

Re: International Pricing Policy

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Mike Orriss wrote:

Not absurd at all, Demand (lack of it) can push the price below cost. That right there shows there is no connection. Of course if that happens, in most cases, one will stop producing that good.

That is precisely my point. If there was no relationship, then that wouldn't happen.

Of course it would – cessation of production is a result of (lack of) demand. I.e. it is not only the price, it is whether a good gets produced *at all* that is driven by demand. The only role cost plays is to determine whether there is any feasible price at which demand is sufficient to trigger production. I.e. is demand sufficient to drive the price high enough? The price *determined by that demand* might be too low.

If it were true that cost had any part in determining price, then it could only mean you could produce anything at any cost and still be able to enjoy some demand for it – that someone would pay the necessary price just because that's how much it cost to produce. It should be clear that *that* does not happen.

Even in the case of a one-off – e.g. you tell a customer it will cost \$x to produce that custom software just for him, that price has to be acceptable to him or he doesn't buy – it's what it is worth *to him* not what it costs you.

If Company X is able to produce widgets for \$5 and demand allows them to charge an optimum price of \$10 (above which sales start to fall off), then you come along and build an exact equivalent widget, but it costs you \$20 to manufacture, do you think you will sell any at \$20+ (assuming the customer is aware of Company X's brand)? You would have to do *other* things to convince anyone it is worth that extra money over brand x, your production costs are completely irrelevant to any potential buyer.

Re: International Pricing Policy

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"At the apex of every great tragedy of mankind there stands the figure of an incorruptible altruist." – Ayn Rand

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