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Setting the Right Price: A Quality-Based Approach to Maximise Sales and Customer Satisfaction

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Abstract: ***The purpose of this paper is to find a method to set an optimum price for a product. This method involves setting the price of a product based on its quality. This method involves rating the quality of a product based on certain specifications and setting a profit margin on the product which may be able to attract maximum sales. This paper helps find a solution to setting a price that will satisfy the customers based on the product's virtues.***

Keywords: Quality, Price, Product, optimum

1. Introduction

To invent a new pricing strategy that companies could follow based on the quality prescriptions. It is based on the principle of higher quality. To determine profit, the question that arises is if higher quality can get you greater demand and high profit, how much profit will you obtain from a certain grade of quality? How much profit can you add according to the quality of your product? By chance, other pricing strategies like Skimming prices won't work in today's market. You can't set the profit is too high or too low, it needs an optimum price. As Steve Jobs said, "Quality is much better than quantity".

2. Literature Survey

Price has always had a direct link to the product, it influences the customer whether or not to buy the product. For all companies, the most difficult task has been to set the correct price because if it is too high, the customer may not buy the product, if it is too low then the customer may not prefer the product at all. Quality has always been a factor judged by many individuals before buying a product, but if there could be a direct link between the quality of the product and its price, then its sales may increase and it may also provide the producer with a profit margin which may satisfy his customers and solve the problem of price.

3. Methods

Each test carries 5 marks, and the quality of the product is judged by 4 different tests for a total of 20 marks, in some companies, these tests are already being conducted to check the credibility of the product.
For example: a water bottle manufacturing company

Test 1 - durability test (includes drop stimulation, exposure to sunlight) - 3 marks
Test 2 - Leakage test (exceptional) - 4 marks
Test 3 - Capacity Test/ Storage test/performance test - 4 marks
Test 4 - unique product test (product ability test)- 5 marks (test 4 also includes product reliability or trust over the product by the consumer)

Total: 16 /20

Multiply the above the quality rating with 10

16/20 x 10 = 8 %

This percentage is known as the grade quality percentage (GQP), it lies between 0 to 10 %
This GQP is the gain percentage of your product. If your product's production cost is ₹50

Then, 8 % of 50 = ₹ 4.00.

The total price for the product to obtain maximum sales based on its quality is ₹54.00

4. Results/ Comparison

The below graph shows how much quality and price influence a person, by this graph we understand that quality is also one of the most important factors customers judge from the quality of sound in television, to the quality of service. In a machine, quality has been one of the most important things in products. When we relate quality to price we can make quality a silent salesman.

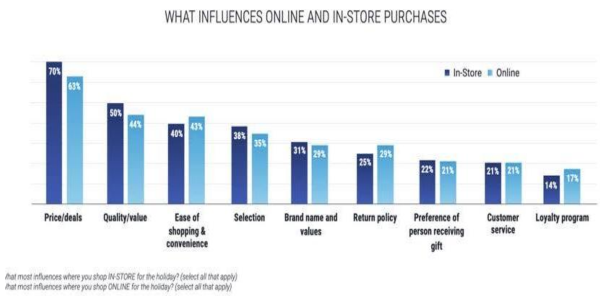
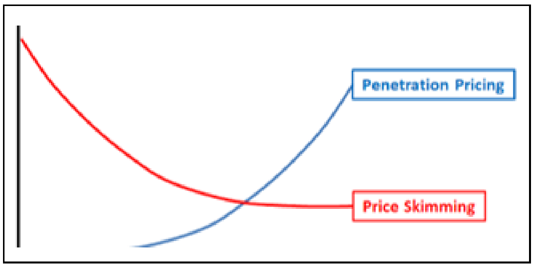


Figure 1: The importance of quality in a market.

The below graph shows the difference between the two commonly used pricing strategies, from this, we understand that a high price has effectiveness at the beginning, while a low price to increasing the price later on or reducing the product size due to inflation has zero effectiveness in the beginning, but if quality based pricing method is used, it ensures a stable growth in the market and also acts as an advertiser, as a promoter of the brand itself.



5. Regulatory methods

These ratings and quality standards will be measured by the quality assurance manager of the company and will be verified by an external quality manager. If the quality rating is reported to be fraudulent then the quality assurance manager of the company and the external manager are both responsible for the mistake.

This pricing method is only available for products as services are considered intangible.

6. Conclusion

This method is proof that quality is a standard to raise the prices of a product, not the manufacturer's belief to set his profit. This strategy gives the exact amount to be listed according to its quality. A quality-based strategy tells us how much to be added as profit to the cost per unit exactly.

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