



Running head: CARMEX – SETTING THE PRICE OF NUMBER ONE LIP BALM 1

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#### **Introduction**

There are many situations and scenarios in which an organization is compelled to readjust or set up the pricing of its products and services (Smith, 2012). This occurs when business organizations plan to launch new products into the market in the nearest future, remodel their existing products or receive better profit returns. Striving to achieve higher profits, the pricing and strategy management teams are usually faced with the critical task of setting up logical prices while considering both internal and external factors that affect the product (Rajagopal, 2013).

#### **Cost-Based Pricing**

When a company sets up their product prices based on the items' cost, the overall process is termed as cost-based pricing (Schindler, 2012). The cost-based pricing technique is quite simple, and the logic behind it is based on the fact that the selling price of a product should always be higher than the total amount of money used in its manufacturing (Rajagopal, 2013).

Carmex Company employs cost-plus pricing strategy. The company, first, factors in several aspects including the raw material and ingredients used in the Carmex lip balm formula, packaging cost, manufacturing equipment, overhead cost and the human power used in the entire production line. The company then determines how much should be computed using the cost-plus pricing technique to set the final selling price (Schindler, 2012).

The company sells a large number of lip balm products made using different formulae. The wide range of products poses a challenge when it comes to the determination of the amount added to the overall pricing in order to arrive at a reasonable price. With the help of mark-up pricing, the company is able to add a standard percentage charge for each type of products sold by the company. The mark-up is based on a rule of thumb employed by the company, especially in retail and wholesale pricing. Also, the company considers retailers such as Walmart and Walgreen charging a higher price and occasionally discount products through promotions.

### **Competition-Based Pricing**

When setting the price of a product or commodity, a firm first performs extensive research of the market to determine worthy competitors (Kinney & Raiborn, 2012). Burt's Bee, ChapStick, and Blistex are among the major competitors of Carmex Lip Balm Company. The company employs parity pricing technique to match the levels of competitors' prices. Also, when the prices set by the competitors are researched on, the company makes the decision whether to charge lower or higher prices in attempt to capture a wider market.

The company is too cautious when it comes to price comparison since a higher margin can make the consumers search for other products at more reasonable prices. The company research and development team also has extensively conducted a thorough analysis of similar moisturizing products and made sure that the Moisture Plus product falls within acceptable price ranges.

### **Customer-Based Pricing**

This method is very crucial when setting prices while considering consumer expectations and preferences. The company uses Value-to-Customer (VTC) technique to arrive at an estimated pricing value. VTC is broken down into several steps including a reference value of the product, differentiation, and determination of negative and positive differentiation values (Kinney & Raiborn, 2012).

The company conducts VTC analysis to estimate the value to the customer and establish a reference of a competitive product with the help of which a consumer is likely to consider the next substitute or likely to buy it in case of competition (Smith, 2012). To curb this challenge, the company strives to achieve differentiation in the market. It has also introduced multiple unique quality products into the market including premium Carmex lip balm products and Moisture Plus at affordable retail prices of \$2.49 and \$2.99. Moisture Plus was packaged in silver tubes and specifically introduced into the market in order to target women who form a larger market share of the cosmetic industry. Carma Labs also introduced products flavored with mint, cherry and strawberry scents to achieve uniqueness while addressing, or even exceeding, customers' needs and expectations.

After achieving differentiation and reference values the firm is able to set prices based on customers' preferences. The differentiating factors are transformed into monetary terms by determining additional expenditure that results from addressing those factors. Customer prices are also properly observed and analyzed using customer surveys which is important in determining product's benefits against price (Smith, 2012).

### **Conclusion**

In conclusion, the current pricing techniques employed by Carmex Lip Balm Company are efficient and promising. Employing these strategies in the future, when new products are manufactured, will definitely help in yielding higher profits while maintaining product uniqueness. Product differentiation will also be attained which will offer a vantage point considering the stiff competition the company faces. The company should also invest in new product research and analysis to keep up with the changing market trends.

## References

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