

Penetration Pricing: Definition: Penetration pricing involves setting a relatively low initial price for a new product or service to quickly gain market share. Example: Airlines frequently use dynamic pricing for ticket sales. Example: When Sony introduced its PlayStation gaming console in the mid-1990s, it used penetration pricing to disrupt the gaming market dominated by Nintendo and Sega. Sony priced the PlayStation significantly lower than its competitors to attract gamers, quickly gaining market share. Price Skimming: Definition: Price skimming involves setting a high initial price for a new product or service and then gradually lowering it over time as competition increases or as the product matures. Dynamic Pricing: Definition: Dynamic pricing involves adjusting prices in real-time based on various factors such as demand, competition, and market conditions. The prices of airline tickets can vary widely based on factors such as demand, time until departure, seat availability, and even browsing history.