

Specification of Competency Standards for the Logistics Industry

Unit of Competency

1. Title	Formulate pricing strategy
2. Code	LOCUSM504A
3. Range	This unit of competency is applicable to all sea freight, air freight and express operators. Practitioners should be capable to formulate pricing strategy according to their market positioning, the supply and demand situation for the services of the logistics industry and competitors' pricing strategies, etc.
4. Level	5
5. Credit	9 (for reference only)
6. Competency	<p style="text-align: center;"><u>Performance Requirements</u></p> <p>6.1 Knowledge on formulating pricing strategy</p> <ul style="list-style-type: none">◆ Understand the supply and demand situation for the services of the logistics industry and company's market positioning◆ Understand price components, the classification and calculation of freight charges for goods, and master the relationship between price and cost◆ Master the methods and concepts for analysing market price, such as market leading price and game theory analysis, etc.◆ Understand the charges of various operation modes including sea, land and air modes, and their operating costs in calculating intermodal price◆ Understand the industry's principles or regulations on pricing◆ Master different pricing strategies, such as: cost pricing, flexible pricing and discount pricing strategies◆ Understand market structure and the impact of its development changes on price

6.2 Formulate pricing strategy

- ◆ Master the key environmental factors that affect the pricing of company's services, such as socio-economic situation, currency changes, consumer needs, market structure and competitors' behaviour
- ◆ Understand the revenue-sharing arrangement in different countries, regions or industries
- ◆ Master the impact of psychological factors on pricing strategy formulation
- ◆ Understand related countries' principles and regulations on price management
- ◆ Select pricing target in accordance with the supply and demand market situation for the services of the logistics industry, company's market positioning and other factors
- ◆ In consideration of different factors, set targets for company's profit and cost and select the pricing method according to company goal
- ◆ Calculate charges for each item accurately by different modes of transport
- ◆ Analyze competitors' pricing and services provided
- ◆ Estimate market reaction and competitors' reaction to price changes
- ◆ Consider the impact of psychological factors on pricing strategy formulation
- ◆ Set rules for providing discounts on price
- ◆ Discuss in details with relevant departments to select the ultimate pricing strategy

	<ul style="list-style-type: none"> ◆ Review the pricing strategy to see if it can achieve company goal and make modifications accordingly ◆ Compile reports or guidelines for sales and customer service departments to illustrate company's pricing strategy
7. Assessment Criteria	<p>The integrated outcome requirements of this unit of competency are:</p> <ul style="list-style-type: none"> (i) Capable to fully estimate the market reaction and competitors' reaction and formulate appropriate and competitive pricing strategy for the greatest benefits of the company in accordance with company's pricing target and in consideration of market factors; and (ii) Capable to compile reports or guidelines to illustrate company's pricing strategy.
8. Remarks	