Strategic price setting: Market-entry

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This is a very important issue that everyone has to deal with, from consulting to the heavy manufacturing sector. How should you set your pricing strategy in new markets? Would you be willing to price initial contracts under, at or above break-even cost, and if above, at what level? Are you entering the market long-term or to benefit from a currently booming economy environment?

Strategic pricing can be set through a two-step approach. The first step is dedicated to strategic market penetration decision, while the second should relate to the pricing strategy itself.

First, the following market penetration considerations are recommended:

1. Check the overall market appetite
2. Decide if you want to enter the market long-term or short-to-medium-term
3. Decide if you want your own representative or to deal though an agent
4. Decide on an exit strategy should the market-entry opportunity fail

Once the above market considerations are covered and assuming a high-level decision to enter the market still makes sense – **the second step should refer to setting the acceptable pricing policy, by answering the following questions:**

1. What is your market niche?
   Do you want to be perceived as a luxury provider or quality partner or mass-production budget contractor? Be prepared to miss opportunities and concentrate on your strategic growth, but remain flexible and open to business development potentials.

2. Check your competitors and their pricing levels.
   For example, are you ready to set lower prices in order to secure local references? The aim here is to establish credibility and use initial contracts as a starting platform.

3. Last but not least, align your pricing mechanism with local/regional business traditions. For example, are you able to accept long decision periods and participate in tough

negotiations or to spend considerably on the market-entry itself? This is important to understand as, at the end of the day, contracts are made by humans, where emotions and a handshake is still an important element (in addition to the economic rationale).

Strategic price-setting can be summarised as the sum of many variables, and these are difficult to control due to the combination of external and internal factors. However, as long as the rationale prevails and the opportunity still works, even with a pessimistic sales budget forecast and increased costs spend, then the opportunity has to be considered as having strong market-entry potential.

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