Limit Pricing

- Limit Pricing is a pricing strategy a monopolist may use to discourage entry.
- Limit pricing involves reducing the price sufficiently to discourage entry.
- It leads to less profit than possible in short-term, but it can enable the firm to retain its monopoly position and long-term profitability.

Entry-Preventing Price strategy

- The price level at which the existing firms can gain excess profits without stimulating an entry is called as the Entry Preventing Price. And the entry-preventing price is based on the barriers to new entry, which means the existing firms' advantages over the potential competitors.

Types of Pricing Strategies

- **Competition-Based Pricing:** Competition-based pricing is a pricing method that makes use of competitors' prices for the same or similar product as basis in setting a price. This pricing method focuses on information from the market rather than production costs and product's perceived value .

- **Cost-Plus Pricing**: Cost plus pricing involves adding a markup to the cost of goods and services to arrive at a selling price. Under this approach, you add together the direct material cost, direct labor cost, and overhead costs for a product and add to it a markup percentage in order to derive the price of the product.

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- **Dynamic Pricing**. Dynamic pricing, also referred to as flow pricing, demand pricing, or time-based pricing is a pricing strategy in which businesses set flexible prices for products or services based on current market demands.

- **Hourly Pricing:** Hourly pricing, also known as rate-based pricing, is commonly used by consultants, freelancers, contractors, and other individuals or laborers who provide business services. Hourly pricing is essentially trading time for money. Some clients are hesitant to honor this pricing strategy as it can reward labor instead of efficiency.

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- **Freemium Pricing:** A combination of the words "free" and "premium," freemium pricing is when companies offer a basic version of their product hoping that users will finally pay to upgrade or access more features. Unlike cost-plus, freemium is a pricing strategy commonly used by SaaS and other software companies. They choose this strategy because free trials and limited memberships offer a "peek" into a software's full functionality-and also build trust with a potential customer before purchase.

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- **High-Low Pricing:**

  A high-low pricing strategy is when a company initially sells a product at a high price but lowers that price when the product drops in novelty or relevance. Discounts, clearance sections, and year-end sales are examples of high-low pricing in action.

- High-low pricing is commonly used by retail firms who sell seasonal or constantly-changing items, such as clothing, decor, and furniture. What makes a high/low pricing strategy appealing to sellers? Consumers enjoy anticipating sales and discounts, hence why Black Friday and other universal discount days are so popular.

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- **Penetration Pricing:**

Penetration Pricing is a pricing technique in which the price set by the firm is low initially, so as to attract more and more customers.

In other words, penetration pricing is when companies enter the market with an extremely low price, effectively drawing attention (and revenue) away from higher-priced competitors. Penetration pricing isn't sustainable in the long run, however, and is typically applied for a short time.

- **Skimming Pricing**:

Skimming Pricing means a pricing strategy wherein the firm set high price for the product at its introduction stage so as to receive maximum profit.

In other words, A skimming pricing strategy is when companies charge the highest possible price for a new product and then lower the price over time as the product becomes less and less popular.