

6 How can you differentiate cost based and value-based pricing?

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The differences between cost based and value-based pricing are discussed below: -

Topics	Cost based pricing	Value based pricing
Basis:	Cost based pricing is guided by the product.	Value based pricing is guided on customer perceptions of the product value.
Estimate:	It estimates the costs of making the product.	It estimates the customer needs and value perceptions.
Set:	It sets a price that covers costs plus a target profit.	It sets a price that covers consumer's perceived value.
Value:	It convinces buyers of product value.	It designs product to deliver desired value at target price.
Profit:	It results in low profits.	It results in high profits.