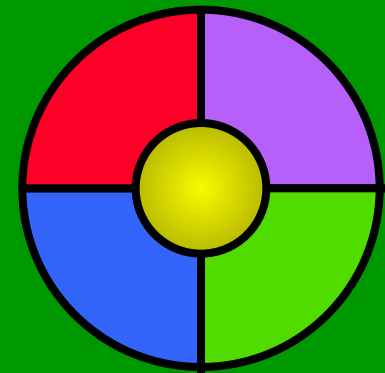


Chapter 18:

Price Setting in the Business World



Key Factors That Influence Price Setting



Exhibit 18-1

Markup Chain and Channel Pricing



24.00



Markup = 2.40 = 10%

Cost = 21.60 = 90%

Producer

30.00



Markup = 6.00 = 20%

Cost = 24.00 = 80%

Wholesaler

50.00

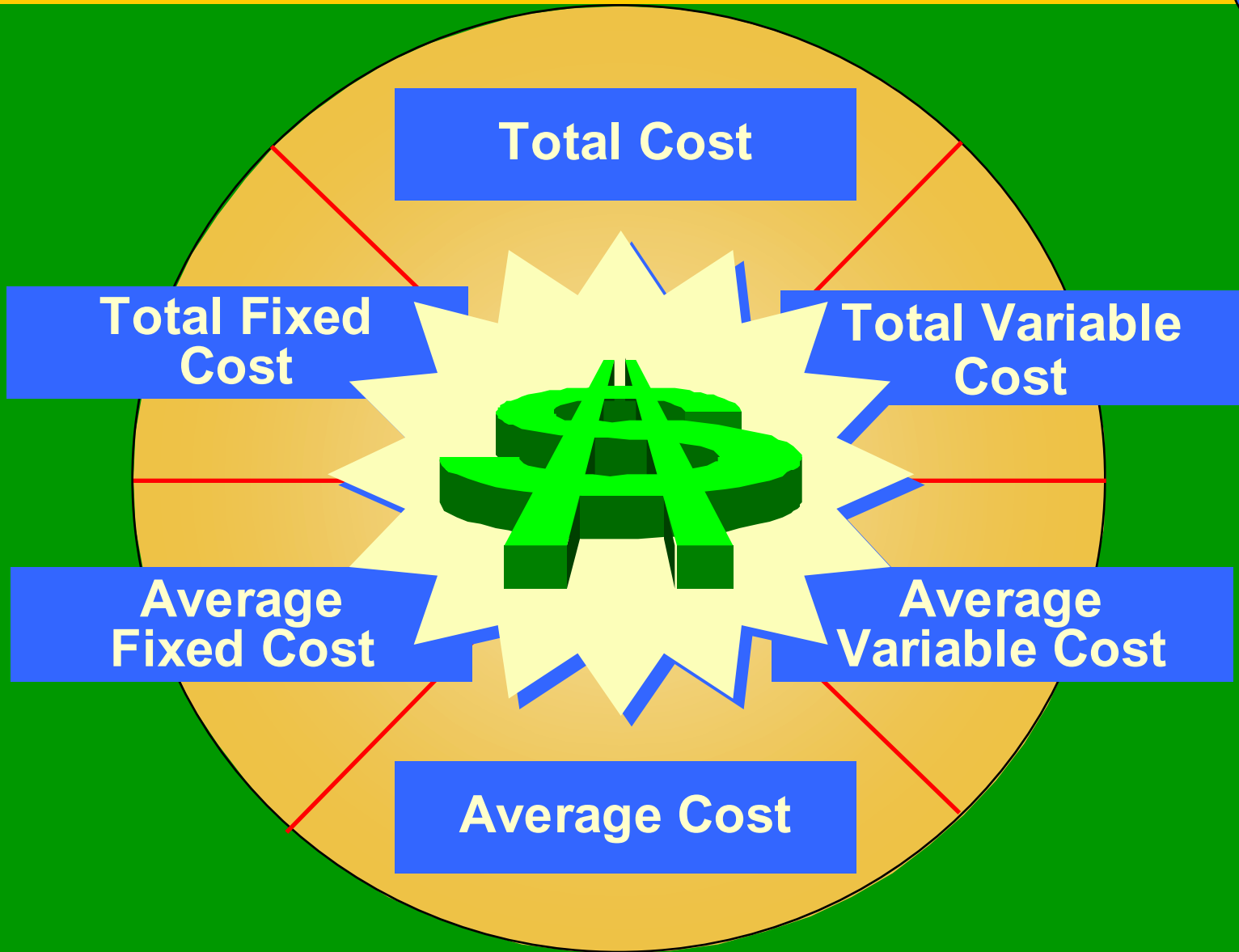


Markup = 20.00 = 40%

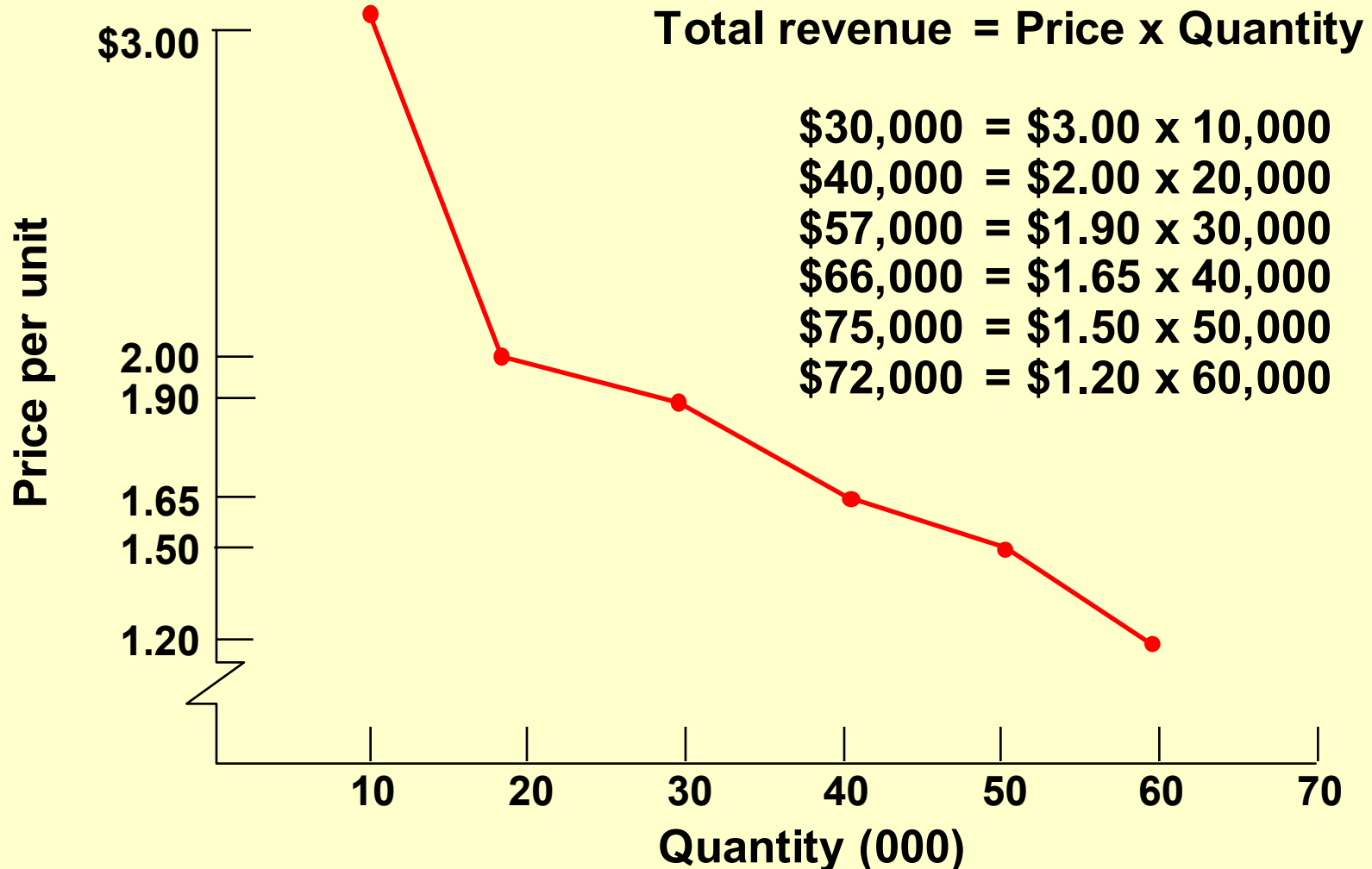
Cost = 30.00 = 60%

Retailer

Six Types of Costs



Prices Along the Demand Curve



Summary of Relationships Affecting Price

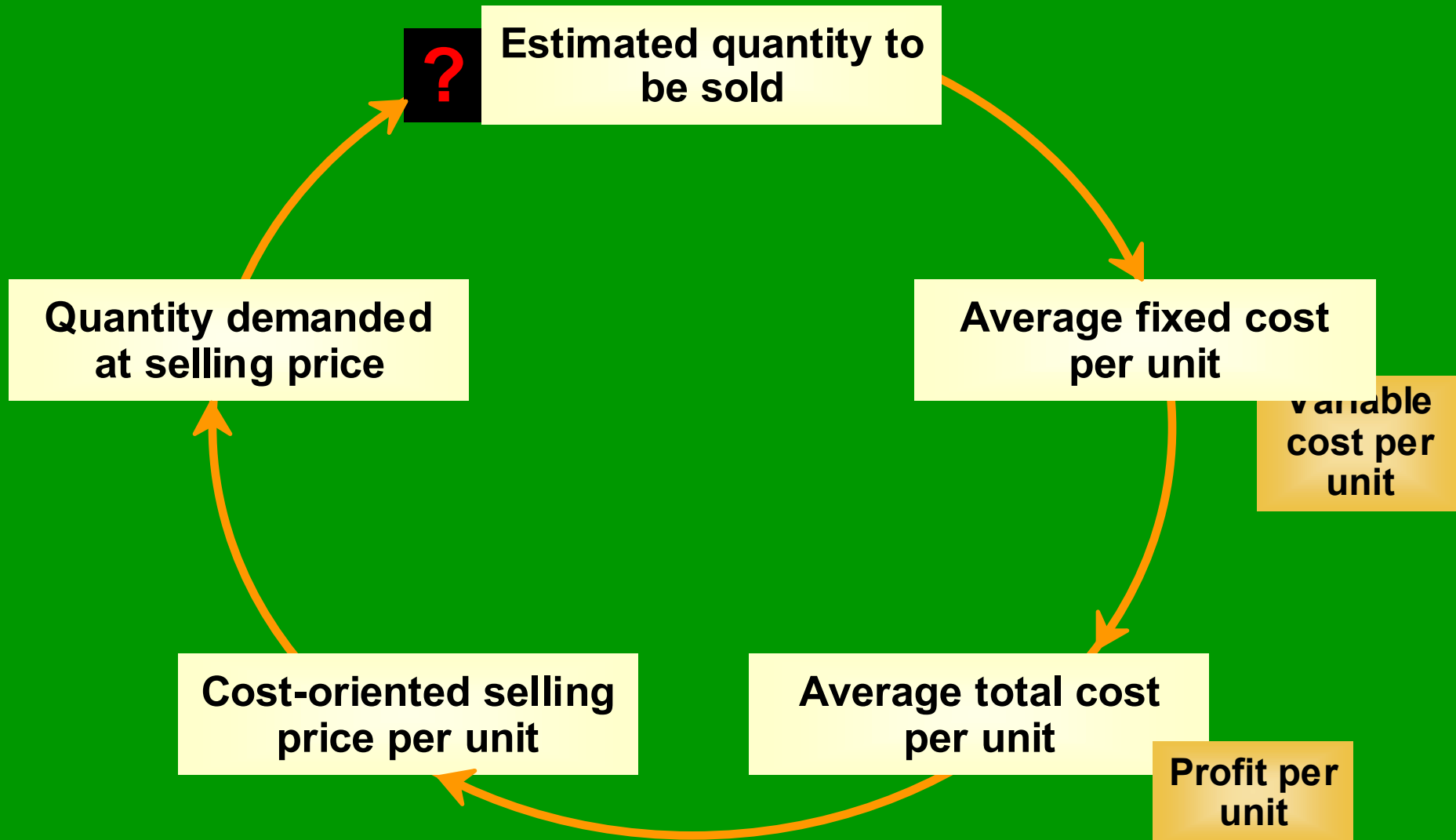


Exhibit 18-7

Break-Even Analysis

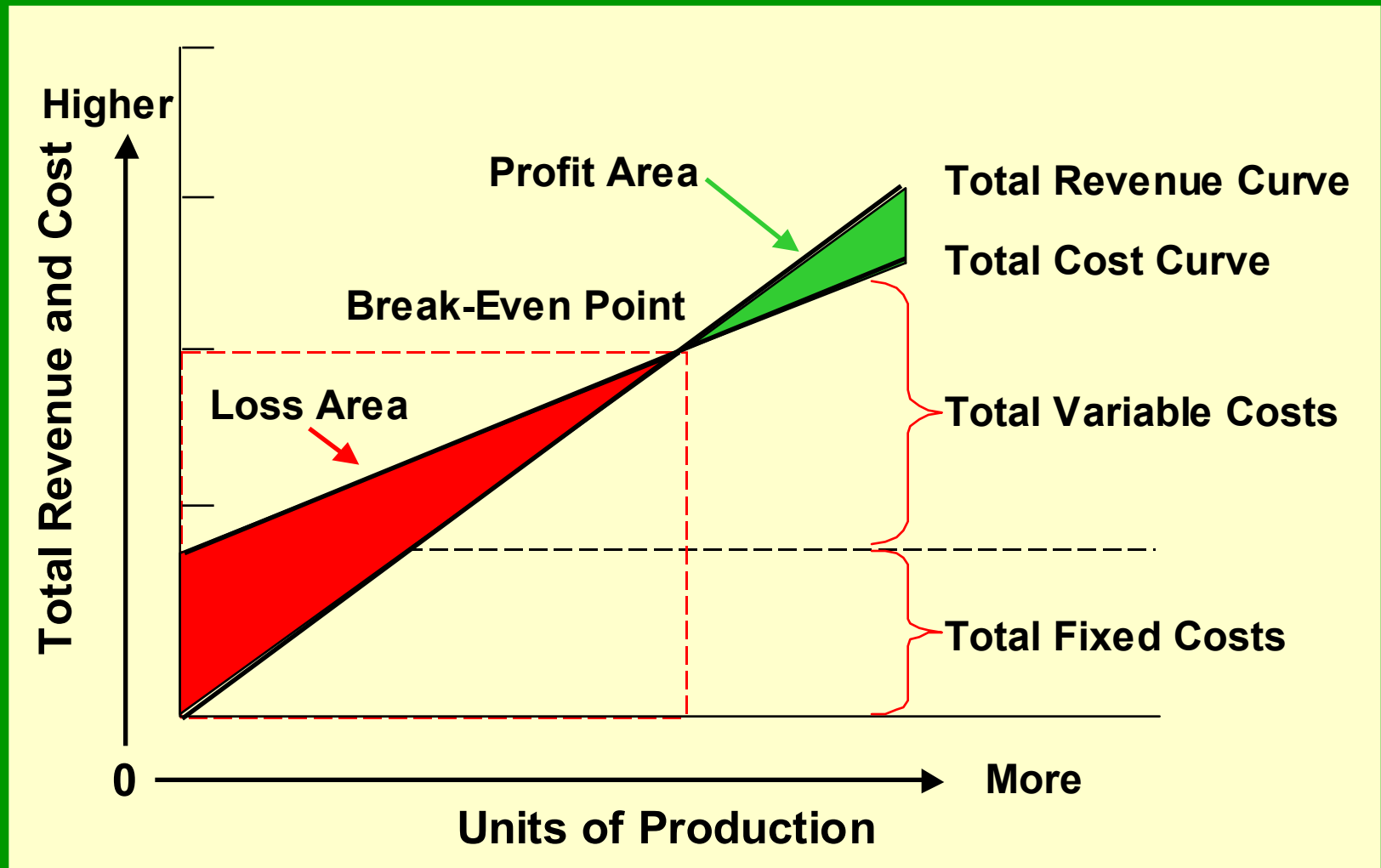
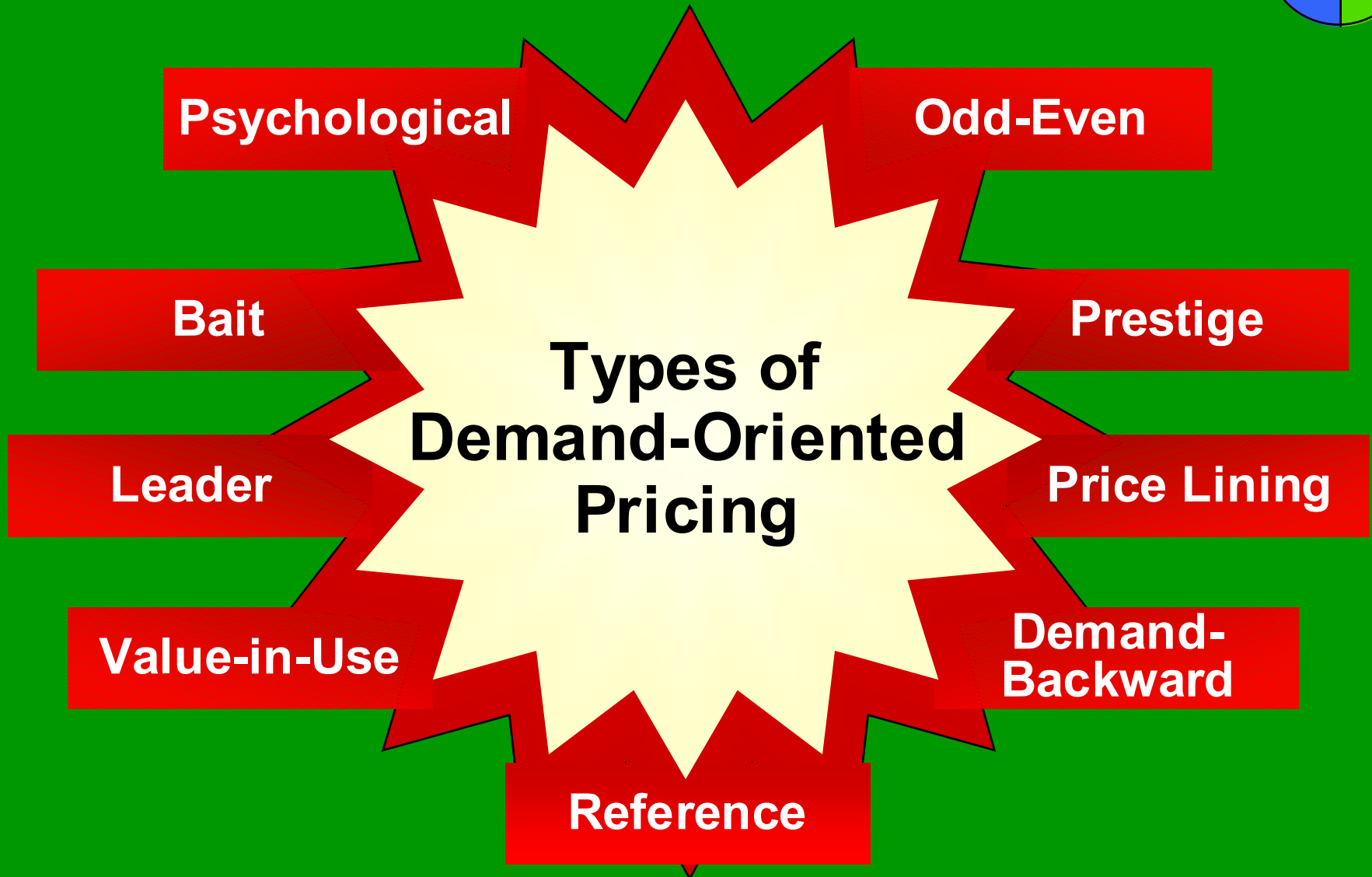


Exhibit 18-8

Demand-Oriented Pricing



Full-Line Pricing



**Market- or Firm
Oriented?**

**Complementary
Pricing?**

**Product-Bundling
Pricing?**

Bid and Negotiated Pricing



Bid pricing means offering a specific price for each possible job. Determining costs is a complicated process.

Negotiated pricing involves setting a price as the result of a bargaining process between the buyer and seller.

