

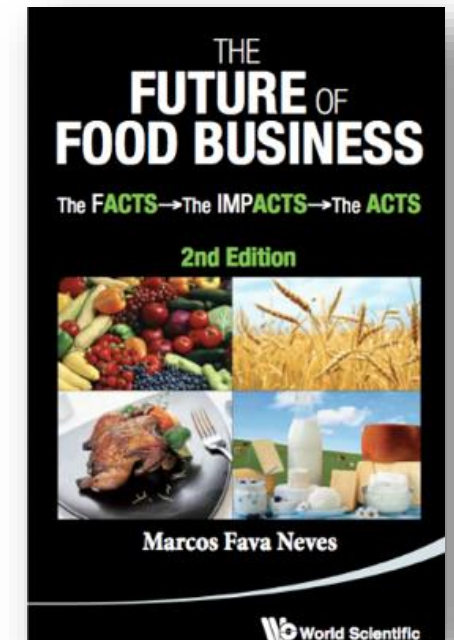
Creative Pricing Strategies

Strategies in Agribusiness
Chapter 52

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“Hands - On” Method - Set Prices

A. Understanding Market



B. Increase in Offer Value



C. Strategic Movements

1. Analysis of the External Environment - PEST Analysis (Chapter 2 DDSP)
2. Analysis of Risks and Barriers to Purchase (Chapter 2 DDSP)
3. Competitors' offers (Visits in competitors, Market, Web, Simulate purchase)
4. Reduce the importance of Substitutes (Table 10.1 and Networks)
5. Cost Analysis and Comparisons (Produce MP, MO)
6. Lock-In Strategies (Comparing Competitors, Method Table 10.5)
7. Communicate Importance of Attributes (Example: Volvo = safety)
8. Solving Problems and Mitigating Risks (Solutions for item 2 (fruit salt), Example: Cover offer)
9. Value Capture with Innovators (Method, Skimming (market skimming))
10. Synthesis of Benefits (Offer: studies, information, packages, cost reduction of production.)
11. Competitors' Movement (Avoid price wars)
12. Discounts and Promotions Policies (Comparison - table 10.5) (Finance / discounts / seasonal / barter / cash back / card)
13. Integrated Approach and Adaptations
14. Use of the WEB - "alert"
15. Price Management

Source: Developed by the author based on Kotler (1997) and Etzel, Walker and Stanton (2001).

Figure 10.2 The price setting process.

Phase 1 — Understanding the initial value given by the consumer.

1. Before any pricing decision is taken, a company must analyze the external environment: economic, income and demand conditions.
2. After this, a company should try to understand the behavior of the target consumer, his perception of the reasonable price (using surveys, experts, “food labs”) and carry out a survey of initial pricing experiences in different marketing channels. The company should also analyze the total consumer costs when buying the product (money needed, time expended, knowledge acquisition, training costs, and psychological costs) that may be working as “buying barriers.” All the consumer’s risks in buying the company’s product or service should be explored.
3. The third analysis in this phase is related to competitors, competing products/ solutions and their prices, and how the consumer values and compares the product

Phase 2 — Strategies for increasing the value

4. Companies should research and try to create a unique value position for their products. This can be achieved by reducing the importance of substitutes and comparison possibilities (from the minds of the consumers), thus blinding the consumers to competitors.
5. Another opportunity is to compare the cost of the product as a proportion of the consumer's income or total expenditure, measuring and communicating.
6. Companies may use “lock in strategies,” to market their products as being complementary to products already acquired by consumers.
7. Companies should communicate the importance of their products' attributes and the risks that may arise upon consumers if such attributes, for instance quality and safety, are neglected by competitors.
8. Companies may also consider offering a “solution-driven” package of products and services to conquer the buyers (sometimes called as “bundling”).
9. Mitigating consumer's buying risks, as discussed in Phase 1, is also an idea worth pursuing.
10. Some markets offer possibilities of skimming price strategies for new solutions (image, status, and exclusivity). This benefits the companies to capture value from innovative consumers, first movers and status-oriented market segments.
11. Companies could also offer economic benefits to consumers (like lower production costs) in buying their products along with simple messages and credible commitments.

Phase 3 — Strategic pricing movements

This phase requires companies to:

12. Monitor and preview competitor's pricing movements.
13. Establish discount policies and promotions analyzing seasonality and other factors.
14. Invest in an integrated product line approach and pricing Interactions.
15. Implement pricing adaptations when the market faces any macro-environmental (economy) changes;
16. And finally, using web-based strategies, provide services and pricing options.

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- ❑ Marcos Fava Neves is an *international expert* on global agribusiness issues and a part-time professor of planning and strategy at the School of Business (FEARP) of the University of São Paulo (USP) and FGV Business School, both in Brazil. He graduated as an agronomic engineer from ESALQ/USP - Piracicaba in 1991. He earned his master's degree in 1995 and his doctorate in management in 1999 from the FEA/USP School of Economics and Business – São Paulo. Marcos completed postgraduate studies in European agribusiness at ESSEC-IGIA in France in 1995 and in chains/networks at Wageningen University, in the Netherlands (1998-1999). In 2013 he spent the year as a visiting international professor at Purdue University (Indiana, USA) where he maintains the linkage as a permanent International Adjunct Professor. Since 2006 he is an international professor at the University of Buenos Aires, Argentina.
- ❑ He has *specialized in strategic-planning* processes for companies and food chains and works as a board member of both public and private organizations, being member of more than 10 international boards since 2004. Also in 2004, he created the Markestrat think tank with other partners, today employing around 60 people and doing international projects, studies and research in strategic planning and management for more than 250 agri-food business organizations. Some of these projects were very important in suggesting public policies for food chains that were implemented in Brazil with economic and social impacts.
- ❑ Also as an experience in the private sector, from 1992 to 1993 he worked in citrus juice exporter and from 1994 to 1995 in a veterinarian company. In 2008, he became CEO of Brazil's second-largest biofuel holding company, a position he occupied until 2009, when he returned to the University of São Paulo (USP) and Markestrat.
- ❑ At the academic side, since 1995 (when he was hired by USP), Marcos has advised more than 30 doctorate dissertations and master's theses and helped to form around 1200 Bachelors in Business Administration in Brazil with around 120 courses taught to undergraduates at USP.
- ❑ His writings are strongly focused on supplying simple and effective methods for business. He has published more than 100 articles in international journals and has been author and editor of 63 books by 10 different publishers in Brazil, Uruguay, Argentina, South Africa, Singapore, Netherlands, China, the United Kingdom and the United States. He is also a regular contributor for China Daily Newspaper and has written two case studies for Harvard Business School (2009/2010), one for Purdue (2013) and five for Pensa/USP in the nineties. Recognized as the Brazilian academic with the largest number of international publications about orange juice and sugar cane chain and one of the top 3 most cited Brazilian authors in the area of food and agribusiness. He has reached more than 4000 citations in Google Scholar index.
- ❑ Marcos is one of the most active Brazilian speakers, having done more than 1050 lectures and presentations in 25 countries. He received around 150 recognitions from Brazilian and international organizations, and is considered a "Fellow" of the IFAMA (International Food and Agribusiness Management Association), title received in Minneapolis - 2015.
- ❑ Coming from a family of farmers, he is a worldwide defender of agriculture and farmer's role in the development of the society. In the social side, together with his parents, Marcos is one of the creators and maintainers of Mucapp, a NGO that in 20 years has built more than 450 houses for families in Brazil that face very unfavorable conditions.