



THE TIMES 100

BUSINESS CASE STUDIES

Price – Parcelforce Worldwide

Parcelforce Worldwide is part of the Royal Mail Group and is a leading provider of express parcel deliveries. It provides a range of services including a guaranteed delivery on certain times or days. In the last few years Parcelforce Worldwide has made big changes to improve its business. It has improved its quality of service by focusing on time-critical products. In 2007, an analysis of a customer research survey showed Parcelforce Worldwide needed to improve its international services. It also needed to change its marketing to respond to an increase in competition and changes in the **external environment**.



Price is determined by a number of factors. These include market share, competition, material costs or how the customer sees the value of the product. Businesses can use different pricing strategies for various purposes. Each gives different impacts. Pricing strategies may be cost based or market-orientated:

- Differential pricing . this gives different prices for different groups or types of customers. Parcelforce Worldwide is able to negotiate prices with business customers (B2B and B2C) based on their exact sending profile (for example, volumes, weights, destinations).
- Price leadership . where a market leader sets market price. In the non-urgent market, Parcelforce Worldwide is looking to achieve some degree of price leadership by finding lower cost international delivery models and passing some of this cost saving to its customers.
- Market penetration . pricing may be low in order to gain a foothold in a new market or with a new product. To take market share with its new Express service, Parcelforce Worldwide needed to price keenly.
- Competitive pricing . where price matches or undercuts those of competitors. This could, for example, increase market share with Parcelforce Worldwide's new Priority service.

Other pricing strategies a business may use include:

Pricing Strategy	Impact
Destroyer Pricing	Where the business sets a very low price to drive competitors out of business. This is anti-competitive.
Skimming	Selling a new or premium product at an initially high price to gain a high profit. Appropriate if the product is unique, has a premium image or incurred huge investment costs.
Psychological point pricing	A marketing practice based on the theory that certain prices have a psychological impact, for example, £9.99 is more attractive than £10.

Parcelforce Worldwide's market is **price sensitive** and consumers have a choice. New competitors affect its choice of pricing strategies. Parcelforce Worldwide has differentiated its products by offering services that offer a balance and choice between speed and value for money. Its express service leads on speed; its non-urgent product leads on price. This clearly sets Parcelforce Worldwide as the price leader in the non-urgent sector.



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Questions

1. Price is just one element of the marketing mix. What are the other three elements?

2. Describe the factors that determine the price a product or service is set at.

3. Explain what is meant by market penetration pricing.

4. Analyse whether products with a lower price are always going to sell better than similar products offered by competitors at a higher price.

Task

List all of the different pricing strategies you have learned. Now try to think of examples of businesses/products that use each of the pricing strategies. For each one, explain why you think they have chosen that strategy.

What have you learned?

Hangman . play hangman using the pricing strategies terms. Whoever guesses each term correctly must define the term and give an example of when it could be appropriately used.