



FINDING XY  
EVERY ENTREPRENEUR SHOULD BE SUPPORTED

# WOMEN IN AGRICULTURE IMPACT INVESTMENT (WAI) FACILITY

*A GUIDE TO PRICING*

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## PRICING

### MEANING OF PRICING

Pricing is a process of setting an amount or value of money for goods and services.

Pricing is exercised to adjust the cost of the producer's offerings suitable to both the manufacturer and the customer.



### OBJECTIVES OF PRICING

**Survival-** The objective of pricing for any company is to fix a price that is reasonable for the consumers and also for the producer to survive in the market. Every company is in danger of getting ruled out from the market because of rigorous competition, and changes in customers' tastes and preferences. It is therefore important for companies to set competitive prices that aid market survival.



**Expansion of current profits-**Most companies try to enlarge their profit margin

by evaluating the demand and supply of services and goods in the market. So, the pricing is fixed according to the product's demand and the substitute for that product. If the demand is high, the price will also be high. This explains why highly demanded products have relatively higher prices than their substitutes

**Ruling the market-** Firms impose low figures for their goods and services to get hold of large market sizes (customers). This technique helps to increase sales by increasing demand and reducing production costs.

### FACTORS INFLUENCING PRICING

Pricing is always influenced by costs, customers, competitors, market position, and the company's profit motive. These factors have been categorized into two;

#### INTERNAL FACTORS

Internal factors mean the factors that work from within the organization. The factors are:

##### **Organizational Factors:**

Two management levels decide the pricing policy. The price range and the policies are decided by the top-level managers while the distinct price is fixed by the lower-level staff.

##### **Marketing Mix:**

This refers to the set of actions the company uses to promote its products or services in the market such as the company website, product review, social media platforms, and brochures among others.

For implementing a price, the marketing mix needs to be in sync. Without matching the

marketing mix, consumers will not be attracted to the price.

### **Product Differentiation:**

These are characteristics that make your product or services unique and stand out to your customers, for example, the Packaging, the Label designs, the slogan, the trademark, the choice of color, etc.

In today's market, it is uncommon to find a unique product, hence the differentiation lies in the nature, features, and characteristics of the product. The added features like quality, size, color, packaging, and utility. All these factors influence the customers to pay higher prices for products that appeal to them. This explains why the prices of different brands of roasted coffee differ.

### **Cost of the Product:**

Cost and Price are closely related. Firms set prices of products and services dependent on costs. To avoid operating in losses, firms ensure that the set prices do not fall below the total costs. The cost of the product or service includes the input cost that a company spends on raw materials, wages, advertisement costs, promotion costs, salaries, transport costs, etc.

## **EXTERNAL FACTORS**

External factors are not under the control of the firm. These factors affect the whole industry group uniformly. Yet, a company tries to estimate any upcoming problems in the external environment and also makes up a backup plan in advance. This is done by forecasting the market trend.

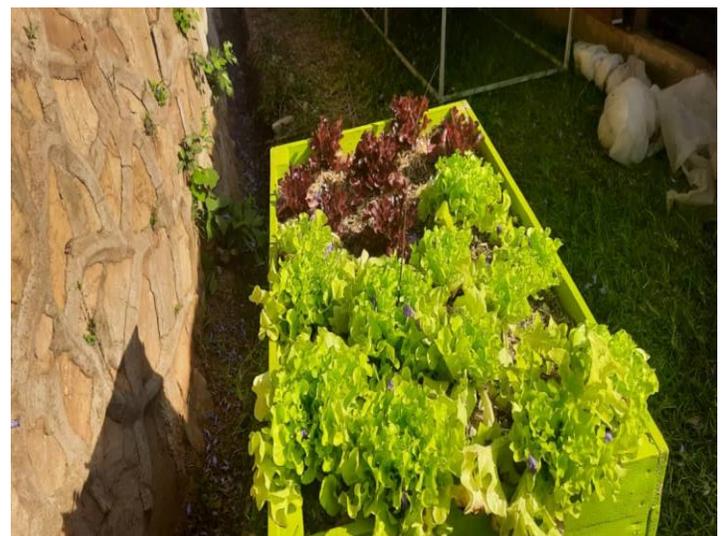
### **Demand:**

This refers to the quantity that customers are willing and able to pay or purchase at any given period.

The market demand for a product has an impact on the price of the product, if the demand is inelastic then a higher price can be fixed, if the demand is highly elastic then less price is to be fixed. When the demand for goods is more and the supply of the goods is constant, the price of the goods can be increased. If the demand for the goods decreases the price of the goods should be decreased to survive in the market. This explains why the price of rice differs in different regions of Uganda since the level of demand is different.

### **Competition:**

Under competition, no single supplier or consumer has the power to influence the market. In a competitive market, prices are required to be competitive without any compromise on the quality of the product. Therefore, as prices are set, consideration should be given to prices charged by competitors.



## Supplies:

If supplies are readily available, then the price of the product can be moderate. Once, the raw materials supply price heightens then the price also rises. This is because the cost/price of raw materials or supplies directly influences the cost of production.

## DETERMINANTS OF PRICE IN MARKETING

The main determinants that affect the price are:

1. Product Cost.
2. The Utility and Demand.
3. The extent of Competition in the market.
4. Government and Legal Regulations.
5. Pricing Objectives.
6. Marketing Methods used.

## PRICING METHODS

A pricing method is a technique that a company applies to evaluate the cost of its products. This process is a challenging activity encountered by a company, as the price should match the current market structure, complement the expenses of the company and ensure the attainment of profits. Additionally, the pricing method has to consider the competitor's product pricing.

While setting the cost of a product or service, the following points should be considered:

- The identity of the goods and services.
- The cost of similar goods and services in the market.
- The target audience for whom the goods and services are produced.
- The total cost of production (raw material, labor cost, machinery cost, transit, inventory cost, etc.).
- External elements like government rules and regulations, policies, economy, etc.

## PRICING STRATEGIES

These are processes used to set prices for products and services. They include;

### **Value-based pricing**

With value-based pricing, companies set prices according to the consumers' perception of the product's worth.

### **Competitive Pricing**

Under a competitive pricing strategy, prices are set based on what the competition is charging. This can be a good strategy as the business is starting but it doesn't leave a lot of room for growth.

### **Cost-Plus (Mark-up pricing)**

This is one of the simplest pricing strategies which involves the addition of a certain percentage to a product production cost. While simple, it is less than ideal for anything but physical products.

### **Penetration Pricing**

In highly competitive markets, it can be hard for new companies to get a foothold. One way some companies attempt to push new products is by offering prices that are much lower than the competition. This is penetration pricing. While it may get you customers and decent sales volume, you'll need a lot of them and you'll need them to be very loyal to stick around when the price increases in the future.

### **Economy Pricing**

This strategy is popular in the commodity goods sector. The goal is to price a product cheaper than the competition and make the money back with increased volume.

### **Dynamic Pricing**

This involves a change in prices with the dynamic changes in the market, such as changes in demand.

## ABOUT FINDING XY

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Founded in 2017, Finding XY is an innovation center that designs and implements innovative projects that provide access to low-risk capital, capacity development, and markets-based research. Through our enterprise support projects, we want to create communities where there is no Poverty (SDG1), with Gender Equality (SDG5), create opportunities for economic growth with decent work (SDG8), and empower SMEs through innovation (SDG9). This is achieved through building global partnerships with the goal of mitigating climate change and conserving the environment. (SDG13 and 17).

Finding XY established the Women in Agriculture Impact Investment (WAI) Facility to accelerate investment to Agri-Smes, across the value chain using a blend of instruments and a gender lens approach. [WAI](#) is made possible by the generous support of the American people through the [USAID](#) under the [Feed the Future](#) Uganda Inclusive Agricultural Markets Activity and is implemented by [Finding XY](#).

## ADDRESS

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1920 Ntinda Road, Bukoto Kampala-Uganda

[www.findingxy.com/](http://www.findingxy.com/) [Info@findingxy.com](mailto:Info@findingxy.com)