# Analyzing Pricing Strategies: A Case Study of Deutsche Bank in the Banking Sector

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**Abstract.** This paper explores pricing strategies in the banking sector using Deutsche Bank as a case study. It discusses various strategies like premium, promotional, penetration, and skimming, considering different market formations. Deutsche Bank's specific pricing tactics are analyzed, emphasizing its customer-oriented approach and optimization through bundling and data analytics. The study underscores the importance of aligning pricing objectives with broader business goals and continuously adapting strategies to dynamic market conditions. Overall, it provides insights into effective pricing practices for growth and profitability in the banking industry.

**Keywords:** Pricing strategy, Deutsche Bank, Market formations.

## 1. Introduction

Price strategy plays an important role in the marketing mix. The demand curve emphasizes the fact that when the price of a product gradually increases, the customer's demand for the company's products decreases. Therefore, determining the price of products and services offered is particularly important for business activities. As part of marketing, pricing policy is not an isolated area of decision-making, but must be considered in the context of the entire enterprise's actions. For example, on the production side, capacity planning needs to be harmonized with pricing policy. From a financing point of view, price wars can only be waged when the firm's ability to pay is ensured. The task of marketing is to determine how much customers are willing to pay and to increase this willingness to pay through the targeted use of other marketing tools such as communication and product policy. Although pricing policy affects the number of purchases and sales, it must always be used in conjunction with other marketing tools. A smart pricing policy will have a positive impact on product sales and the company's position in the marketplace [1].

Deutsche Bank is a well-known bank with numerous branches around the world. It provides products and services to customers in countries all over the world. In today's competitive market, it is worthwhile to examine how Deutsche Bank differentiates itself from its many competitors in order to gain its competitive advantage. Therefore, this paper focuses on the pricing strategy of Deutsche Bank. Pricing is more important than ever for banks: it plays a central role in customer satisfaction and profitability [2-3]. Pricing strategy is therefore particularly important in the current context characterized by cost pressures and changing customer expectations. This presents both challenges and opportunities for banks. This paper takes Deutsche Bank as an example and specifically analyzes its pricing strategy and the pricing strategies it employs.

## 2. Theoretical foundations

### 2.1. Theoretical foundations of the market

The sale of a product, i.e. the realization of value, occurs in the market. However, the market is not an abstract structure. Markets are mainly composed of people and are structured by their behavior. The concept of "market" has been understood in different ways over time and from different perspectives. The term "market" is equated with a place where buyers and sellers exchange goods and services. From an economic point of view, a market consists of the sum of the demanders and suppliers involved in the process of exchanging certain goods.4Markets facilitate trade and play a role in the allocation of social resources. In simple terms, a market was originally a place where goods were traded in an organized manner. In addition to its retail function, today "market" is also understood as the exchange of goods and services for specific objects (e.g., raw materials, labor, capital, the world market). First, the development of the traditional sales economy and marketing concepts, which are now also in vogue internationally, are outlined in the light of the development of market conditions and their results [4].The market in general is dynamic. It is not a given quantity, but must be searched and identified by the company over and over again on an ever-changing basis. Marketing tools help to transform this potential market into a real market.

### 2.2. Theoretical basis of price

Definition of price and factors affecting it Price is the (usually monetary) consideration paid by a buyer to a seller for providing a good or service to a purchaser. Prices are generated by the interaction of supply and demand and they are the most concise and comprehensive answer. From the perspective of the firm or supplier, price is one of the key determinants of the firm's viability, and profit can be obtained through a competitive rate of return on a useful and sizable investment. From the demand side, customers can influence prices through their (buying) behavior. The factors that influence price formation are complex and varied. In addition to internal price management, firms must have an in-depth understanding of the market. Marketing research is a key element in understanding the market. Marketing research is a process that connects marketing professionals to the market and provides information, recommendations and insights to support marketing decisions.

### 2.3. Theoretical foundations of price policy

Pricing policy is a partial guideline in the marketing mix that analyzes and determines how much a firm should charge for its goods or services in order to compete successfully, maximize market share, and make as much profit as possible. Pricing policy has long been one of the central issues in thinking about sales economics. Pricing policy has become a major tool for excluding competitors when product quality is similar or brand awareness or product advertising is less differentiated [5-6]".

Price strategy works primarily by integrating price decisions into the marketing mix. Price policy or price management refers to the development, analysis, decision-making, and implementation of strategic and operational decisions that have an impact on the form, scope, and conditions under which existing and potential customers pay to enjoy the services provided by a company or organization, as well as on the perception of the company or organization[7].In addition, price policy consists of four different types of pricing: cost-oriented pricing, demand-oriented pricing, competition-oriented pricing and market-oriented pricing. The goal of pricing policy is to set prices in the long term. In addition to the current situation (time period) and short-term developments, prices are determined primarily on the basis of general corporate objectives, other marketing tools and product life cycles [8]. Price determination has an impact on future market patterns and potential customers' willingness to buy. The process of developing a price strategy involves first studying the basic conditions such as the market situation, willingness to pay and cost development, and then analyzing dynamic factors such as speculative effects, continuation effects and special price effects. A company can develop and select an appropriate price strategy by using the above steps or forecasts.

## 3. Price policy analysis

### 3.1. Pricing Strategy Analysis

#### 3.1.1. Incentive and promotional pricing strategies

Considering different price levels, premium pricing strategy, and long term medium term pricing strategy and promotional pricing strategy can be identified. Premium pricing means that the price of the product is relatively high. However, the product also has high quality which corresponds to the price. Therefore, in most cases, all other marketing techniques are used for exclusivity, such as expensive privately produced perfumes or clothing. The premium strategy manifests itself in permanently high prices. Consistently high quality. High-quality leadership, a high willingness to pay of the target group and a marketing mix tailored to the premium positioning are necessary prerequisites for successful application. The promotional pricing strategy as a permanent low price strategy requires strong price-oriented customers in a sufficiently large mass market [9-10]. In contrast, promotional pricing tends to be relatively low prices aimed at consciously shaping the image of a low-priced product and thus better expanding the market, attracting more target groups and increasing product brand awareness.

### 3.1.2. Penetration and skimming strategies

The penetration strategy aims to enter the mass market as quickly as possible at a relatively low price, accelerate market growth in the short term, and achieve higher sales and market share at a lower unit cost. The penetration strategy allows for rapid market capture through the sale of products at low prices, which can lead to a more stable market position, while deterring potential competitors and preventing the entry of low-margin competitors. Depending on the type of product and competition, penetration prices can be increased gradually. This allows the company to gradually increase profits and achieve success.

However, the skimming strategy requires a relatively high stage of new product introduction (high unit costs and low sales volumes), capitalizing on consumer novelty by selling the goods at a high price in the early stages of the product and then gradually decreasing it when the market opens up and/or competitive pressures increase (e.g., some electronics: iPhone X, tablets, TVs, computers). It also allows new products to enter more flexible markets. A taxation strategy maximizes short-term profits and recoups investments as quickly as possible, but it can also affect product turnover and increase competitors.

Table 1 shows the advantages of skimming and penetration strategies.

**Table 1.** Advantages of skimming and penetration strategies.

| The benefits of skimming strategies | The advantages of penetration strategy |
|---|---|
| -Relatively speaking, there are a large number of customers who are not price sensitive | -Low barriers to market entry |
| - It is possible to explore new customer groups by lowering prices (high price change effect) | -There are significant economies of scale and/or experience curve effects present |
| - Innovative products without direct competitors | -There is no connection between price and quality |
| - The expected product lifecycle is relatively short | - Seeking long-term commitments in the market |
| -Limited production and distribution capabilities | -The carry over effect of price reduction is strong |
| -Future price increases may be difficult to enforce and there is significant uncertainty in the future market and sales development | - Seeking system leadership in the new product market (such as VHS standards for video recorders) |
| -Seeking short-term high profits | - There is a critical scale effect (for example, the national distribution system requires a minimum sales volume) |

## 3.2. Price Theory Analysis in Different Market Formations

### 3.2.1. Price theory in multipolar markets

"Monopolistic competition" refers to an imperfect market with many small suppliers and many small buyers. In a multipolar competitive market, there are many suppliers and buyers, a large number of market participants or market players. A large number of competitors. Individual firms have relatively small market shares and are inconsistent in their pricing performance. Based on this property, there exists a specific equilibrium price p0 in a perfect market, which is the intersection of the supply and demand curves.

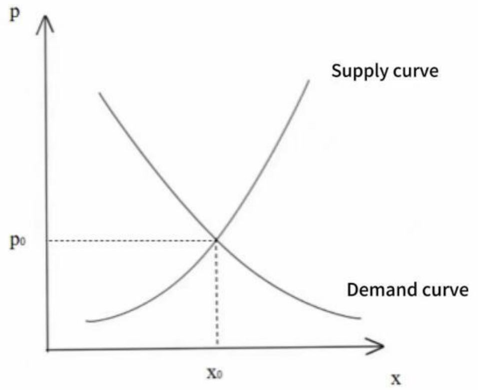


**Figure 1.** Equilibrium prices in a perfect market.

Figure 1 shows the equilibrium price in a perfect market. Since there are many competitors in a diversified market, price reductions do not attract the attention of other competitors. With multicompetition in a perfect market, suppliers cannot determine their own pricing policy, but must adapt to the market price. The equilibrium price represents the market price that an individual firm must accept as a date. Since the equilibrium price of individual firms is unaffected, the price-sales function in nuclear competition is parallel to the horizontal coordinate and therefore infinitely elastic.

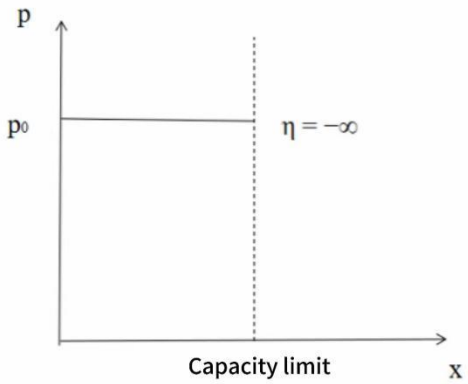


**Figure 2.** Price-sales function in atomic competition.

Figure 2 shows the price-sales function in nuclear competition.

### 3.2.2. Price Theory in Monopolistic Markets

Monopoly includes the case of a supplier with one, a few or more customers, or a buyer with one or a few suppliers. Monopoly is characterized by a linearly decreasing price-sales function. In the case of monopoly, own-price is the basic, if not the only, variable explaining sales differences. In contrast to the multipole of a perfect market, under competitive conditions, the price-sales function is formed by referring not only to own prices but also to competitors' prices. At this stage, consumers' attention should be focused on their reaction to the relationship between their own price and the competing price. Monopolized market prices are usually higher than perfectly competitive market prices. However, if there is only one supplier, it is also possible to introduce price differentiation, whereby the supplier charges customers different prices depending on their willingness to pay.

### 3.2.3. Price theory in oligopolistic markets

In an oligopolistic market, the number of both suppliers and customers is relatively small, or at least the number of one party is small. Unlike the previous two situations, oligopoly requires an entity to anticipate competitors' reactions to its pricing policy in order to operate optimally. The typical situation in a perfect market oligopoly is one in which suppliers expect their competitors to react to their pricing policies. Because there are few suppliers in an oligopoly and because both the demand side and competitors are concerned about price changes, firms in an oligopoly must assume that price policy measures will elicit responses not only from the demand side but also from competitors. For example, lowering the price of raw materials will increase demand, but if competitors lower their prices in response, demand will fall again. The firm needs to understand the competitor's response before taking price action. It needs to analyze whether the company's profits are higher or lower than before after responding to competition. Lower competitive prices can lead to loss of customers and thus lower profits. In order to maintain the firm's underlying profits, some firms will retain their original prices when competitors adjust their prices, i.e. price rigidity occurs in some oligopolies.

### 3.3. Strategic price management

Price as a marketing tool has an impact on both sales and market share. The price management process is defined as the sum of all parts of the decisions and actions of an individual or organizational unit that affect the price of transactions within a firm. The price management process is a system of rules and procedures for pricing and execution, including information, models, decision rules, optimization, organization, responsibility, motivation, skills, qualification, training, negotiation and IT support. Static price theory should only consider data from one period, or if the data is used for several periods, the temporal relationships are considered irrelevant so that each period can be considered separately and compared to any other period. Dynamic price theory explicitly takes into account the fact that temporal interdependencies may lead to complex decision calculations. By considering the many interdependencies that may exist between different periods of the planning period, the planning of pricing strategies becomes more realistic by analyzing them individually. Dynamic strategy concepts are relatively long-term, as they have to take into account the determinants of pricing policy and thus the life cycle of products and markets. In addition, it should be ensured that the objectives of price management are aligned with the company's overall system of objectives. Pursuing the objectives of price management also contributes to the achievement of the company's highest goals.

## 4. Examples of Deutsche Bank

### 4.1. Introduction of Deutsche Bank

Deutsche Bank is a leading European corporate bank headquartered in Europe. Founded in 1870, Deutsche Bank is a leading German bank with strong roots and a global network. Deutsche Bank provides financial services to corporations, governments, institutional investors, small and medium-sized enterprises (SMEs) and individuals for Deutsche Bank. Deutsche Bank's main clients are asset managers, brokerage firms, corporations, financial institutions, financial sponsors, insurance and reinsurance companies, law firms and countries. Deutsche Bank consists of four divisions: Corporate Banking, Investment Banking, Private Banking and Asset Management. Deutsche Bank's Corporate Banking provides liquidity management, foreign exchange, payments, and trade finance and credit solutions to corporate clients. These services are carefully curated by a Treasury Financial Services team to ensure cross-departmental coordination. Deutsche Bank provides institutional cash management, trust and agency solutions and securities services to financial institutions, investors and issuers. The Commercial Banking Division provides payment and credit solutions for small businesses and the self-employed. As one of the world's leading investment banks headquartered in Europe, Deutsche Bank offers a comprehensive range of financial services on a global basis. Comprehensive global services. In a rapidly changing and increasingly volatile market, Deutsche Bank attracts a wide range of institutional and corporate clients.

### 4.2. Deutsche Bank's various pricing strategies

The purchase of many financial products is usually demand-driven; the more urgent the underlying demand, the greater the willingness to pay and purchase. The urgency of demand also affects price elasticity, i.e. the extent to which changes in price lead to changes in demand. For long-term asset managers and alternative asset managers, Deutsche Bank offers a comprehensive range of advisory, capital markets, regulatory, fund management, custody, securities lending and banking services. Deutsche Bank strives to provide its clients with high-quality products and services. As a result, the target group has a high willingness to pay. This enables Deutsche Bank to pursue a quality strategy. Deutsche Bank has therefore adopted a premium strategy. For corporate clients, Deutsche Bank helps them to strengthen their capital and supply chain operations, optimize their cash management and advise them on liability and risk management. Against a backdrop of regulatory changes, increased competition and evolving customer needs, Deutsche Bank continues to offer a wide range of customized solutions. This means that the bank's business is oriented towards a broader group of people, i.e. there are strongly price-oriented customers in mass markets that are sufficiently large.

The banking market has become more competitive, and some of the bank's products and services, such as cash management, trust and agency services, and management consulting, are not clearly differentiated enough to allow it to pursue a strategy of sustained low prices based on competitor prices, i.e., promotional pricing strategy. At the same time, insurance customers are important partners in a low interest rate environment with tighter regulation. The ability to effectively utilize cash and earn higher returns is key to supporting insurance customers' continued innovation. Given this particular customer segment, banks may choose to enter the market with lower service prices first to increase satisfaction among insurance consumers and gain some market share, and then choose to raise prices to improve Deutsche Bank's returns. In the penetration pricing strategy, the initial price must be lower than the static optimal price. Against the backdrop of an increasingly globalized world economy, Deutsche Bank is well-positioned with significant regional diversification and large revenue streams in all key regions of the world. With 1,499 branches worldwide, Deutsche Bank has a strong presence in all important emerging markets. Given the differences in each country's market, Deutsche Bank can adopt a differentiated strategy. Different market characteristics in the form of different price determinants should be reflected in correspondingly different prices.

### 4.3. Optimization of Deutsche Bank's pricing strategy

With the help of customers' willingness to pay for the products offered, Deutsche Bank can bundle individual portfolios of banking products such as fund management, deposits, consulting and banking services and integrate product planning and price bundling into the product and program policy decision area. Based on these requirements, optimal product solutions are determined through price bundling product solution optimization. The aim of increasing the company's profitability is realized through price bundling. In addition, Deutsche Bank can refine pricing through data analytics. These analyses are not only a prerequisite for customer satisfaction as a pricing policy objective, but also form the basis for the current price developments in the banking industry and beyond. Based on real-time data, prices can be adjusted quickly in response to demand, which leads to better management of inventory levels and supplier capacity, or by analyzing customer purchasing behavior, price offers can be targeted and combined with promotional campaigns to bring better returns to customers....

### 4.4. Price Management at Deutsche Bank

The price management process describes a process from price target and strategy setting to price control. Deutsche Bank can implement strategic price management and operational price management through price guidelines and price systems. Deutsche Bank's financial policy objective in the target management system is to grow sales by an average of 3.5% to 4.5% per year by promoting growth in the core franchise and investing in targeted strategic programs that generate attractive and sustainable returns. In terms of price management, companies should also control costs. The bank therefore needs to keep a tight rein on costs and further improve efficiency. Deutsche Bank wants to reinvest in business growth by further reducing complexity to increase efficiency. Meanwhile, the company's price management process can be improved by analyzing the market situation of financial products and changes in market trends, changing prices scientifically and rationally, and considering the possible interdependence between different periods of the planning period in conjunction with the dynamic price theory.

## 5. Conclusion

Pricing policy is an important part of the marketing mix and has a significant impact on the company's activities. This paper focuses on premium and promotional pricing strategies as well as penetration and skimming strategies. This paper also analyzes pricing theories in different market forms. Different pricing strategies correspond to different market conditions. Firms should choose pricing strategies that suit their product characteristics and marketing objectives. For example, Deutsche Bank is one of the leading banks in Europe and has won global customers with its pricing policy. Deutsche Bank insists on being customer-oriented. It can be categorized as penetration pricing strategy, promotional pricing strategy or premium pricing strategy for different service areas and product types. Against the backdrop of regulatory changes, increased competition, changing customer needs and the financial crisis, Deutsche Bank should analyze data to improve its pricing strategy or optimize it through price bundling in order to increase Deutsche Bank's profitability.

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