MANEGRIAL ECONOMICS

UNIT 4

Dr.L.Philo Daisy Rani

PRICING CONCEPTS

- **Pricing concepts** include cost-based pricing, demand-based pricing, competition-based pricing, and dynamic pricing, all of which influence business strategies.

DETERMINANTS OF PRICING

- The **determinants of pricing** are factors such as production costs, demand elasticity, competition, market structure, and government policies.

PERFECTLY COMPETITIVE MARKET

- In a **perfectly competitive market**, prices are determined by the intersection of market demand and supply, leaving firms as price takers.

MONOPOLY

- In a **monopoly**, the single seller sets the price based on profit-maximizing output, constrained by demand elasticity.

OLIGOPOLY PRICING

- **Oligopoly pricing** is influenced by mutual interdependence, where firms consider the potential reactions of competitors when setting prices.

DUOPOLY

- A **duopoly**, a subset of oligopoly, often leads to collusion or competitive pricing strategies like Cournot or Bertrand models.

MONOPOLISTIC COMPETITION

- **Monopolistic competition** features differentiated products, allowing firms some control over pricing while still facing competition.

BREAK-EVEN ANALYSIS

- **Break-even analysis** helps firms determine the sales volume at which total revenue equals total cost, ensuring no profit or loss.

GOVERNMENT INTERVENTION

- **Government intervention** in pricing occurs through price ceilings, floors, subsidies, and taxes to address market failures or protect consumers.

TYPES OF PRICING

- **Economic pricing** focuses on maximizing consumer and producer surplus while maintaining efficiency in resource allocation.**Cost-plus pricing** involves adding a markup to the production cost, widely used in practice for simplicity and profit assurance.

TYPES OF PRICING

- **Penetration pricing** and **skimming pricing** are common strategies for entering or capitalizing on markets with specific demand dynamics.

PRICE DISCRIMINATION

- In **price discrimination**, monopolists charge different prices for the same product to different consumer groups based on willingness to pay. **Game theory** in oligopolies explains strategic pricing behavior, like price wars or cooperative pricing agreements.