

Competitive Pricing Responses

Firms need to take care when responding to competitor's action with a pricing change, as this could trigger a potential price war.

Therefore, in this activity, you need to identify what would be the most appropriate pricing reaction for the following market situations and competitive actions.

Environmental and Objective Situations

1. To communicate the high quality of your product against a new competitor
 2. The market that the firm operates in is deregulated (allowing more competitors to enter)
 3. A new substitute product/industry emerges
 4. A major increase in production costs occurs
 5. The firm is looking to benefit from economies of scale
 6. When you know that key competitors will always match your price changes
 7. To increase market share significantly
 8. For one of the firm's brands/products that has increased its brand equity
 9. When the firm's product is experiencing high seasonal demand
 10. When a major competitor leaves the market
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Student Discussion Questions

1. For each of the above situations, generally outline how the firm should respond. Choose from:
 - Reduce prices
 - No change to prices
 - Increase prices
2. Given your response in Q1, what general 'rules' should a firm consider when determining their pricing levels?
3. How often do you think that firms should reconsider their pricing levels?