

Lesson 9: Pricing strategies

What are the best practices for pricing a new biotechnology product?

Generated by the AI and LinkedIn community

1- Assess the value proposition:

The first step in pricing a new biotechnology product is to assess its value proposition, or how it solves a problem or meets a need for the target customers. This involves identifying the unique benefits, features, and differentiators of the product, as well as the unmet or underserved needs of the market. The value proposition can help determine the willingness to pay of the customers, the competitive advantage of the product, and the potential market size and growth.

2- Analyze the cost structure

The second step in pricing a new biotechnology product is to analyze its cost structure, or how much it costs to produce, distribute, and market the product. This includes the fixed and variable costs, such as research and development, manufacturing, quality control, regulatory compliance, licensing, marketing, and sales. The cost structure can help establish the break-even point, the minimum price, and the profit margin of the product.

3- Research the competitive landscape

The third step in pricing a new biotechnology product is to research the competitive landscape, or how the product compares to the existing or potential alternatives in the market. This involves identifying the direct and indirect competitors, their products, prices, strengths, and weaknesses. The competitive landscape can help assess the demand and supply of the product, the price elasticity, and the positioning and differentiation strategies.

4- Choose a pricing strategy

The fourth step in pricing a new biotechnology product is to choose a pricing strategy, or *how to set and adjust the price over time*. There are different pricing strategies that can be applied to biotechnology products, such as **cost-plus, value-based, penetration, skimming, or dynamic pricing**. The choice of a pricing strategy depends on the objectives, the stage of the product life cycle, the customer segments, and the market conditions.

5- Test and validate the price

The fifth step in pricing a new biotechnology product is to test and validate the price, or how to measure and improve the customer response and satisfaction. This involves conducting market research, surveys, interviews, focus groups, or experiments to collect feedback and data on the price perception, acceptance, and preference of the customers. The test and validation can help optimize the price, increase the value perception, and enhance the customer loyalty.

Before investing any funds into a project that may not be economically viable, it's crucial to calculate the cost breakdowns; upfront costs like reagents and lab space expenses can add up quickly before any revenue can be generated, and the process can often take a longer time. By considering the fundamental costs and analysing the results of initial financial modeling, you can determine whether the project is realistically feasible.

6- Monitor and evaluate the price

The sixth step in pricing a new biotechnology product is to monitor and evaluate the price, or how to track and review the performance and impact of the price. This involves using metrics, such as sales volume, revenue, market share, profitability, customer retention, and social value. The monitoring and evaluation can help identify the changes in the market, the customer behavior, and the competitive actions, and adjust the price accordingly.

Sources of Value Unique to the Food Manufacturing Industry

Below is a list of *sources of value* that are unique to the food manufacturing industry, along with explanations of how they can be tied into pricing strategies, specifically value-based pricing:

1. Brand Equity:

A strong and trusted brand can command higher prices due to perceived value. With value-based pricing, companies can set prices based on the brand's worth to the customer, rather than solely on production costs.

2. Unique Product Features:

Unique attributes, such as organic, non-GMO, or allergen-free, can be highly valued by certain consumer segments. These unique features can justify higher price points under a value-based pricing model, where the price is set according to the customer's willingness to pay for these features.

3. Sourcing and Sustainability:

Ethical and sustainable sourcing is increasingly important to consumers. Companies can use value-based pricing to set higher prices for sustainably sourced products, capitalising on consumer willingness to pay a premium for ethical choices.

4. Convenience and Packaging:

Easy-to-use or ready-to-eat products and innovative or eco-friendly packaging can add significant value for consumers. With value-based pricing, these convenience factors can be quantified and incorporated into the price.

5. Nutritional Value:

Products that offer superior nutrition or health benefits can command higher prices. Value-based pricing allows manufacturers to set prices reflecting the health and wellness value these products provide consumers.

6. Taste and Sensory Experience:

Exceptional taste and quality can be a strong differentiator. Value-based pricing allows for setting prices that align with the premium sensory experience delivered to the consumer.

7. Limited Edition or Exclusive Products:

Scarcity and exclusivity can increase perceived value. Value-based pricing strategies can capitalise on this by setting higher prices for products marketed as limited or exclusive.

8. Supply Chain Transparency:

An increasing number of consumers value knowing where their food comes from and how it is produced. Companies with transparent supply chains can use value-based pricing to set higher prices, reflecting the added value this transparency provides to consumers.

9. Customer Support and Services:

Offering exceptional customer support, such as recipes, meal planning apps, or direct consumer engagement, can add value beyond the product. This added service value can be considered when setting prices using a value-based model.

10. Adaptability and Customisation:

The ability to quickly adapt products to changing consumer needs or to offer personalised products can be a strong source of value. Value-based pricing allows companies to charge a premium for products that more closely meet specific consumer preferences or needs.

In the context of value-based pricing, these sources of value unique to the food manufacturing industry are crucial. Instead of setting prices based solely on cost-plus or competitor-based models, value-based pricing strategies enable companies to set prices that reflect the actual and perceived value these unique aspects bring to the consumer. This approach aligns prices more closely with consumer willingness to pay and thus can enhance profitability while reinforcing the brand value and customer loyalty.

Questions: **Homework!**

Read the texts in page 1 and 2, then answer the following questions:

- 1- Define price and pricing.
- 2- Explain the various pricing strategies in point 4, *cost-plus, value-based, penetration, skimming, or dynamic pricing!*
- 3- Explain the following words and expressions: assess, biotechnology, competitive advantage, product, licensing, break-even-point, regulatory compliance, profit margin, focus groups, price optimization.
- 4- Read the text in page 2 and think of a bio manufactured food that you want to deliver to customers with a value-based pricing, summarize your ideas in a table according to what was mentioned in the 10 points.

	My innovative bio food is:
Brand value/equity	
Product features	
Sustainable sourcing	
Eco-friendly Packaging	
Nutritional value	
Exceptional taste?	
Scarcity? Exceptional taste	
Supply chain transparency?	
Customer support service	
Adaptability, customization	

References :

<https://www.linkedin.com/advice/0/what-best-practices-pricing-new-biotechnology-product-iztzf?lang=en&originalSubdomain=fr>

<https://pricinginsight.com/taste-the-profits-how-value-based-pricing-transforms-food-industry-profitability/>

**PS: This homework should be delivered no more than
Wednesday, May 07th 2025**

Best!