

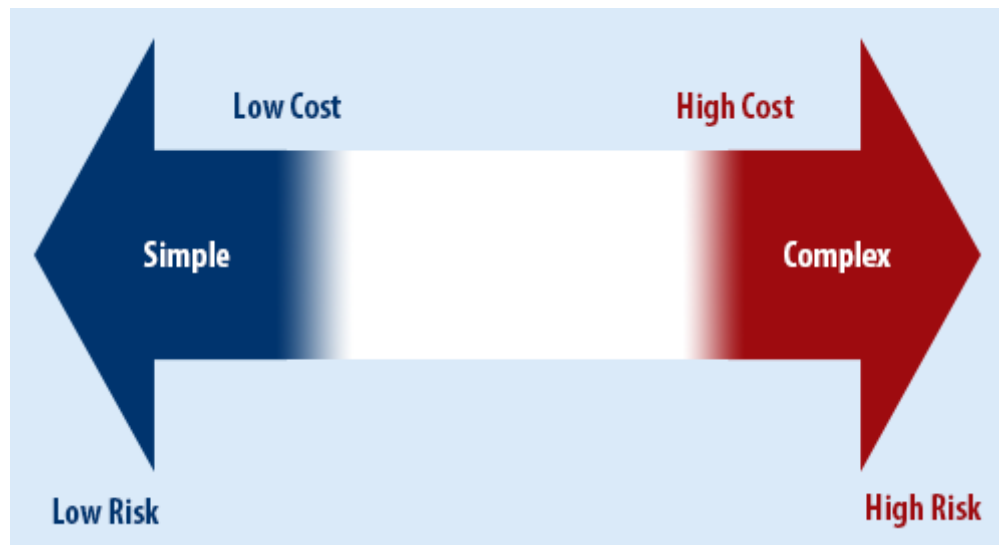
B A 250: SMALL BUSINESS MANAGEMENT

Lesson 6: Pricing Your Products and Services/Global Marketing Strategies

Introduction (1 of 7)

Pricing Your Products and Services/Global Marketing Strategies

Technological advancements and decreased barriers to trade are just two factors that provide opportunities for the entrepreneur to go global. There are many ways to enter the global market. Think about the different ways as a continuum where one end is simple (lower cost/lower risk) and the other end is complex (higher cost/higher risk). For example, on one end of the spectrum, a business can create a website; on the other end, a business can establish a permanent location in another country. The difference in choice may come down to many factors, including cost, experience, and opportunity.



Source: The Pennsylvania State University

Figure 6.1. Continuum of Risk in Entering the Global Market

Learning Objectives

The readings and questions in the lesson should help you to do the following things:

- Discuss different pricing techniques and strategies.
- Describe the impact of credit on pricing.
- Analyze the relationships among value, pricing, image, and competition.
- Describe strategies for small businesses to expand globally.

- Identify international considerations for the small business.
- State the barriers to international trade for a small business.

Key Terms/Concepts

bundling

offering a special price for a group of products or services purchased together

cost-plus pricing

a price based on all costs plus a markup for profit

dumping

selling products in a foreign country below cost in an attempt to gain market share

embargo

a total ban on imports or exports of certain products for economic or political reasons

exporting

selling goods to other countries

foreign joint venture

two or more businesses from different countries that form an alliance for a specified purpose

importing

buying goods from other countries

markdown

price reduction to move stale or outdated products

markup

the amount added to a product or service's cost to determine selling price

price ceiling

the upper limit of what a customer will pay for a product or service

price floor

the lowest price that covers all fixed and variable costs involved with the product or service being sold

pricing strategy

the use of information, facts, and analysis to set the price for products and services that portray a desired image in the customer's mind

quota

direct limitations on the amounts of goods that can be imported

tariff

taxes imposed on imports by a government to protect domestic producers

Road Map (3 of 7)

Road Map

Readings:	<ul style="list-style-type: none"> • Complete the readings for Lesson 6 listed in the course syllabus. • Read the online commentary for Lesson 6.
Assignments:	<ol style="list-style-type: none"> 1. View the video linked in the Lesson 6 assignments. 2. Complete Quiz 2.

Pricing (4 of 7)

Pricing

With today's keen competition, setting a price for your product or service that is similar to your competitor's price will not generally move customers from the competition to your business. In addition, it may not cover the costs of your particular business operation, thus creating a financial loss. Setting a price is not a simple task. It is a complex function, incorporating a variety of issues and market strategies that must all work together to present the image and value that will encourage the customer to purchase from you while generating a successful profit for your business.

Pricing is a combination of science and art. There are numerous techniques for establishing the price of a product. Pricing influences how and where a product will be marketed. Small retailers are inclined to follow pricing guidelines established by manufacturers, but these guidelines rarely take into account the small business owner's local market conditions or the image the owner is trying to establish.

There are several factors that a business must consider when establishing the price of a product or service:



Source: zaniman/iStock/Thinkstock

- **production costs:** It is critical to first understand all of the fixed and variable costs that go into the production of the product.
- **product placement:** The owner must also consider where the product should be placed in comparison with known competitors.
- **customer perception:** The other critical factor relates to the customer's association of price with value in comparison to the competition. As the small business owner creates a broader marketing plan and direction for the business, pricing strategies become critical to success.

Pricing new products is different in several ways from pricing an established product. The way the new product or service is positioned in the marketplace and the way the pricing strategy changes over time (based on competition and technological advances) require business owners to have accurate data on costs and customer trends.

Proper pricing takes time and knowledge that, often, small business owners can only acquire through experience and the lessons learned from making mistakes. Finally, business owners must consider how customer use of credit terms and credit cards impacts pricing levels and payment systems.

Globalization (5 of 7)



Source: Fuse/Thinkstock

Globalization

The second part of this lesson focuses on the international opportunities afforded to today's businesses. Today's growing competition is not just from the competitor down the highway; today, competition is global. Your largest competitor might be from a business halfway around the world. If you do not consider the global implications of the marketplace, your business and its success may be left behind or blindsided when you least expect it.

To compete in this global marketplace, every business, large and small, must think of itself as a global business. This change of mindset is often very difficult, as are most culture changes. It is important for the entrepreneur to set the tone within the business, where a customer should be a customer, not qualified as a domestic customer or a foreign customer. Both management and employee thinking must be changed to view customers in this manner and to think of ideas and opportunities in a broad sense. Cultural sensitivity and an awareness of business practices in specific countries can significantly increase a small business's likelihood of success.

With the growth of e-commerce and the use of the Internet, technology represents the fastest and most cost-effective strategy for gaining a global presence. Small businesses can also rely on trade intermediaries to establish relationships and distribute products through a variety of partners. Although there are many benefits to globalization, international efforts also present many barriers. Such issues as tariffs, politics, culture, and unique business practices must be considered.

Along with the risks and difficulties associated with international operations come new opportunities. International markets may be a source for importing a greater variety of and/or more economical supplies. They may provide the opportunity for exporting excess inventory or expanding when domestic markets are slow or saturated.

Today's entrepreneur cannot ignore the global market. He or she must explore the opportunities and be willing to learn and work through the bumps in the road, just like all other challenges that need to be faced in operating a small business.

Reference (6 of 7)

Reference

Lynch, R. (2010). McDonald's global and local strategy [Video file]. Retrieved from <https://www.youtube.com/watch?v=v6coDUDCJ10>

Lesson Assignments (7 of 7)

Lesson 6 Assignments

Complete all of the following tasks and readings by the due dates listed in the [course syllabus](#).

Online Video

Watch the following video (Lynch, 2010) about McDonald's global and local strategies. It will provide added background for this lesson.

Video 6.1. McDonald's Global and Local Marketing



Time: 00:06:52

No transcript available.



Quiz 2

Complete [Quiz 2](https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Quiz+2) (https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Quiz+2). It will cover Lessons 4, 5, and 6. See [Course and Projects Overview](#) in the syllabus for quiz details.

Please direct questions to the [World Campus HelpDesk](http://student.worldcampus.psu.edu/student-services/helpdesk) (http://student.worldcampus.psu.edu/student-services/helpdesk) |

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