Question 1: State and describe the six elements of the price planning process.

1. The first step in price planning is to **develop pricing objectives** to support the broad objectives of the firm. Some examples of important pricing objectives include maximizing shareholder value, increasing market share, or creating a competitive effect over the firm’s competitors.
2. The second step in the price planning is to **estimate demand**. Before setting prices, it is important for marketers to know how much the product is desired by consumers so a fair price can be created. Demand can be shifted up or down on the demand curve, so it is not uncommon for prices to change for many products.
3. The third step in price planning is to **determine costs**. Before deciding on a final price, marketers must make sure that that the price will cover the cost of making the product. They do this by looking at the different variable and fixed costs and performing a break even analysis.
4. The fourth step in price planning is to **examine the pricing environment**. In this step, marketers looks at the factors in the external environment of the firm. It is important to study the economy, competitor’s prices, government regulations, and consumer trends.
5. The fifth step in price planning is to **choose a pricing strategy**. The pricing strategy is the long term goal for the product. It is important for the firm to choose a strategy that works for the product based on the target customer group and strategies of competitors.
6. The final step in price planning is to **develop pricing tactics**. Pricing tactics are short term tactics used for products to help market them better. They can be used for a variety of reasons such as lowering prices based on competitors.

Question 2: What is break-even analysis and how is it beneficial to companies?

Break-even analysis is a technique marketers use to examine the relationship between costs and price. To perform a break-even analysis, a firm must take into consideration the fixed costs, variable costs, and sales price, and create a graph comparing the total revenue to total costs. The point where the two lines intersect is the break-even point, which is the point which the company does not lose money, but does not make a profit. Performing a break-even analysis is beneficial to a firm because it shows them the quantity of the product necessary to start making a profit. This can then be used to determine whether it is worth creating the product or not.