

FMCG Pricing Strategies



NIQ

This approach considers the whole pricing package, where you can calculate your production costs for a product and then add a pre-determined markup for the sales prices

Pros

This lets you recoup your costs and ensure a profit for each product you sell.

Cons

This strategy doesn't account for the competition or consumer demand trends. This means you may have trouble keeping up with shifts in the market. It also requires you to maintain stable production costs because an increase will either eat into your sales price or force you to increase prices and risk upsetting customers.

Cost-based pricing

Another popular model, competitive pricing is exactly what it sounds like. You look at your biggest competitors, see their prices, and try to match or undercut them.

Pros

This model works well for industries with less variation between product cost and quality.

Cons

If your overhead costs are higher than the competition, you'll quickly eat into your profits and risk defeating yourself with this model.

Competitive pricing

If you're in a highly competitive market, this is a great model to use. Penetration pricing involves launching products at a low price to spark interest and then raising prices once you've built demand.

Pros

Many of today's giants won over the market by employing this strategy

Cons

This model requires you to have the capital to sustain smaller margins while interest builds and the ability to build enough loyalty that consumers will stay after you raise your prices.

Penetration pricing

Sometimes called demand-based pricing, this model involves using research into consumer demand to set pricing that matches their needs. The value in the model comes from knowing what consumers are willing to pay and meeting them at this price.

Pros

If this price gets you a decent profit, it can be highly lucrative.

Cons

This strategy does require a good retail data analytics tool that gives insight into demand trends, consumer behaviors, and shifts in the market. This can be easily counteracted with the right data partner at your side.

Value-based pricing

Sitting on the other side of the spectrum of penetration pricing, price skimming involves launching products at a high price and then raising it once competition enters the market.

Pros

This is generally reserved for products that establish a new market or where the current competition is too weak in quality or demand to be a threat.

Cons

It can be a risky model if consumers see your products as overpriced or if competitors can undercut you and gain market share.

Price skimming