going to open up their wallets for high priced clothes automatically. Only when they are given a good reason for paying more will buyers be willing to make a purchase.

No matter what it is that you are trying to sell, using the STP Model is a great way to find your way directly to your ideal market. Remember, no product or service is attractive to every consumer, so locate your market through segmentation, targeting, and positioning.

### Key Points

- The STP marketing model deals with: Segmentation, Targeting and Positioning.
- Market segmentation involves identifying the basis for segmentation and then determining the important characteristics of each market segment.
- Market targeting involves evaluating the potential of each segment and then selecting the most appropriate.
- Product Positioning involves defining the POD's, POP's and category membership for your product or service within its competitive framework.
- No matter what it is that you are trying to sell, using the STP Model is a great way to find your way directly to your ideal market.

## Pricing Models

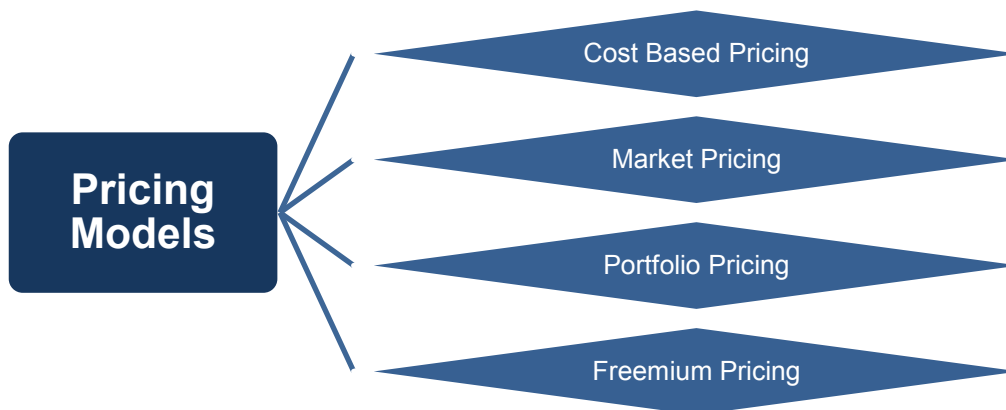
Pricing your products or services accurately is one of the greatest challenges you are going to face as a business owner or manager. The importance of pricing is obvious, as it has a direct correlation to the amount of money you bring into your company.

*If you price your products and services too high, you are going to risk driving customers into the arms of your competitors.*

*On the other hand, prices that are too low will leave you with small margins, even if you are able to make plenty of sales.*

In the end, only companies who are able to find the 'sweet spot' for pricing will be able to thrive well into the future.

For that reason, it is a good idea to use advanced pricing models to settle on a price point that makes sense for your market and your products. It doesn't really matter what you would like to sell your products for – it only matters what customers are willing to pay.

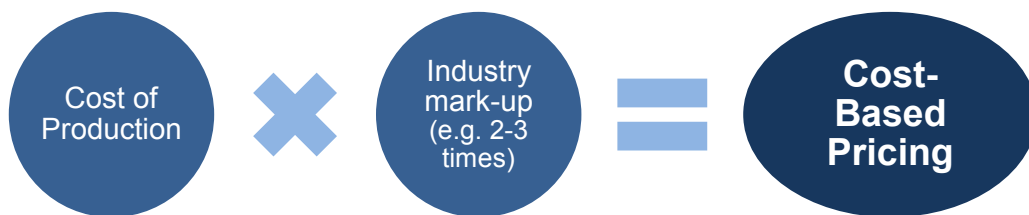


Finding that number is a complicated task in many cases, which is why we have compiled the list of pricing models below. Review these options and use the ones that are going to help you find the perfect number to attach to everything you sell.

## Cost-based Pricing

This is perhaps the most-common way to price the products that you take to market. With this model, you are going to use the cost of production as the basis for the final price that consumers see when they make a purchase.

The multiple that you use to price your goods is going to depend on the industry in which you are working. Some industries see multiples around 2-3 times the cost of production, while other industries are around 5 times or higher.



For example, imagine you are in an industry, which tends to sell products for around 3 times the cost of production. If you have determined that your average cost on one unit is \$10, you will naturally look to sell the item for around \$30 (if using a cost-based model).

*Multiplying your cost by the industry mark-up is a great way to get in the right 'neighborhood' for your pricing, but you can then tweak the final number until you hit a spot that you feel is a winner.*

For instance, if you see that many of your competitors already sell for \$30, you may decide to move down to \$27 or \$28 just to have a slight edge on price. Or, if you think your product is of a superior quality to the competition, you could set your price at \$35.

## Market Pricing

As the name would indicate, this pricing model is all about the market conditions that you find around you. Fortunately, in the Internet age, it is relatively easy to determine market pricing for just about any product or service. A quick Internet search should lead you to the prices of your competitors, and you can then react appropriately.

Trying to sell a product that falls well outside the market norms for pricing is always going to be an uphill battle, so the market-pricing model is a smart one to use.



It is worth noting that using a market-pricing model doesn't mean you always have to be the lowest priced product available. In fact, you might intentionally decide that you want to be the most expensive version of a specific type of good.

*The price that you choose relative to the rest of the market should match up with the marketing strategy you are using to reach your customers.*

If you advertise your product as high quality, it would make sense to have a higher price. On the other hand, if you talk about great value and affordability in your ads, you better come in on the low end of the spectrum.

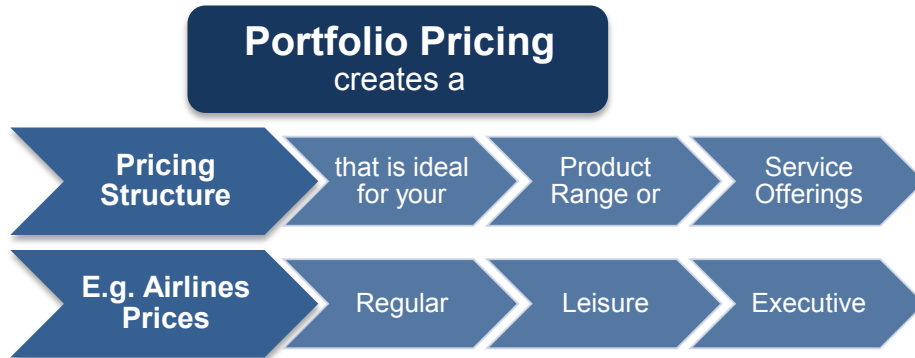
### Portfolio Pricing

This is a great model to use if you are offering a service – or, more specifically, a selection of services. In the portfolio-pricing model you are going to set up a pricing structure that makes sense throughout your product or service line.

For instance, if you run an accounting agency, you may increase your price as the service offering becomes more complex.

- Basic Accounting Service
- Accounting and Tax Preparation Services
- Corporate Accounting and Taxation Services.

It makes sense to price out all of your services in this way so that each of your customers feels they are getting a good deal.



Providing more service for less money would never make sense to your audience, so keep the portfolio-pricing model in mind when structuring your overall price strategy.

### Freemium Pricing

The last model on our list is one that will only work for a specific segment of the market. In freemium pricing, you give away your base service or product for free, in the hopes that satisfied customers will decide to pay for more advanced features.



This is a pricing model that is commonly used in the software world.

*A basic version of a piece of software may be made available to everyone for no charge.*

*Advanced versions can be purchased for an additional flat rate (or a monthly subscription) that rises the more features you require.*

Obviously you can't use this model if you are in the business of selling sandwiches or something similar, but the freemium plan can work perfectly for some industries.

There will always be a feeling of nervousness when you take a new product, with a new price, out to market. Even with the use of great pricing models you can never be quite sure how consumers are going to react. To give



yourself the best possible chance at success with your pricing decisions, be sure to consider the use of some of the models listed above.

Also, remember one key thing with regard to pricing – your prices can always be changed.

*If your first decision was not spot on, feel free to adjust as you go until you settle on a price that strikes a balance between affordability and profit margin.*

As you gain experience with setting prices, and as you learn more and more about your market, you should become highly accurate with most of your pricing choices.

### Key Points

- Pricing your products or services accurately is one of the greatest challenges you are going to face as a business owner or manager.
- Cost based pricing is a pricing method in which a fixed sum or a percentage of the total cost is added (as income or profit) to the cost of the product to arrive at its selling price.
- Market price lies at the point of intersection between the available supply of the product or service and market demand for it.
- Portfolio pricing involves an attempt to maximize the revenue from each customer by making it attractive to buy a full range of products or services.
- Freemium is a pricing strategy by which a product or service is provided free of charge, but money is charged for proprietary features, functionality, or virtual goods.
- Pricing is not an exact science and initial pricing decisions may need to be changed in the light of experience.

## Other Free Resources

The Free Management eBooks website offers you over 500 free resources for your own professional development. Our eBooks, Checklists, and Templates are designed to help you with the management issues you face every day. They can be downloaded in PDF, Kindle, ePub, or Doc formats for use on your iPhone, iPad, laptop or desktop.

**eBooks** – Our free management eBooks cover everything from accounting principles to business strategy. Each one has been written to provide you with the practical skills you need to succeed as a management professional.

**Templates** – Most of the day-to-day management tasks you need to do have already been done by others many times in the past. Our management templates will save you from wasting your valuable time re-inventing the wheel.

**Checklists** – When you are working under pressure or doing a task for the first time, it is easy to overlook something or forget to ask a key question. These management checklists will help you to break down complex management tasks into small controllable steps.

**FME Newsletter** – Subscribe to our free monthly newsletter and stay up to date with the latest professional development resources we add every month.

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