

Name \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) When a downward-sloping experience curve exists, a company should usually \_\_\_\_\_ the selling price of that product in order to bring in higher revenues. 1) \_\_\_\_\_
- A) not alter
  - B) greatly increase
  - C) decrease**
  - D) increase
  - E) none of the above
- 2) If Canon Camera Company follows a low-price, low-margin strategy for a product, what will competitors most likely do? 2) \_\_\_\_\_
- A) They will advertise less.
  - B) They will advertise more.
  - C) They will want to compete against Canon.
  - D) They will not be able to compete or may leave the market.**
  - E) none of the above

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 3) Explain the significance of a downward-sloping experience curve. 3) \_\_\_\_\_
- 4) Explain a pure monopoly. 4) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 5) What is a major advantage of product bundle pricing? 5) \_\_\_\_\_
- A) It can promote the sales of products consumers might not otherwise buy.**
  - B) It provides a more complete product experience for consumers.
  - C) It offers consumers more value for the money.
  - D) It combines the benefits of the other pricing strategies.
  - E) All of the above.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 6) How important is price among the elements of the marketing mix? 6) \_\_\_\_\_

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 7) Marketers may learn a few simple rules that apply equally to all price-demand relationships. 7) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 8) Companies facing the challenge of setting prices for the first time can choose between two broad strategies: market-penetration pricing and \_\_\_\_\_. 8) \_\_\_\_\_
- A) market-competitive pricing
  - B) market-price lining
  - C) market-price filling
  - D) market-skimming pricing**
  - E) market-level pricing

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 9) Overhead cost is another term for fixed cost. 9) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 10) Price competition is minimized when all firms in an industry use \_\_\_\_\_ pricing. 10) \_\_\_\_\_
- A) value-based
  - B) elasticity
  - C) variable
  - D) value-added
  - E) markup**

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 11) When consumers cannot judge the quality of a product because they lack information or skill, they are likely to perceive a higher-priced product as having higher quality. 11) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 12) Some companies have adopted a \_\_\_\_\_ strategy, offering just the right combination of quality and good service at a fair price. 12) \_\_\_\_\_
- A) good-value pricing**
  - B) cost-plus pricing
  - C) low-price image
  - D) value-based pricing
  - E) none of the above

- 13) Costs that vary directly with the level of production are referred to as \_\_\_\_\_ costs. 13) \_\_\_\_\_
- A) total
  - B) fixed
  - C) unit
  - D) variable**
  - E) target

- 14) Why do marketers consider prestige goods to be an exception to the typical demand curve? 14) \_\_\_\_\_
- A) Prestige products such as diamonds, sapphires, and emeralds are nonrenewable resources.
  - B) Increasing the price of prestige goods can make them seem more desirable.**
  - C) The demand curve for prestige goods slopes downward and to the right.
  - D) Demand for prestige goods often is greater than supply.
  - E) Customers are more aware of any price changes to prestige goods.

- 15) In order to form a consistent and effective integrated marketing program, price decisions should be coordinated with each of the following EXCEPT \_\_\_\_\_. 15) \_\_\_\_\_
- A) distribution
  - B) competitors' prices
  - C) promotion decisions
  - D) product design
  - E) marketing objectives

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 16) Who typically sets prices in small and in large companies? 16) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 17) Explain the factors involved in setting international pricing.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 18) A marketer's fixed costs are \$400,000, the variable cost is \$16, and they expect the product to sell for \$24. (a) What is their break-even point in units? (b) What is their break-even point in sales? (c) If they have sales of \$1,440,000, what is their profit? 18) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 19) Product costs set a(n) \_\_\_\_\_ to a product's price. 19) \_\_\_\_\_
- A) demand curve
  - B) floor
  - C) ceiling
  - D) experience curve
  - E) break-even cost
- 20) PoolPak produces climate-control systems for large swimming pools. The company's customers are more concerned about service support for maintaining a system than its initial price. PoolPak may use this knowledge to become more competitive through \_\_\_\_\_. 20) \_\_\_\_\_
- A) target costing
  - B) cost-plus pricing
  - C) a nonprice position
  - D) skimming pricing
  - E) value pricing

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 21) Used too frequently, promotional pricing can have the negative effect of decreasing the brand's value in the eyes of customers. 21) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 22) Fixed costs \_\_\_\_\_ as the number of units produced increases. 22) \_\_\_\_\_  
A) increase  
B) remain the same  
C) divide in half  
D) decrease  
E) increase at a diminishing rate
- 23) When amusement parks and movie theaters charge admission plus fees for food and other attractions, they are following a(n) \_\_\_\_\_ pricing strategy. 23) \_\_\_\_\_  
A) optional-product  
B) captive-product  
C) skimming  
D) by-product  
E) penetration
- 24) As a manufacturer increases price, the \_\_\_\_\_ drops. 24) \_\_\_\_\_  
A) target  
B) sales  
C) break-even volume  
D) cost-plus pricing  
E) total cost

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 25) For what types of products might marketers use market-skimming pricing? 25) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 26) Consumers usually perceive higher-priced products as \_\_\_\_\_. 26) \_\_\_\_\_  
A) being in the introductory stage of the product life cycle  
B) having a higher quality  
C) having high profit margins  
D) popular brands  
E) not within reach of most people
- 27) \_\_\_\_\_ is an important element in the marketing mix. It is the only element that does not represent costs. 27) \_\_\_\_\_  
A) Current profit maximization  
B) Market share leadership  
C) Product quality leadership  
D) The target market  
E) Price
- 28) Which of the following is a major factor that influences price increases? 28) \_\_\_\_\_  
A) cost inflation  
B) surplus of raw materials  
C) government intervention  
D) foreign competition  
E) B and C

- 29) When Polaroid set the general price range of its cameras low and the markup on its film high, it was practicing \_\_\_\_\_. 29) \_\_\_\_\_
- A) market-penetration pricing
  - B) product line pricing
  - C) market-skimming pricing
  - D) price bundling
  - E) captive-product pricing

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 30) Value-based pricing is the reverse of cost-based pricing. 30) \_\_\_\_\_
- 31) EDLP is very similar to high-low pricing. 31) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 32) The Internet offers \_\_\_\_\_, where the price can easily be adjusted to meet changes in demand. 32) \_\_\_\_\_
- A) dynamic pricing
  - B) captive pricing
  - C) cost-plus pricing
  - D) price bundling
  - E) basing-point pricing

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 33) Nonregulated monopolies always charge the full price because they do not fear attracting competition. 33) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 34) When companies set prices, the government and social concerns are two \_\_\_\_\_ affecting pricing decisions. 34) \_\_\_\_\_
- A) economic conditions
  - B) demand curves
  - C) external factors
  - D) internal factors
  - E) temporary influences
- 35) A company should set prices that will allow \_\_\_\_\_ to receive a fair profit. 35) \_\_\_\_\_
- A) producers
  - B) competitors
  - C) the elderly
  - D) resellers
  - E) consumers

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 36) Demand and consumer value perceptions set the floor for prices. 36) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 37) Which of the following risks does a company take when building a strategy around the experience curve? 37) \_\_\_\_\_
- A) The method may cause consumers to become frustrated with changing prices.
  - B) The method does not take competitors' prices into account.
  - C) Aggressive pricing may give the product a cheap image, causing customers to lose interest.
  - D) Competitors will likely not be able to meet the company's price cuts.
  - E) Existing technologies are likely to become more expensive as the company expands.
- 38) SRAC is the acronym for which concept related to costs at different levels of production? 38) \_\_\_\_\_
- A) strategic reasoning and costs
  - B) short-run accounting costs
  - C) short-run average cost
  - D) strategic revenues and costs
  - E) strategic rights and company

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 39) What costs make up a product's total cost? 39) \_\_\_\_\_
- 40) Give two examples of by-product pricing. 40) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

**Refer to the scenario below to answer the following questions.**

Quills, Inc., is a manufacturer of ballpoint pens, pencils, and stationery. The firm's primary distribution strategy is to sell in large volumes to office supply stores and large discount chains. Omar Magdy, CEO of Quills, had hoped to manufacture and sell in large enough quantities that prices could be held low. However, in the first several months, the firm experimented with the price portion of its marketing mix in an effort to cater to a number of markets.

- 41) By offering a set of pens packaged with stationery and matching envelopes, Quills is using 41) \_\_\_\_\_
- A) dynamic pricing
  - B) product bundle pricing
  - C) by-product pricing
  - D) optional product pricing
  - E) price-fixing

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 42) If demand changes greatly with price, we say the demand is inelastic. 42) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 43) Break-even pricing, or a variation called \_\_\_\_\_ pricing, is when the firm tries to determine the price at which it will break even or make the profit it is seeking. 43) \_\_\_\_\_

A) target profit  
B) customer-based  
C) fixed cost  
D) value-based  
E) competition-based

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 44) When setting prices, the company must consider its external environment. Describe four parts of the external environment and how they affect businesses.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 45) Explain good-value pricing. 45) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 46) Samy's Pharmaceuticals faces fixed costs with their new drug of \$1,000,000. The company sells the drug in bottles of 50 pills for \$10.00. They estimate that they must sell 200,000 bottles to break even. What is the total cost to produce a bottle of 50 pills? 46) \_\_\_\_\_

A) \$5.00  
B) \$6.00  
C) \$7.50  
D) \$2.50  
E) not enough information to calculate

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 47) Markup pricing is popular because prices tend to be similar and price competition is thus minimized. 47) \_\_\_\_\_
- 48) The FOB-origin pricing strategy means that the goods sold are placed free on board a carrier. At that point the title and responsibility pass to the customer, who pays the freight from the factory to the destination. 48) \_\_\_\_\_

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 49) Explain two different ways a consumer might view a price cut. 49) \_\_\_\_\_
- 50) List four types of segmented pricing. 50) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 51) Compare pure competition with oligopolistic competition.

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 52) Market-skimming is a more popular strategy for pricing new products, while market-penetration is a more popular strategy for pricing products that are more advanced in the product life cycle. 52) \_\_\_\_\_
- 53) Value-based pricing uses the company's perception of value. 53) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 54) Compare oligopolistic competition with a pure monopoly.

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 55) Price setting is usually determined by \_\_\_\_\_ in small companies. 55) \_\_\_\_\_
- A) cross-functional teams
  - B) sales departments
  - C) marketing departments
  - D) top management**
  - E) divisional managers

**Refer to the scenario below to answer the following questions.**

Quills, Inc., is a manufacturer of ballpoint pens, pencils, and stationery. The firm's primary distribution strategy is to sell in large volumes to office supply stores and large discount chains. Omar Magdy, CEO of Quills, had hoped to manufacture and sell in large enough quantities that prices could be held low. However, in the first several months, the firm experimented with the price portion of its marketing mix in an effort to cater to a number of markets.

- 56) Why might have Omar Magdy have avoided using market-skimming pricing at Quills? 56) \_\_\_\_\_
- A) The costs of producing a larger volume of the firm's products were too high.
  - B) It was difficult for competitors to enter the market.
  - C) The market for the products was not highly price sensitive.
  - D) The quality and image of the products would not have likely supported the high initial price.**
  - E) A high price was likely to produce more market growth.
- 57) The less \_\_\_\_\_ the demand, the \_\_\_\_\_ it pays for the seller to raise the price. 57) \_\_\_\_\_
- A) elastic; less
  - B) determined; less
  - C) constant; more
  - D) elastic; more**
  - E) none of the above
- 58) Companies involved in deciding which items to include in the base price and which to offer as options are engaged in \_\_\_\_\_ pricing. 58) \_\_\_\_\_
- A) by-product
  - B) captive-product
  - C) product bundle
  - D) skimming
  - E) optional-product**

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 59) Give two examples of products for which marketers may use optional-product pricing. 59) \_\_\_\_\_



**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 60) Competitors are most likely to react to a price change when \_\_\_\_\_. 60) \_\_\_\_\_  
A) the number of firms involved is small  
B) the purchase is uniform  
C) the buyers are not well informed  
**D) A and B**  
E) all of the above
- 61) The simplest pricing method is \_\_\_\_\_. 61) \_\_\_\_\_  
A) value-based pricing  
B) going-rate and sealed-bid pricing  
C) target profit pricing  
**D) cost-plus pricing**  
E) break-even analysis
- 62) If demand hardly changes with a small change in price, the demand is \_\_\_\_\_. 62) \_\_\_\_\_  
A) variable  
**B) inelastic**  
C) at break-even pricing  
D) value-based  
E) market penetrating

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 63) Why is price considered to be one of the most flexible elements of the marketing mix? 63) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 64) Most companies that conduct international business \_\_\_\_\_ to \_\_\_\_\_. 64) \_\_\_\_\_  
A) initiate price cuts; compensate for import tariffs and taxes  
B) use geographical pricing; reduce delivery costs  
**C) adjust their prices; take local market conditions into consideration**  
D) set a uniform price; maintain a consistent product image  
E) use promotional pricing; create excitement in new markets
- 65) Consumers who have less time and patience for watching for supermarket specials and clipping coupons would most likely prefer \_\_\_\_\_. 65) \_\_\_\_\_  
A) high-low pricing  
B) break-even pricing  
**C) EDLP**  
D) value-based pricing  
E) variable pricing
- 66) To maintain and increase a company's \_\_\_\_\_, a firm must retain or build the value of its marketing offer. 66) \_\_\_\_\_  
A) fixed cost  
**B) pricing power**  
C) variable cost  
D) target cost  
E) image

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

67) Describe the differences between dynamic and fixed pricing.

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

68) Prices have a direct impact on a company's bottom line. 68) \_\_\_\_\_

69) The frequent use of promotional pricing can lead to industry price wars. 69) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

70) Using this pricing strategy, the seller takes responsibility for part or all of the actual freight charges in order to get the desired business. 70) \_\_\_\_\_

- A) basing-point
- B) zone pricing
- C) freight-absorption
- D) loss leader
- E) FOB-origin

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

71) Using value-based pricing, a marketer would not design a product and marketing program before setting the price. 71) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

72) As production workers become better organized and more familiar with equipment, the average cost per unit decreases. This is called the \_\_\_\_\_. 72) \_\_\_\_\_

- A) demand curve
- B) short-run average cost curve
- C) experience curve
- D) long-run average cost curve
- E) marginal utility

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

73) Explain the concept of a price ceiling. 73) \_\_\_\_\_

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

74) In a pure monopoly, the market consists of one seller. 74) \_\_\_\_\_

75) When Sugar Spell Candies sets a low initial price in order to get its "foot in the door" and quickly attract a large number of buyers, the company is practicing market-skimming pricing. 75) \_\_\_\_\_

76) Product costs set a floor to the price; consumer perceptions of the product's value set the ceiling. 76) \_\_\_\_\_

77) The more elastic the demand, the more it pays for the seller to raise the price. 77) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 78) When product managers at BMX make decisions about which types of bicycle seats, handle bars, and saddlebags to offer customers on their bikes, they are engaged in \_\_\_\_\_ pricing. 78) \_\_\_\_\_
- A) captive-product
  - B) value-based
  - C) product line
  - D) optional-product**
  - E) by-product

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 79) Discuss the importance of consumer perceptions of value and costs to setting prices.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 80) What must a company using value-based pricing find out about its customers? 80) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 81) Consumer perceptions of the product's value set the \_\_\_\_\_ for prices. 81) \_\_\_\_\_
- A) image
  - B) variable cost
  - C) ceiling**
  - D) floor
  - E) demand curve

- 82) Lawyers, accountants, and other professionals typically price by adding a standard markup for profit. This is known as \_\_\_\_\_. 82) \_\_\_\_\_
- A) variable costs
  - B) break-even price
  - C) value-based pricing
  - D) cost-plus pricing**
  - E) penetration pricing

- 83) Companies usually develop product \_\_\_\_\_ rather than single products. 83) \_\_\_\_\_
- A) lines**                      B) families                      C) brands                      D) groupings                      E) images

- 84) Each of the following economic factors can have a strong impact on a firm's pricing strategy EXCEPT \_\_\_\_\_. 84) \_\_\_\_\_
- A) an economic recession
  - B) an economic boom
  - C) inflation
  - D) interest rates
  - E) the reseller's reaction to price changes**

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 85) The basic difference between customer-segment pricing and product-form pricing is that the latter offers alternative versions of the product that are priced differently but not according to differences in their costs. 85) \_\_\_\_\_

- 86) Water Light Fishing Boats is like most companies in that it commercializes its new product ideas one at a time rather than developing a product line. 86) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 87) Johnson Jet skis wants to introduce a new model of jet ski into mature markets in highly developed countries with the goal of quickly gaining mass-market share. As a consultant, you should recommend a \_\_\_\_\_ pricing strategy. 87) \_\_\_\_\_

A) market-penetration  
B) market-skimming  
C) loss-leader  
D) zone  
E) captive-product

- 88) With a higher volume of product, most companies can expect to \_\_\_\_\_. 88) \_\_\_\_\_

A) become less efficient  
B) gain economies of scale  
C) have a straight, horizontal learning curve  
D) see average costs increase  
E) find competitors using the experience curve strategically

- 89) The relationship between the price charged and the resulting demand level can be shown as the \_\_\_\_\_. 89) \_\_\_\_\_

A) variable cost  
B) experience curve  
C) break-even pricing  
D) target cost  
E) demand curve

- 90) Price elasticity of demand is \_\_\_\_\_ divided by \_\_\_\_\_. 90) \_\_\_\_\_

A) percent change in quantity demanded; percent change in price  
B) the going price; the asking price  
C) percent change in price; percent change in quantity demanded  
D) demand; price  
E) none of the above

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 91) Give two examples of products for which captive-product pricing may be used. 91) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 92) A quantity discount is a price reduction to buyers who purchase \_\_\_\_\_. 92) \_\_\_\_\_

A) superior merchandise  
B) inferior merchandise  
C) large volumes  
D) frequently  
E) close outs

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 93) Zone pricing involves the customer paying for the shipping if they live outside the zone where the company is located. 93) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 94) Under \_\_\_\_\_, the market consists of many buyers and sellers trading in a uniform commodity such as wheat, copper, or financial securities. 94) \_\_\_\_\_
- A) oligopolistic competition
  - B) pure competition**
  - C) monopolistic competition
  - D) anti-trust agreements
  - E) a pure monopoly

**Refer to the scenario below to answer the following questions.**

Nour Manufacturing produces small kitchen appliances — blenders, hand mixers, and electric skillets — under the brand name First Generation. Nour attempts to target newlyweds and first-time home buyers with this brand.

In considering that most young households have limited financial resources, Nour has attempted to engage in target costing. "In doing this," Gamal Nour stated, "we have better control over keeping price right in line with customers."

Nour manufactures a three-speed blender, its top seller, and a five-speed blender. The hand mixers are manufactured in two styles — a small hand-held mixer with two rotating beaters and a similar style that comes with an optional stand and attached mixing bowl. Nour's temperature-controlled skillets are manufactured in one style with three color options.

"Our product offerings are narrower," Gamal Nour added, "but our line workers know each product like the back of their hands. This allows us to produce superior products while holding our prices low."

- 95) Gamal Nour says that his line workers "know each product like the back of their hands," and that this knowledge helps the company keep its prices low. This indicates that Nour Manufacturing most likely uses which of the following strategies? 95) \_\_\_\_\_
- A) target profit pricing
  - B) value-based pricing
  - C) cost-plus pricing
  - D) the experience curve**
  - E) cost-based pricing

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 96) Describe what a demand curve is and explain how it helps businesses.

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 97) When using product bundle pricing, sellers combine several of their products and offer the bundle at an increased price for increased profit. 97) \_\_\_\_\_
- 98) The simplest pricing method is cost-plus pricing, which involves adding a standard markup to the cost of the product. 98) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 99) Companies bringing out a new product can choose between two broad strategies: market-skimming pricing and market-penetration pricing. Distinguish between the two.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 100) Why is product line pricing used? 100) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 101) When McDonald's and other fast food restaurants offer "value menu" items at surprisingly low prices, they are using \_\_\_\_\_. 101) \_\_\_\_\_  
A) cost-plus pricing  
B) target profit pricing  
C) bundling  
D) value pricing  
E) break-even pricing
- 102) Which of the following statements is a reason why markup pricing is NOT practical? 102) \_\_\_\_\_  
A) By tying the price to cost, sellers simplify pricing.  
B) This method ignores demand.  
C) Sellers earn a fair return on their investment.  
D) With a standard markup, consumers know when they are being overcharged.  
E) When all firms in the industry use this pricing method, prices tend to be similar.
- 103) Which of the following is NOT a price adjustment strategy? 103) \_\_\_\_\_  
A) free samples  
B) geographical pricing  
C) segmented pricing  
D) seasonal pricing  
E) promotional pricing
- 104) \_\_\_\_\_ costs are the sum of the \_\_\_\_\_ and \_\_\_\_\_ costs for any given level of production. 104) \_\_\_\_\_  
A) Total; fixed; variable  
B) Fixed; variable; total  
C) Fixed; total; variable  
D) Break-even; fixed; total  
E) Variable; fixed; total
- 105) Quantity discounts provide an incentive to the customer to buy \_\_\_\_\_. 105) \_\_\_\_\_  
A) bundled merchandise  
B) less from another competitor  
C) more from one given seller, rather than from many different sources  
D) more than he or she needs  
E) more products or services from a variety of sellers

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 106) Just Bags prices its various types of bags at ten different price levels, ranging from \$2.00 to \$4.95. This is an illustration of price steps. 106) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 107) \_\_\_\_\_ involves charging a constant, everyday low price with few or no temporary price discounts. 107) \_\_\_\_\_  
A) High-low pricing  
B) Cost-plus pricing  
C) Target pricing  
D) EDLP  
E) Penetration pricing
- 108) A manufacturer is trying to determine its break-even volume. With fixed costs of \$100,000, a variable cost of \$10, and expected sales of 50,000 units, what should the manufacturer's unit cost be to break even? 108) \_\_\_\_\_  
A) \$20  
B) \$16  
C) \$12  
D) \$10  
E) none of the above
- 109) The long-run average cost curve (LRAC) helps the producer understand which of the following? 109) \_\_\_\_\_  
A) It deals mainly with competitors' prices.  
B) It shows how large a business should be, to be most efficient.  
C) It deals mainly with external factors.  
D) all of the above  
E) none of the above
- 110) If demand falls by 1 percent when price is increased by 2 percent, then \_\_\_\_\_. 110) \_\_\_\_\_  
A) elasticity is  $-\frac{1}{2}$   
B) demand is inelastic  
C) demand is elastic  
D) buyers are not price sensitive  
E) A and B
- 111) The experience curve reveals that \_\_\_\_\_. 111) \_\_\_\_\_  
A) the average cost drops with accumulated production experience  
B) repetition in production enhances efficiency  
C) repetition in production lowers costs  
D) all of the above  
E) none of the above

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 112) For what types of products might marketers use market-penetration pricing? 112) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 113) When consumers cannot judge quality because they lack the information or skill, price becomes \_\_\_\_\_ 113) \_\_\_\_\_
- A) less important
  - B) insignificant
  - C) the only driver of the purchase
  - D) an important quality signal**
  - E) none of the above
- 114) With \_\_\_\_\_ pricing, price is set to match consumers' perceptions of product value. 114) \_\_\_\_\_
- A) cost-based
  - B) variable cost
  - C) cost-plus
  - D) every day low
  - E) value-based**

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 115) Explain the psychology behind a price of \$9.99 instead of \$10.00. 115) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 116) Manor Cinemas has announced that seniors over 60 years of age can enter the theater for free prior to 4:00 p.m. when accompanied by a paying customer. This is an example of \_\_\_\_\_. 116) \_\_\_\_\_
- A) product bundle pricing
  - B) promotional pricing**
  - C) by-product pricing
  - D) discounts and allowances
  - E) none of the above
- 117) When there is price competition, many companies adopt \_\_\_\_\_ rather than cutting prices to match competitors. 117) \_\_\_\_\_
- A) price elasticity
  - B) image pricing
  - C) value-added strategies**
  - D) fixed costs
  - E) pricing power
- 118) A marketer must be familiar with the five major product mix pricing situations. Which of the following is NOT one of them? 118) \_\_\_\_\_
- A) product line pricing
  - B) unbundled product pricing**
  - C) captive-product pricing
  - D) by-product pricing
  - E) optional-product pricing



- 119) When a company charges the same rate to ship a product anywhere in the Middle East, it is using which form of geographic pricing? 119) \_\_\_\_\_
- A) FOB-factory
  - B) uniform delivered**
  - C) basing-point
  - D) FOB-delivered
  - E) FOB-origin

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 120) An upward-sloping experience curve is beneficial for a company. 120) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 121) As a manufacturer decreases price, \_\_\_\_\_ volume increases. 121) \_\_\_\_\_
- A) sales
  - B) target
  - C) break-even**
  - D) cost-plus pricing
  - E) total cost

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 122) Target profit pricing is used when a firm tries to determine the price at which it will break even or make the profit it is seeking. 122) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 123) If demand changes greatly with a small change in price, the demand is \_\_\_\_\_. 123) \_\_\_\_\_
- A) value-based
  - B) variable
  - C) elastic**
  - D) inelastic
  - E) fixed

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 124) Environmental elements are categorized as external factors that affect pricing decisions. 124) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 125) Lily cleaning service has a history of problems with customers who do not pay their bills on time. Lily wants to improve its cash situation, reduce bad debts, and reduce credit-collection costs. The company might consider which of the following forms of pricing? 125) \_\_\_\_\_
- A) by-product
  - B) cash discounts**
  - C) inflation-adjusted
  - D) penetration
  - E) captive-product

- 126) Price setting is usually determined by \_\_\_\_\_ in large companies. 126) \_\_\_\_\_  
A) top management  
B) divisional managers  
C) product line managers  
D) pricing departments  
E) both B and C
- 127) Procter & Gamble surveyed the market and identified an unserved segment of the electric toothbrush market. Using these results, they created Spinbrush. The unorthodox order of this marketing mix decision is an example of \_\_\_\_\_. 127) \_\_\_\_\_  
A) cost-plus pricing  
B) penetration pricing  
C) value-based pricing  
D) target costing  
E) competition-based pricing
- 128) Companies are fortunate to have demand that is more \_\_\_\_\_ because they may be able to set higher prices. 128) \_\_\_\_\_  
A) elastic                      B) fixed                      C) inelastic                      D) internal                      E) external
- 129) Karim and Omar both own leather jackets and are currently shopping for two new ones. They both have prices in mind and refer to them when shopping. These prices are termed \_\_\_\_\_. 129) \_\_\_\_\_  
A) psychological prices  
B) reference prices  
C) comparison prices  
D) skimmed prices  
E) price points
- 130) \_\_\_\_\_ pricing is the approach of setting a low initial price in order to attract a large number of buyers quickly and win a large market share. 130) \_\_\_\_\_  
A) Below-market  
B) Market-skimming  
C) Market-penetration  
D) Value-based  
E) Leader
- 131) Among the following, a market-penetration strategy will likely be most effective with \_\_\_\_\_. 131) \_\_\_\_\_  
A) any specialty item  
B) convenience items for which there is much competition  
C) an electronic device for which R&D must be recouped  
D) pharmaceuticals  
E) none of the above
- 132) Which of the following statements about break-even analysis is true? 132) \_\_\_\_\_  
A) It is used to determine how much production experience a company must have to achieve desired efficiencies.  
B) It is a technique marketers use to examine the relationship between supply and demand.  
C) It is calculated using variable costs, the unit price, and fixed costs.  
D) It determines the amount of retained earnings a company will have during an accounting period.  
E) It is a technique used to calculate fixed costs.

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

133) Explain how break-even analysis can be used for target profit pricing.

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

134) The Ahly Club charges different prices for seats in different areas of the stadium, even though the costs are the same. This is called \_\_\_\_\_ pricing. 134) \_\_\_\_\_

- A) location
- B) flexible
- C) skimming
- D) product form
- E) penetration

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

135) Pricing strategies tend to change and evolve as the average product passes through its life cycle. 135) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

136) Identify and define the internal factors affecting a firm's pricing decisions.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

137) How do consumers benefit from product bundle pricing? 137) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

138) Nonregulated monopolies are free to price at what the market will bear. However, they do not always charge the full price for a number of reasons. What is NOT one of those reasons? 138) \_\_\_\_\_

- A) They want to encourage government regulations.
- B) They don't want to attract competition.
- C) They want to penetrate the market faster with a low price.
- D) They have a fear of government regulation.
- E) They want to please a large group of consumers.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

139) If demand is elastic, will sellers consider lowering their prices? Explain. 139) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

140) By definition, \_\_\_\_\_ pricing is used when a firm sells a product or service at two or more prices, even though the difference in price is not based on differences in cost. 140) \_\_\_\_\_

- A) reference
- B) variable
- C) cost-plus
- D) flexible
- E) segmented

- 141) There are many reasons why a firm might consider cutting its price. All of the following are among them EXCEPT \_\_\_\_\_. 141) \_\_\_\_\_
- A) monopolistic competition
  - B) excess capacity
  - C) a drive to dominate the market through lower costs
  - D) a drive to gain market share and cut costs through volume
  - E) falling demand in the face of strong price competition

- 142) Price is the only element in the marketing mix that produces \_\_\_\_\_. 142) \_\_\_\_\_
- A) variable costs
  - B) outfixed costs
  - C) stability
  - D) revenue
  - E) expenses

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 143) Fixed price policies—one price for all buyers—is a relatively modern idea that arose at the end of the nineteenth century. 143) \_\_\_\_\_
- 144) Most companies adjust their basic prices to account for various customer differences and changing situations. 144) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 145) General Motors prices its automobiles to achieve a 15 to 20 percent profit on its investment. This approach is called \_\_\_\_\_. 145) \_\_\_\_\_
- A) low-price image
  - B) going-rate pricing
  - C) cost-plus pricing
  - D) value-based pricing
  - E) target profit pricing

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 146) L.L. Bean sells its catalog items with FOB-origin pricing. Who pays the freight charges? 146) \_\_\_\_\_

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 147) Cost-based pricing relies on consumer perception of value to drive pricing. 147) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 148) With product bundle pricing, sellers can combine several products and offer the bundle \_\_\_\_\_. 148) \_\_\_\_\_
- A) as a working unit
  - B) as a complete self-service package
  - C) as a reward to loyal customers
  - D) at a reduced price
  - E) as segmented pricing

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

149) Explain price elasticity.

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 150) Airlines, hotels, and restaurants call segmented pricing \_\_\_\_\_. 150) \_\_\_\_\_
- A) location pricing
  - B) segmented
  - C) service pricing
  - D) yield management**
  - E) time pricing

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 151) Your company may respond to a competitor's price reduction by launching a low-price fighting brand. This is likely necessary if the particular market segment being lost is price sensitive and will not respond to arguments of higher quality. 151) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 152) If Dubai Electronics charges the same price for delivery of their product to any customer that is located within the Dubai and Sharjah areas, the company is using \_\_\_\_\_ pricing. 152) \_\_\_\_\_
- A) zone**
  - B) uniform-delivered
  - C) reference
  - D) psychological
  - E) promotional

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 153) Average unit cost increases with accumulated production experience. 153) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 154) HiPoint Telephone Company uses two-part pricing for its long-distance call charges. Because this is a service, the price is broken into a fixed rate plus a \_\_\_\_\_. 154) \_\_\_\_\_
- A) standard usage rate
  - B) variable usage rate**
  - C) market usage rate
  - D) fixed rate usage
  - E) none of the above

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 155) A break-even chart shows the total cost and total revenue expected at various sales volume levels. 155) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 156) Target profit pricing uses the concept of a \_\_\_\_\_, which shows the total cost and total revenue expected at different sales volume levels. 156) \_\_\_\_\_  
A) competition-based chart  
B) unit cost  
C) demand-curve  
**D) break-even chart**  
E) value-based chart
- 157) A company would most likely consider launching a low-price "fighting brand" in response to a competitor reducing prices if the market segment being lost \_\_\_\_\_. 157) \_\_\_\_\_  
A) is not price sensitive  
B) responds to arguments of higher quality  
**C) is price sensitive**  
D) has shifted culturally  
E) no longer demands the product
- 158) A firm is using \_\_\_\_\_ when it charges a high, premium price for a new product with the intention of reducing the price in the future. 158) \_\_\_\_\_  
A) prestige pricing  
B) trial pricing  
C) value pricing  
D) market-penetration pricing  
**E) price skimming**
- 159) \_\_\_\_\_ pricing is a cost-based approach. 159) \_\_\_\_\_  
A) value-based  
B) going-rate  
**C) target profit**  
D) good value  
E) A and C
- 160) Under which type of geographic pricing strategy does each customer pay the exact freight for the product from the factory to its destination? 160) \_\_\_\_\_  
A) zone pricing  
B) dynamic pricing  
**C) FOB-origin pricing**  
D) uniform-delivered pricing  
E) basing-point pricing

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 161) Explain the concept of a price floor. 161) \_\_\_\_\_

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 162) When Move On the Spot, a house mover, sells boxes and pads that must be used in moving a household's furniture, the company is practicing by-product pricing. 162) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 163) Under \_\_\_\_\_, the market consists of many buyers and sellers who trade over a range of prices rather than a single market price. 163) \_\_\_\_\_
- A) pure competition
  - B) pure monopoly
  - C) oligopolistic competition
  - D) monopolistic competition**
  - E) socialism

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 164) The demand curve shows the number of units the market will buy in a given time period at different prices that might be charged. In normal cases, the higher the price, the lower the demand. 164) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 165) If a seller charges \_\_\_\_\_ than the buyer's perceived value, the company's sales will \_\_\_\_\_. 165) \_\_\_\_\_
- A) more; suffer**
  - B) less; suffer
  - C) less; increase
  - D) more; benefit
  - E) none of the above

- 166) Many producers who use captive-product pricing set the price of the main product \_\_\_\_\_ and set \_\_\_\_\_ markups on the supplies necessary to use the product. 166) \_\_\_\_\_
- A) high; high
  - B) low; high**
  - C) low; low
  - D) high; low
  - E) moderately; moderate

- 167) \_\_\_\_\_ is a company's power to escape price competition and to justify higher prices and margins. 167) \_\_\_\_\_
- A) Variable cost
  - B) Pricing power**
  - C) Unit cost
  - D) Fixed cost
  - E) Target cost

- 168) \_\_\_\_\_ describes how responsive demand will be to a change in price. 168) \_\_\_\_\_
- A) Price elasticity**
  - B) Break-even pricing
  - C) Supply
  - D) Target costing
  - E) The demand curve

- 169) Gamal Nour uses a target costing strategy. Which of the following is he most likely to do in executing this strategy? 169) \_\_\_\_\_
- A) base his price on competitors' prices
  - B) start with customer-value considerations**
  - C) use a break-even chart to determine pricing
  - D) use everyday low pricing
  - E) start by determining the costs of a new product
- 170) Price escalation in international markets may result from differences in market conditions or \_\_\_\_\_. 170) \_\_\_\_\_
- A) selling strategies**
  - B) language barriers
  - C) cultural preferences
  - D) customer perceptions
  - E) regional tastes
- 171) If Nour raises the price on the handheld mixer by 2 percent and quantity demanded falls by 10 percent, what is the price elasticity of demand? 171) \_\_\_\_\_
- A) 12
  - B) 5
  - C) -5
  - D) -8
  - E) -12
- 172) Which of the following is an external factor that affects pricing decisions? 172) \_\_\_\_\_
- A) the salaries of production management
  - B) competition**
  - C) the salaries of finance management
  - D) funds expensed to clean production equipment
  - E) A, B, and C
- 173) Many independent local retailers are losing business to Carrefour. This is most likely because they cannot match Carrefour's pricing strategy of \_\_\_\_\_. 173) \_\_\_\_\_
- A) negotiated pricing
  - B) fixed prices
  - C) EFGF
  - D) EDLP**
  - E) skimming pricing

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 174) Pricing and price competition account for the number-one problem facing many marketing executives. What are some of the frequent problems that companies encounter?

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 175) If Canon Camera Company follows a high-price, high-margin strategy, what will competitors such as Nikon, Minolta, and Pentax most likely do? 175) \_\_\_\_\_
- A) They will want to compete against Canon.**
  - B) They will go out of business.
  - C) They will advertise less.
  - D) They will bundle their products.
  - E) none of the above



**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 176) When a manufacturer seeks a market for by-products and accepts a price that covers more than the cost of storing and delivering those by-products, the manufacturer is able to reduce the main product's price to make it more competitive. 176) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 177) Rent, electricity and executive salaries are examples of \_\_\_\_\_ costs. 177) \_\_\_\_\_  
A) fixed  
B) marketing  
C) accumulated  
D) variable  
E) total
- 178) Of the following, which statement would NOT support a market-skimming policy for a new product? 178) \_\_\_\_\_  
A) The product's quality and image support its higher price.  
B) Enough buyers want the products at that price.  
C) Competitors are not able to undercut the high price.  
D) Competitors can enter the market easily.  
E) C and D

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 179) When would price cuts and price increases be necessary?

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 180) \_\_\_\_\_ uses buyers' perceptions of what a product is worth, not the seller's cost, as the key to pricing. 180) \_\_\_\_\_  
A) Value-added pricing  
B) Value-based pricing  
C) Price elasticity  
D) Variable cost  
E) Product image
- 181) Assume a manufacturer with fixed costs of \$100,000, a variable cost of \$10, and expected sales of 50,000 units wants to earn a 20-percent markup on sales. What is the manufacturer's markup price? 181) \_\_\_\_\_  
A) \$15  
B) \$18  
C) \$14  
D) \$18.50  
E) none of the above
- 182) Mach 3 razor blades must be used in the Mach 3 razor. Which type of pricing is most likely used? 182) \_\_\_\_\_  
A) captive-product pricing  
B) optional-product pricing  
C) product line pricing  
D) by-product pricing  
E) product bundle pricing

- 183) Xbox 360 decides to add a free subscription to XBOX magazine with every game bought in an effort to differentiate its offering from PS3 games. This is an example of \_\_\_\_\_ pricing. 183) \_\_\_\_\_
- A) add-on
  - B) cost-based
  - C) product-support
  - D) good-value
  - E) value-added

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 184) When are competitors most likely to react to price changes? How can a firm anticipate the likely reactions of its competitors?

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 185) A challenge for management in product line pricing is to decide on the price steps between the \_\_\_\_\_. 185) \_\_\_\_\_
- A) product mixes
  - B) various target markets
  - C) product groupings
  - D) product lines
  - E) various products in a line
- 186) By pledging to be a leader in providing clean, renewable energy sources and developing products and services that help consumers protect the environment, Green Mountain Power competes successfully against "cheaper" brands that focus on more price-sensitive consumers. Green Mountain Power has the firm belief that even kilowatt-hours can be \_\_\_\_\_. 186) \_\_\_\_\_
- A) given a cost-plus price
  - B) a demand curve
  - C) given a value-based price
  - D) differentiated
  - E) none of the above

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 187) Why do businesses use cash discounts when they are in essence losing some money on the sale?

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 188) Manufacturers may offer functional discounts within trade channels for channel members who store inventory. 188) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 189) In industries in which pricing is a key factor, \_\_\_\_\_ often set the best prices or help others in setting them. 189) \_\_\_\_\_
- A) sales managers
  - B) finance managers
  - C) pricing departments
  - D) production managers
  - E) top managers

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

190) Value-based pricing is being used when costs vary directly with the level of product. 190) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

191) Explain product line pricing.

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

192) When customers buy products from manufacturers' dealers within a specified time period, the manufacturer sends the customer a check called a \_\_\_\_\_. 192) \_\_\_\_\_

- A) dealer reduction
- B) cash rebate**
- C) promotional pricing reward
- D) discount allowance
- E) discount

193) The New Age Gallery has three admission prices for students, adults, and seniors. All three groups are entitled to the same services. This is called \_\_\_\_\_ pricing. 193) \_\_\_\_\_

- A) generational
- B) location
- C) revenue management
- D) customer-segmented
- E) time

194) A company faces fixed costs of \$100,000 and variable costs of \$8.00/unit. They plan to directly sell their product to the market for \$12.00. How many units must they produce and sell to break even? 194) \_\_\_\_\_

- A) 20,000
- B) 25,000
- C) 50,000
- D) 40,000
- E) not enough information to calculate

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

195) Segmented pricing is known by other names; two of the most common are revenue management and yield management. 195) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

196) What type of pricing is being used when a company temporarily prices its product below the list price or even below cost to create buying excitement and urgency? 196) \_\_\_\_\_

- A) dynamic pricing
- B) referent pricing
- C) promotional pricing
- D) segmented pricing
- E) psychological pricing

## Answer Key

Testname: UNTITLED6

- 1) C
- 2) D
- 3) With a downward-sloping experience curve, not only will the company's unit production cost fall, but it will fall faster if the company makes and sells more during a given time period.
- 4) The market consists of one seller that dominates the market.
- 5) A
- 6) In recent decades, nonprice factors have gained increasing importance. However, price still remains one of the most important elements determining a firm's market share and profitability.
- 7) FALSE
- 8) D
- 9) TRUE
- 10) E
- 11) TRUE
- 12) A
- 13) D
- 14) B
- 15) B
- 16) Top management sets prices in small companies, whereas divisional or product line managers typically set prices in large companies.
- 17) In some cases, a company can set a uniform worldwide price. However, most companies adjust their prices to reflect local market conditions and cost considerations. A firm must consider economic conditions, competitive situations, laws and regulations, and development of the wholesale and retail system. Consumer perceptions and preferences also may vary from country to country, calling for different prices. The company may have different marketing objectives in various world markets. Costs play an important role in setting international prices. Management must prepare for price escalation that may result from the differences in selling strategies or market conditions. The additional costs of product modifications, shipping and insurance, import tariffs and taxes, exchange-rate fluctuations, and physical distributions must all be factored into the "price."
- 18) (a) The break-even point in units is 50,000 units. (b) The break-even point in dollar sales is \$1,200,000. (c) The profit is \$80,000.
- 19) B
- 20) C
- 21) TRUE
- 22) B
- 23) B
- 24) C
- 25) Such pricing works when the product's quality and image support the higher price; for example, companies selling high-tech electronics may use market-skimming pricing.
- 26) B
- 27) E
- 28) A
- 29) E
- 30) TRUE
- 31) TRUE
- 32) A
- 33) FALSE
- 34) C
- 35) D
- 36) FALSE
- 37) C
- 38) C

## Answer Key

Testname: UNTITLED6

- 39) Fixed costs and variable costs make up total cost.
- 40) Examples could include selling scrap metal after producing metal stampings or selling donut holes after producing donuts.
- 41) B
- 42) FALSE
- 43) A
- 44) **Economic conditions** affect both the costs of producing a product and consumer perceptions of the product's price and value. The company should also encourage and support **resellers** and help them to sell the product effectively. The **government**, in the form of local, state, and federal laws, is another important influence on pricing decisions. Finally, **social concerns** impact pricing, especially when a company's short-term sales, market share, and profit goals may have to be tempered by broader societal considerations.
- 45) With good-value pricing, a marketer offers just the right combination of quality and good service at a fair price.
- 46) A
- 47) TRUE
- 48) TRUE
- 49) A consumer might believe that he or she is getting a good deal on a quality product, or a consumer might believe that the quality of the product has been reduced.
- 50) Customer-segment pricing, product-form pricing, location pricing, and time pricing are all examples.
- 51) Under pure competition, the market consists of many buyers and sellers trading in a uniform commodity. No single buyer or seller has much effect on the going market price. Under oligopolistic competition, the market consists of few sellers who are highly sensitive to each other's pricing and marketing strategies. The product can be uniform or nonuniform. There are few sellers because it is difficult for new sellers to enter the market. Each seller is alert to competitors' strategies and moves.
- 52) FALSE
- 53) FALSE
- 54) Under oligopolistic competition, the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. There are few sellers because it is difficult for new sellers to enter the market. Under a pure monopoly, the market consists of one seller. Pricing is handled differently in each case. The seller may be a government monopoly, a private nonregulated monopoly, or a private regulated monopoly.
- 55) D
- 56) D
- 57) D
- 58) E
- 59) Such products may include refrigerators with icemakers and cars with options such as stereos, GPS, and cruise control.
- 60) D
- 61) D
- 62) B
- 63) Price can be changed quickly.
- 64) C
- 65) C
- 66) B
- 67) Throughout most of history, prices were set by negotiation between buyers and sellers. The fixed price policy—setting one price for all buyers—is a relatively modern idea that arose with the development of large-scale retailing at the end of the nineteenth century. Today most prices are set this way. However, some companies are now reversing the fixed pricing trend. They are using dynamic pricing, adjusting prices continually to meet the characteristics and needs of individual customers and situations. Dynamic pricing makes sense in many contexts, as it adjusts prices according to market forces, and it often works to the benefit of the customer.
- 68) TRUE
- 69) TRUE
- 70) C

## Answer Key

Testname: UNTITLED6

- 71) TRUE
- 72) C
- 73) A price ceiling is the highest price charged at which there is still some consumer demand.
- 74) TRUE
- 75) FALSE
- 76) TRUE
- 77) FALSE
- 78) D
- 79) Customer perceptions of value set the upper limit for prices, and costs set the lower limit. However, in setting prices within these limits the company must then consider other internal and external factors. Internal factors affecting pricing include the company's overall marketing strategy, objectives, and marketing mix, as well as other organizational considerations. External factors include the nature of the market and demand, competitors' strategies and prices, and other environmental factors.
- 80) They must determine the specific value that individual buyers assign to different competitive offers.
- 81) C
- 82) D
- 83) A
- 84) E
- 85) TRUE
- 86) FALSE
- 87) A
- 88) B
- 89) E
- 90) A
- 91) Captive-product pricing is used when theater tickets are sold, and refreshments in the theatre are then priced at a higher level; it is also used when pricing game consoles along with video games.
- 92) C
- 93) FALSE
- 94) B
- 95) D
- 96) It estimates consumer demand at different prices. In a monopoly, the demand curve shows the total market demand resulting from different prices. If the company faces competition, its demand at different prices will depend on whether competitors' prices stay constant or change with the company's own prices.
- 97) FALSE
- 98) TRUE
- 99) Market skimming is used to skim revenues layer by layer from the market by entering the market with high initial prices. The product's quality and image must support its higher price, and enough buyers must want the product at that price. The costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more. Competitors should not be able to enter the market easily and undercut the high price. Market penetration is used to penetrate the market quickly and deeply to attract a large number of buyers quickly and win a large market share by setting a low price initially when it enters the market. The market must be highly price sensitive so that a low price produces more market growth. Production and distribution costs must fall as sales volume increases. Also, the low price must help keep out competition and be maintained over time.
- 100) Such pricing is used to establish price ranges—or price steps—within product lines.
- 101) D
- 102) B
- 103) A
- 104) A
- 105) C
- 106) TRUE

## Answer Key

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- 107) D
- 108) C
- 109) B
- 110) E
- 111) D
- 112) Marketers use such pricing when attempting to attract a large number of buyers quickly and win a large market share; such pricing may be common when competition for products is high.
- 113) D
- 114) E
- 115) Consumers typically see the \$9.99 product in the \$9 range instead of the \$10 range; the price appears to psychologically be cheaper.
- 116) B
- 117) C
- 118) B
- 119) B
- 120) FALSE
- 121) C
- 122) TRUE
- 123) C
- 124) TRUE
- 125) B
- 126) E
- 127) D
- 128) C
- 129) B
- 130) C
- 131) B
- 132) C
- 133) The firm determines the price at which it will break even. The firm can also add the target profit to the fixed costs and then determine the new, "break-even point," which now includes the target profit. Pricing decisions can be made by examining where the total revenue and total cost curves intersect on a break-even chart at different price points and sales volume.
- 134) A
- 135) TRUE
- 136) Costs are an important consideration in setting prices. However, cost-based pricing is product-driven rather than customer-driven. The company designs what it considers to be a good product and sets a price that covers costs plus a target profit. If the price turns out to be too high, the company must settle for lower markups or lower sales, both resulting in disappointing profits. Other *internal* factors that influence pricing decisions include the company's overall marketing strategy, objectives, mix, and organization for pricing. Common pricing objectives might include survival, current profit maximization, market share leadership, or customer retention and relationship building. Price decisions must be co-ordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing program.
- 137) Several products are sold together at a reduced rate; vacation packages that include air and hotel or value meals in the fast-food industry are examples.
- 138) A
- 139) Yes. A lower price will produce more needed revenue, as consumers will respond to the change in price and buy more.
- 140) E
- 141) A
- 142) D
- 143) TRUE

## Answer Key

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- 144) TRUE
- 145) E
- 146) The customer pays for the freight.
- 147) FALSE
- 148) D
- 149) Price elasticity is a measure of the sensitivity of demand to changes in price. If demand for a product hardly changes with a small change in price, we say the demand is inelastic. If demand changes greatly, we say the demand is elastic.
- 150) D
- 151) TRUE
- 152) A
- 153) FALSE
- 154) B
- 155) TRUE
- 156) D
- 157) C
- 158) E
- 159) C
- 160) C
- 161) A price floor is the lowest price charged at which the company still earns some profits.
- 162) FALSE
- 163) D
- 164) TRUE
- 165) A
- 166) B
- 167) B
- 168) A
- 169) B
- 170) A
- 171) C
- 172) B
- 173) D
- 174) The pricing environment changes at a fast pace, and value-seeking customers have put increased pricing pressure on many companies. However, companies are often too quick to reduce prices in order to get a sale rather than convincing buyers that their products are worth a higher price. A company's pricing, in addition, is often too cost-oriented rather than customer-value oriented. Companies have prices that are not revised often enough to reflect market changes. Another common problem is pricing that does not take the rest of the marketing mix into account.
- 175) A
- 176) TRUE
- 177) A
- 178) D
- 179) Price cuts may be necessary when there is excess capacity. Another time to cut prices is when market share is falling in the face of strong price competition. A company may also cut prices in a drive to dominate the market through lower costs. A major factor in price increases is cost inflation. Rising costs squeeze profit margins and lead companies to pass cost increases along to customers. Another factor leading to price increases is over-demand. When a company cannot supply all its customers' needs, it can raise its prices, ration products to customers, or both.
- 180) B
- 181) A
- 182) A
- 183) E



## Answer Key

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- 184) Competitors are most likely to react when the number of firms involved is small, when the product is uniform, and when the buyers are well informed. If the firm faces one large competitor, and if the competitor tends to react in a set way to price changes, that reaction can be easily anticipated. But if the competitor treats each price change as a fresh challenge and reacts according to its self-interest, the company will have to figure out just what makes up the competitor's self-interest at the time.
- 185) E
- 186) D
- 187) Such discounts are customary in many industries in order to reward a customer who pays their bill promptly. The practice encourages customers to pay early, giving the firm quicker and more reliable access to cash. A cash discount can also help to build customer loyalty to the firm.
- 188) TRUE
- 189) C
- 190) FALSE
- 191) With this option, management must decide on the price steps to set between the various products in a line. The price steps should take into account cost differences between the products in a line, customer evaluations of their different features, and competitors' prices. The seller's task is to establish perceived quality differences that support the price differences between various price points.
- 192) B
- 193) D
- 194) B
- 195) TRUE
- 196) C