

Chapter 11 Pricing Strategies

1) A company sets not a single price, but rather a _____ that covers different items in its line that change over time as products move through their life cycles.

- A) pricing by-product
- B) pricing structure
- C) pricing loop
- D) pricing cycle
- E) pricing bundle

Answer: B

Diff: 1 Page Ref: 311

Skill: Concept

Objective: 11-1

2) Companies facing the challenge of setting prices for the first time can choose between two broad strategies: market-penetration pricing and _____.

- A) market-level pricing
- B) market-competitive pricing
- C) market-skimming pricing
- D) market-price lining
- E) market-price filling

Answer: C

Diff: 2 Page Ref: 312

Skill: Concept

Objective: 11-1

3) Of the following, which statement would NOT support a market-skimming policy for a new product?

- 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

Answer: D

Diff: 3 Page Ref: 312

Skill: Concept

Objective: 11-1

4) 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.

- A) price skimming
- B) trial pricing
- C) value pricing
- D) market-penetration pricing
- E) prestige pricing

Answer: A

Diff: 2 Page Ref: 312

Skill: Concept

Objective: 11-1

5) _____ 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.

- A) Market-skimming
- B) Market-penetration
- C) Below-market
- D) Value-based
- E) Leader

Answer: B

Diff: 1 Page Ref: 313

Skill: Concept

Objective: 11-1

6) Accent Software faces the conditions below, all of which support Accent's use of a market-penetration pricing strategy EXCEPT that _____.

- A) the market is highly price sensitive
- B) production and distribution costs will fall as sales volume increases
- C) the product's quality and image support a high price
- D) a low price would help keep out the competition
- E) A and C

Answer: C

Diff: 3 Page Ref: 313

Skill: Concept

Objective: 11-1

7) Which of the following is a reason that a marketer would choose a penetration pricing strategy?

- A) to ensure the company has the ability to increase prices once demand decreases
- B) to focus on the rapid achievement of profit objectives
- C) to appeal to different consumer segments with different levels of price sensitivity
- D) to create markets for highly technical products
- E) to discourage competition from entering the market

Answer: E

Diff: 3 Page Ref: 313

Skill: Concept

Objective: 11-1

8) Companies usually develop _____ rather than single products.

- A) product families
- B) product lines
- C) product groupings
- D) product brands
- E) product images

Answer: B

Diff: 1 Page Ref: 313

Skill: Concept

Objective: 11-2

9) A marketer must be familiar with the five major product mix pricing situations. Which of the following is NOT one of them?

- A) product line pricing
- B) optional-product pricing
- C) captive-product pricing
- D) unbundled product pricing
- E) by-product pricing

Answer: D

Diff: 3 Page Ref: 313

Skill: Concept

Objective: 11-2

10) A challenge for management in product line pricing is to decide on the price steps between the _____.

- A) various products in a line
- B) product mixes
- C) product groupings
- D) product lines
- E) various target markets

Answer: A

Diff: 2 Page Ref: 313

Skill: Concept

Objective: 11-2

11) When using price steps, the seller must establish perceived _____ that support the price differences.

- A) nonprice competitions
- B) quality differences
- C) quantity levels
- D) images
- E) strategies

Answer: B

Diff: 2 Page Ref: 314

AACSB: Communication

Skill: Concept

Objective: 11-2

12) Many producers who use captive-product pricing set the price of the main product _____ and set _____ on the supplies necessary to use the product.

- A) low; low markups
- B) high; low markups
- C) low; high markups
- D) high; high markups
- E) moderately; moderate markups

Answer: C

Diff: 2 Page Ref: 314

Skill: Concept

Objective: 11-2

13) When amusement parks and movie theaters charge admission plus fees for food and other attractions, they are following a(n) _____ pricing strategy.

- A) by-product
- B) optional-product
- C) captive-product
- D) skimming
- E) penetration

Answer: C

Diff: 2 Page Ref: 315

Skill: Concept

Objective: 11-2

14) 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 _____.

- A) fixed rate usage
- B) variable usage rate
- C) standard usage rate
- D) market usage rate
- E) none of the above

Answer: B

Diff: 1 Page Ref: 315

Skill: Concept

Objective: 11-2

15) Companies involved in deciding which items to include in the base price and which to offer as options are engaged in _____ pricing.

- A) product bundle
- B) optional-product
- C) captive-product
- D) by-product
- E) skimming

Answer: B

Diff: 1 Page Ref: 314

Skill: Concept

Objective: 11-2

16) Keeping in mind that a seller must sell by-products at a price that covers more than the cost of storing and delivering them, which of the following will by-product pricing permit a seller to do?

- A) increase the main product's price
- B) make extra profit
- C) reduce the main product's price
- D) none of the above
- E) B and C

Answer: E

Diff: 3 Page Ref: 315

Skill: Concept

Objective: 11-2

17) With product bundle pricing, sellers can combine several products and offer the bundle _____.

- A) as a working unit
- B) at a reduced price
- C) as a complete self-service package
- D) as a reward to loyal customers
- E) as segmented pricing

Answer: B

Diff: 1 Page Ref: 315

Skill: Concept

Objective: 11-2

18) What is a major advantage of product bundle pricing?

- A) It can promote the sales of products consumers might not otherwise buy.
- B) It offers consumers more value for the money.
- C) It combines the benefits of the other pricing strategies.
- D) It provides a more complete product experience for consumers.
- E) All of the above.

Answer: A

Diff: 2 Page Ref: 315

Skill: Concept

Objective: 11-2

19) Which of the following is NOT a price adjustment strategy?

- A) segmented pricing
- B) promotional pricing
- C) free samples
- D) geographical pricing
- E) seasonal pricing

Answer: C

Diff: 2 Page Ref: 315

Skill: Concept

Objective: 11-3

20) Service Industries, Inc., plans to offer a price-adjustment strategy in the near future. They could consider each of the following EXCEPT _____.

- A) discount and allowance pricing
- B) segmented pricing
- C) physiological pricing
- D) promotional pricing
- E) location pricing

Answer: C

Diff: 2 Page Ref: 315

Skill: Concept

Objective: 11-3

21) A quantity discount is a price reduction to buyers who purchase _____.

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

Answer: B

Diff: 2 Page Ref: 316

Skill: Concept

Objective: 11-3

22) Trade or functional discounts are offered by manufacturers to which of the following?

- A) channel members who perform tasks that the manufacturer would otherwise have to perform
- B) consumers who earn a price reduction for buying in bulk
- C) intermediaries such as financing institutions as a cost of doing business with them
- D) manufacturers that agree to exclusive distribution contracts
- E) the government market and other organizations that require bid proposals

Answer: A

Diff: 3 Page Ref: 316

Skill: Concept

Objective: 11-3

23) Which of the following is an example of a cash discount?

- A) 2/10, net 30
- B) \$5.00 with a two-pack
- C) a free case when you buy 12
- D) when you pay cash and take the product with you
- E) none of the above

Answer: A

Diff: 3 Page Ref: 316

Skill: Concept

Objective: 11-3

24) When General Motors provides payments or price reductions to its new car dealers as rewards for participating in advertising and sales support programs, it is granting a(n) _____.

- A) trade discount
- B) functional discount
- C) allowance
- D) promotional allowance
- E) trade credit

Answer: D

Diff: 1 Page Ref: 316

Skill: Concept

Objective: 11-3

25) Quantity discounts provide an incentive to the customer to buy _____.

- A) more products or services from a variety of sellers
- 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) bundled merchandise

Answer: C

Diff: 2 Page Ref: 316

Skill: Concept

Objective: 11-3

26) By definition, this type of 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.

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

Answer: A

Diff: 2 Page Ref: 316

Skill: Concept

Objective: 11-2

27) When a firm varies its price by the season, month, day, or even hour, it is using _____ pricing.

- A) revenue management
- B) penetration
- C) variable
- D) time
- E) value-added

Answer: D

Diff: 1 Page Ref: 316

Skill: Concept

Objective: 11-3

28) Airlines, hotels, and restaurants call segmented pricing _____.

- A) time pricing
- B) yield management
- C) location pricing
- D) segmented
- E) service pricing

Answer: B

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

29) Which of the following conditions should exist for segmented pricing to be an effective strategy?

- A) The market must be able to be segmented.
- B) The segments must show different degrees of demand.
- C) Competitors can't undersell in the segment being charged the higher price.
- D) All of the above.
- E) None of the above.

Answer: D

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

30) Consumers usually perceive higher-priced products as _____.

- A) not within reach of most people
- B) having a higher quality
- C) having high profit margins
- D) popular brands
- E) being in the introductory stage of the product life cycle

Answer: B

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

31) Consumer use price less to judge the quality of a product when they _____.

- A) lack information
- B) lack skills to use the product
- C) have experience with the product
- D) are shopping for a specialty item
- E) cannot physically examine the product

Answer: C

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

32) Michael and John 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 _____.

- A) psychological prices
- B) reference prices
- C) comparison prices
- D) price points
- E) skimmed prices

Answer: B

Diff: 2 Page Ref: 319

Skill: Concept

Objective: 11-3

33) Which of the following refers to the prices that a buyer carries in his or her mind and refers to when looking at a given product?

- A) target prices
- B) reference prices
- C) promotional prices
- D) geographical prices
- E) dynamic prices

Answer: B

Diff: 1 Page Ref: 319

Skill: Concept

Objective: 11-3

34) When consumers cannot judge quality because they lack the information or skill, price becomes _____.

- A) less important
- B) insignificant
- C) an important quality signal
- D) the only driver of the purchase
- E) none of the above

Answer: C

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

35) All of the following are typical ways a reference price might be formed in a buyer's mind EXCEPT _____.

- A) noting current prices
- B) remembering past prices
- C) assessing the buying situation
- D) comparing it to a new product
- E) influences from sellers

Answer: D

Diff: 2 Page Ref: 319

Skill: Concept

Objective: 11-3

36) 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?

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

Answer: D

Diff: 1 Page Ref: 320

Skill: Concept

Objective: 11-3

37) Promotional pricing can have all of the following adverse effects EXCEPT _____.

- A) creating deal-prone customers
- B) eroding the brand's value in the eyes of customers
- C) giving pricing secrets away to competitors
- D) becoming addicting to both the customer and business
- E) instigating industry price wars

Answer: C

Diff: 2 Page Ref: 320

Skill: Concept

Objective: 11-3

38) The most likely effect of the frequent use of promotional pricing is an industry _____.

- A) expansion
- B) price war
- C) erosion
- D) cooperation
- E) imbalance

Answer: B

Diff: 2 Page Ref: 320

Skill: Concept

Objective: 11-3

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

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

Answer: A

Diff: 2 Page Ref: 320

Skill: Concept

Objective: 11-3

40) Durango China Company charges all customers within a given geographical area a single total price. The more distant the area, the higher the price. This is _____.

- A) freight-absorption pricing
- B) zone pricing
- C) uniform-delivered pricing
- D) FOB-origin pricing
- E) bulk rate pricing

Answer: B

Diff: 2 Page Ref: 321

Skill: Concept

Objective: 11-3

41) Under which type of geographic pricing strategy does each customer pay the exact freight for the product from the factory to its destination?

- A) zone pricing
- B) basing-point pricing
- C) uniform-delivered pricing
- D) FOB-origin pricing
- E) dynamic pricing

Answer: D

Diff: 2 Page Ref: 321

Skill: Concept

Objective: 11-3

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

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

Answer: B

Diff: 1 Page Ref: 321

Skill: Concept

Objective: 11-3

43) Which of the following is the opposite of FOB-origin pricing?

- A) basing-point pricing
- B) freight-absorption pricing
- C) uniform-delivered pricing
- D) freight-absorption pricing
- E) zone pricing

Answer: C

Diff: 3 Page Ref: 321

Skill: Concept

Objective: 11-3

44) Freight-absorption pricing is used for _____ and _____.

- A) market penetration; higher profit margins
- B) holding on to increasingly competitive markets; higher profit margins
- C) market penetration; holding on to increasingly competitive markets
- D) generating temporary higher profits; discouraging competitors
- E) services; installations

Answer: C

Diff: 3 Page Ref: 321

Skill: Concept

Objective: 11-3

45) When a company charges the same rate to ship a product anywhere in the United States, it is using which form of geographic pricing?

- A) F.O.B. delivered
- B) F.O.B. factory
- C) F.O.B. origin
- D) uniform delivered
- E) basing-point

Answer: D

Diff: 1 Page Ref: 321

Skill: Concept

Objective: 11-3

46) The Internet offers _____, where the price can easily be adjusted to meet changes in demand.

- A) captive pricing
- B) dynamic pricing
- C) basing-point pricing
- D) price bundling
- E) cost-plus pricing

Answer: B

Diff: 2 Page Ref: 322

AACSB: Use of IT

Skill: Concept

Objective: 11-3

47) Some companies are reversing the fixed pricing trend and using _____.

- A) captive pricing
- B) segmented pricing
- C) promotional pricing
- D) dynamic pricing
- E) geographical pricing

Answer: D

Diff: 2 Page Ref: 322

Skill: Concept

Objective: 11-3

48) When pricing internationally, most companies adjust their prices to reflect _____.

- A) local market conditions
- B) cost considerations
- C) local laws and regulations
- D) exchange-rate fluctuations
- E) all of the above

Answer: E

Diff: 2 Page Ref: 323

AACSB: Multicultural and Diversity

Skill: Concept

Objective: 11-3

49) Most companies that conduct international business _____ to _____.

- A) adjust their prices; take local market conditions into consideration
- B) use promotional pricing; create excitement in new markets
- C) use geographical pricing; reduce delivery costs
- D) set a uniform price; maintain a consistent product image
- E) initiate price cuts; compensate for import tariffs and taxes

Answer: A

Diff: 2 Page Ref: 323

AACSB: Multicultural and Diversity

Skill: Concept

Objective: 11-3

50) Price escalation in international markets may result from differences in market conditions or _____.

- A) cultural preferences
- B) selling strategies
- C) regional tastes
- D) customer perceptions
- E) language barriers

Answer: B

Diff: 2 Page Ref: 323

AACSB: Multicultural and Diversity

Skill: Concept

Objective: 11-4

51) Which of the following is LEAST likely to cause price escalation in foreign markets?

- A) the additional costs of product modifications
- B) the additional costs of shipping and insurance
- C) the additional costs of import tariffs and taxes
- D) the additional costs of improving a country's infrastructure
- E) exchange rate fluctuations

Answer: D

Diff: 2 Page Ref: 323

AACSB: Multicultural and Diversity

Skill: Concept

Objective: 11-3

52) Price escalation in international markets may result from four of these five marketing conditions. Which one will have the LEAST effect?

- A) the additional cost of physical distribution
- B) exchange-rate fluctuations
- C) market stability
- D) higher costs of selling
- E) language barriers

Answer: E

Diff: 2 Page Ref: 323

AACSB: Multicultural and Diversity

Skill: Concept

Objective: 11-3

53) There are many reasons why a firm might consider cutting its price. All of the following are among them EXCEPT _____.

- A) excess capacity
- B) falling demand in the face of strong price competition
- C) a drive to dominate the market through lower costs
- D) monopolistic competition
- E) a drive to gain market share and cut costs through volume

Answer: D

Diff: 2 Page Ref: 324

Skill: Concept

Objective: 11-4

54) Which of the following is a reason for a company to raise its prices?

- A) to address the issue of overdemand for a product
- B) to win a larger share of the market
- C) to use excess capacity
- D) to boost sales volume
- E) to balance out decreasing costs

Answer: A

Diff: 1 Page Ref: 324

Skill: Concept

Objective: 11-4

55) Which of the following is a major factor that influence price increases?

- A) cost inflation
- B) surplus of raw materials
- C) government intervention
- D) foreign competition
- E) B and C

Answer: A

Diff: 2 Page Ref: 324

Skill: Concept

Objective: 11-4

56) Competitors are most likely to react to a price change when _____.

- 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

Answer: D

Diff: 2 Page Ref: 325

Skill: Concept

Objective: 11-4

57) A competitor is likely to interpret your firm's decision to cut prices in many ways, including all of the following EXCEPT as _____.

- A) an attempt to take more market share
- B) an effort to use excess capacity
- C) a personal decision due to management's personality
- D) an attempt to cut prices industry-wide
- E) A and D

Answer: C

Diff: 2 Page Ref: 326

Skill: Concept

Objective: 11-4

58) When a competitor cuts its price, a company is most likely to decide to _____ if it believes it will not lose much market share or would lose too much profit by cutting its own price.

- A) reduce its production costs
- B) reduce its marketing costs
- C) maintain its current prices and profit margin
- D) increase its marketing budget to raise the perceived value of the product
- E) increase its production costs to improve the quality of the product

Answer: C

Diff: 2 Page Ref: 326

Skill: Concept

Objective: 11-4

59) When faced with a competitor who has cut its product's price, which of the following is typically the most efficient way for a company to maintain its own price but raise the perceived value of its offer?

- A) improving the quality of the product
- B) introducing a higher-priced premium brand
- C) altering the company's marketing communications
- D) bundling the offer with add-ons
- E) distributing the product through less costly channels

Answer: C

Diff: 3 Page Ref: 326

Skill: Concept

Objective: 11-4

60) Which of the following is NOT an effective action that a company can take to combat a competitor's price cut on a product?

- A) reduce price
- B) raise perceived value
- C) improve quality and increase price
- D) bundle products together
- E) launch a low-price "fighting brand"

Answer: D

Diff: 2 Page Ref: 326

Skill: Concept

Objective: 11-4

61) When a firm improves the quality and increases the price of a product in reaction to a competitor making a price reduction, the firm in essence is _____.

- A) moving its brand into a less competitive position
- B) adversely positioning its product
- C) moving its brand into a higher price-value position
- D) creating a "fighting brand"
- E) changing its target market

Answer: C

Diff: 3 Page Ref: 327

Skill: Concept

Objective: 11-4

62) A company would most likely consider launching a low-price "fighting brand" in response to a competitor reducing prices if _____.

- A) the market segment being lost is price sensitive
- B) the market segment being lost is not price sensitive
- C) the market segment being lost responds to arguments of higher quality
- D) the market segment being lost no longer demands the product
- E) the market segment being lost has shifted culturally

Answer: A

Diff: 2 Page Ref: 327

Skill: Concept

Objective: 11-4

63) Price-fixing, predatory pricing, retail price maintenance, and deceptive pricing are examples of _____.

- A) common pricing policies
- B) major public policy issues in pricing
- C) common pricing strategies
- D) pricing policies used mostly in the wholesale sector
- E) pricing used mostly in the retail sector

Answer: B

Diff: 1 Page Ref: 327

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

64) The Sherman, Clayton, and Robinson-Patman Acts are all federal laws that were enacted to curb the formation of _____.

- A) monopolies
- B) oligopolies
- C) competitive markets
- D) international markets
- E) limited partnerships

Answer: A

Diff: 2 Page Ref: 327

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

65) When sellers set prices after talking to competitors and engaging in collusion, they are involved in _____.

- A) predatory pricing
- B) discriminatory pricing
- C) price-fixing
- D) skimming pricing
- E) penetration pricing

Answer: C

Diff: 2 Page Ref: 328

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

66) Federal legislation on price-fixing requires that sellers set their prices _____.

- A) based on their fixed and variable costs
- B) without communication from competitors
- C) to achieve a specific profit margin
- D) without the intention of cutting into competitors' profits
- E) consistently throughout a region

Answer: B

Diff: 2 Page Ref: 328

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

67) If a large retailer sold numerous items below cost with the intention of punishing small competitors and gaining higher long-run profits by putting them out of business, the retailer would be guilty of _____.

- A) price collusion
- B) price-fixing
- C) predatory pricing
- D) discriminatory pricing
- E) penetration pricing

Answer: C

Diff: 2 Page Ref: 328-329

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

68) Which of the following would most likely be considered predatory pricing?

- A) pricing below cost to get rid of a surplus
- B) pricing below cost to drive out competitors
- C) pricing below cost in order to entice customers to your store
- D) offering a suggested retail price on the manufacturer's package
- E) both B and C if the intent is to somehow harm competition

Answer: E

Diff: 3 Page Ref: 328

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

69) The Robinson-Patman Act seeks to prevent unfair _____ by ensuring that sellers offer the same price terms to customers at a given price level.

- A) marketing
- B) price discrimination
- C) competition
- D) price collusion
- E) treatment of small retailers

Answer: B

Diff: 2 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

70) Price discrimination is legal under which of the following conditions?

- A) when a manufacturer and reseller have agreed upon a specified retail price for a product
- B) when a manufacturer sells to retailers in different markets
- C) when a seller can prove its costs are different when selling to different retailers
- D) when a seller advertises prices that are not actually available to consumers
- E) when a seller has not communicated with competitors before announcing prices

Answer: C

Diff: 3 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

71) Price discrimination may be used to match competition as long as the strategy is temporary, localized, and _____.

- A) defensive
- B) offensive
- C) published
- D) private
- E) used in all channels

Answer: A

Diff: 3 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

72) Mark's Markers, a manufacturer of color markers, has required its dealers to charge a specified retail price for its markers. Mark's is most likely guilty of _____.

- A) price-fixing
- B) retail price maintenance
- C) price discrimination
- D) price collusion
- E) unfair price skimming

Answer: B

Diff: 2 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

73) _____ results when a company uses pricing methods that make it difficult for consumers to understand just what price they are really paying.

- A) Scanner fraud
- B) Skimming pricing
- C) Price confusion
- D) Predatory pricing
- E) Price collusion

Answer: C

Diff: 2 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

74) Failure to enter the current price into a retailer's system may result in charges of _____.

- A) predatory pricing
- B) scanner fraud
- C) retail maintenance pricing
- D) discriminatory pricing
- E) price-fixing

Answer: B

Diff: 2 Page Ref: 330

AACSB: Use of IT

Skill: Concept

Objective: 11-4

75) Comparison pricing claims are legal if they are truthful. However, sellers should not advertise a price reduction unless _____.

- A) it is a saving from the usual retail price
- B) a "factory" price, if listed, is what it is claimed to be
- C) a "wholesale" price, if listed, is what it is claimed to be
- D) "comparable value items" are not actually imperfect goods
- E) all of the above

Answer: E

Diff: 1 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

76) Valeo Fashions has just introduced a new line of fashion dresses for teens. They will initially enter the market at high prices in a _____ pricing strategy.

- A) market-penetration
- B) market-skimming
- C) competitive market
- D) psychological
- E) demographic

Answer: B

Diff: 2 Page Ref: 312

AACSB: Reflective Thinking

Skill: Application

Objective: 11-1

77) Market-skimming pricing would likely be most effective in selling _____.

- A) any convenience item
- B) an electronic device for which research and development must be recouped
- C) shampoo and bath soap
- D) anything easily copied by competitors
- E) most items at EDLP retailers such as Wal-Mart

Answer: B

Diff: 3 Page Ref: 312

AACSB: Analytic Skills

Skill: Application

Objective: 11-1

78) Among the following, a market-penetration strategy will likely be most effective with _____.

- A) pharmaceuticals
- B) an electronic device for which R&D must be recouped
- C) convenience items for which there is much competition
- D) any specialty item
- E) none of the above

Answer: C

Diff: 3 Page Ref: 313

AACSB: Analytic Skills

Skill: Application

Objective: 11-1

79) When Pepsi came out with Pepsi Blue and priced it at half price to attract buyers they were using, Pepsi was using _____.

- A) market-skimming pricing
- B) market-penetration pricing
- C) new-product pricing
- D) discount pricing
- E) value-added pricing

Answer: B

Diff: 2 Page Ref: 313

AACSB: Reflective Thinking

Skill: Application

Objective: 11-1

80) Johnson Boats wants to introduce a new model of boat 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.

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

Answer: B

Diff: 2 Page Ref: 313

AACSB: Reflective Thinking

Skill: Application

Objective: 11-1

81) When Circuit Town Electronics sets its televisions at three price levels of \$699, \$899, and \$1,099, it is using _____.

- A) product line pricing
- B) market-skimming pricing
- C) market-penetration pricing
- D) break-even pricing
- E) target profit pricing

Answer: A

Diff: 1 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

82) When Polaroid set the general price range of its cameras low and the markup on its film high, it was practicing _____.

- A) market-penetration pricing
- B) market-skimming pricing
- C) product line pricing
- D) captive-product pricing
- E) price bundling

Answer: D

Diff: 2 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

83) When product managers at Schwinn make decisions about which types of bicycle seats, handle bars, and saddlebags to offer customers on their bikes, they are engaged in _____.

- A) product line pricing
- B) optional-product pricing
- C) captive-product pricing
- D) by-product pricing
- E) value-based pricing

Answer: B

Diff: 1 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

84) Mach 3 razor blades must be used in the Mach 3 razor. Which type of pricing is most likely used?

- A) product line pricing
- B) optional-product pricing
- C) captive-product pricing
- D) by-product pricing
- E) product bundle pricing

Answer: C

Diff: 2 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

85) The fact that a hot dog cost five times more at Disneyland than at Sam's Club is an example of _____.

- A) allowance pricing
- B) captive-product pricing
- C) penetration pricing
- D) segmented pricing
- E) promotional pricing

Answer: B

Diff: 2 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

86) A manufacturer offers 3/10, net 30, terms to a wholesaler for a recent purchase. The wholesaler may deduct _____ percent if the bill is paid within _____ days.

- A) 10; 30
- B) 10; 3
- C) 3; 30
- D) 3; 10
- E) 7; 10

Answer: D

Diff: 3 Page Ref: 316

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

87) When Whallans Gift Card Shop offers a price reduction to customers who buy Christmas cards the week after Christmas, Whallans is giving a(n) _____ discount.

- A) functional
- B) seasonal
- C) annual
- D) allowance
- E) credit

Answer: B

Diff: 1 Page Ref: 316

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

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

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

Answer: C

Diff: 2 Page Ref: 316

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

89) Brown Baby Tanning Salon offers weekly tanning sessions for \$15 and season passes with unlimited tanning for \$150. Brown Baby Tanning Salon is offering _____ pricing.

- A) by-product
- B) captive-product
- C) product bundling
- D) discount
- E) psychographic

Answer: D

Diff: 2 Page Ref: 316

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

90) Lancaster Recycling has a history of problems with customers who do not pay their bills on time. Lancaster Recycling 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?

- A) by-product
- B) inflation-adjusted
- C) cash discounts
- D) captive-product
- E) penetration

Answer: C

Diff: 3 Page Ref: 316

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

91) Secret Sneaker will give anyone \$10 for their old sneakers, regardless of condition, when purchasing a new pair of sneakers. The end result is essentially reducing the price of the new sneakers by \$10. What is this type of price adjustment called?

- A) functional discount
- B) captive-product
- C) seasonal discount
- D) trade-in allowance
- E) by-product

Answer: D

Diff: 1 Page Ref: 316

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

92) Bose prices its most expensive noise reduction earphones at \$399.95, which is a full \$100.00 more than its next most expensive earphones. It costs Bose only a few dollars more to make the most expensive earphones. Bose is using _____ pricing.

- A) customer-segment
- B) product-form
- C) skimming
- D) penetration
- E) captive-product

Answer: B

Diff: 3 Page Ref: 316

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

93) The Chicago Bears organization charges different prices for seats in different areas of the Soldier Field, even though the costs are the same. This form of pricing is called _____.

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

Answer: A

Diff: 2 Page Ref: 316

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

94) 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 _____.

- A) promotional pricing
- B) discounts and allowances
- C) by-product pricing
- D) product bundle pricing
- E) none of the above

Answer: A

Diff: 2 Page Ref: 320

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

95) The JC Whitney Company of Chicago offers replacement parts for older Volkswagen Beetles. Parts are often shipped from other locations throughout the United States. However, the company charges for shipping as if every part was shipped from their Chicago headquarters. The company practices _____.

- A) FOB-origin pricing
- B) uniform-delivered pricing
- C) zone pricing
- D) basing-point pricing
- E) none of the above

Answer: D

Diff: 2 Page Ref: 321

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

96) If Northwest Awnings charges the same price for delivery of their product to any customer that is located within the Great Lakes states, the company is using _____.

- A) psychological pricing
- B) promotional pricing
- C) reference pricing
- D) zone pricing
- E) uniform-delivered pricing

Answer: D

Diff: 3 Page Ref: 321

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

97) Big Mike's Health Food Store sells nutritional energy-producing foods. The price of the products sold varies according to individual customer accounts and situations. For example, long-time customers receive discounts. This strategy is an example of _____.

- A) price elasticity
- B) cost-plus pricing
- C) dynamic pricing
- D) value pricing
- E) penetration pricing

Answer: C

Diff: 3 Page Ref: 322

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

98) Savings for You, a discount retail chain, is highly competitive. When entering a new market, Savings for You often cuts prices so deeply that it sells below costs, effectively pushing smaller companies with less purchasing power out of the market. Savings for You is most at risk of being accused of _____.

- A) market skimming
- B) price-fixing
- C) deceptive pricing
- D) price confusion
- E) predatory pricing

Answer: E

Diff: 2 Page Ref: 328

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

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. Charles Powell, 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.

99) Why might have Charles Powell have avoided using market-skimming pricing at Quills?

- A) A high price was likely to produce more market growth.
- B) It was difficult for competitors to enter the market.
- C) The costs of producing a larger volume of the firm's products were too high.
- D) The quality and image of the products would not have likely supported the high initial price.
- E) The market for the products was not highly price sensitive.

Answer: D

Diff: 2 Page Ref: 312

AACSB: Reflective Thinking

Skill: Application

Objective: 11-1

100) By offering a set of pens packaged with stationery and matching envelopes, Quills is using _____.

- A) optional product pricing
- B) product bundle pricing
- C) by-product pricing
- D) dynamic pricing
- E) price-fixing

Answer: B

Diff: 2 Page Ref: 315

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

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

Answer: TRUE

Diff: 1 Page Ref: 312

Skill: Concept

Objective: 11-1

102) When Murphy's 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.

Answer: FALSE

Diff: 2 Page Ref: 312

AACSB: Reflective Thinking

Skill: Concept

Objective: 11-1

103) 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.

Answer: FALSE

Diff: 3 Page Ref: 312-313

Skill: Concept

Objective: 11-1

104) Pricing is often difficult because various products have related demand and costs, and they face different degrees of competition.

Answer: TRUE

Diff: 1 Page Ref: 313

Skill: Concept

Objective: 11-2

105) Water Light Fishing Boats is like most companies. They commercialize their new product ideas one at a time rather than developing a product line.

Answer: FALSE

Diff: 2 Page Ref: 313

Skill: Concept

Objective: 11-2

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

Answer: TRUE

Diff: 1 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

107) When Johnny 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.

Answer: FALSE

Diff: 2 Page Ref: 315

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

108) Some industries commonly use two-part pricing, breaking the price down into a fixed fee and a fixed usage rate.

Answer: FALSE

Diff: 3 Page Ref: 315

Skill: Concept

Objective: 11-2

109) 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.

Answer: TRUE

Diff: 2 Page Ref: 315

AACSB: Analytic Skills

Skill: Application

Objective: 11-2

110) When using product bundle pricing, sellers combine several of their products and offer the bundle at an increased price for increased profit.

Answer: FALSE

Diff: 1 Page Ref: 315

Skill: Concept

Objective: 11-2

111) Most companies adjust their basic prices to account for various customer differences and changing situations.

Answer: TRUE

Diff: 2 Page Ref: 315

Skill: Concept

Objective: 11-3

112) A seasonal discount is a price reduction to buyers who buy merchandise or services while they are in season.

Answer: FALSE

Diff: 2 Page Ref: 316

Skill: Concept

Objective: 11-3

113) Manufacturers may offer functional discounts within trade channels for channel members who store inventory.

Answer: TRUE

Diff: 3 Page Ref: 316

Skill: Concept

Objective: 11-3

114) 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.

Answer: TRUE

Diff: 3 Page Ref: 316

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

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

Answer: TRUE

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

116) 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.

Answer: TRUE

Diff: 2 Page Ref: 317

Skill: Concept

Objective: 11-3

117) The frequent use of promotional pricing can lead to industry price wars.

Answer: TRUE

Diff: 2 Page Ref: 320

Skill: Concept

Objective: 11-3

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

Answer: TRUE

Diff: 2 Page Ref: 320

Skill: Concept

Objective: 11-3

119) 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.

Answer: TRUE

Diff: 3 Page Ref: 321

Skill: Concept

Objective: 11-3

120) Zone pricing involves the customer paying for the shipping if they live outside the zone where the company is located.

Answer: FALSE

Diff: 2 Page Ref: 321

Skill: Concept

Objective: 11-3

121) Fixed price policies □one price for all buyers □is a relatively modern idea that arose at the end of the nineteenth century.

Answer: TRUE

Diff: 2 Page Ref: 322

Skill: Concept

Objective: 11-3

122) A company considering a price change should be more concerned about consumers' reactions than competitors' reactions.

Answer: FALSE

Diff: 3 Page Ref: 325

Skill: Concept

Objective: 11-4

123) 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.

Answer: TRUE

Diff: 3 Page Ref: 327

Skill: Concept

Objective: 11-4

124) State and federal governments accept some reasons for price-fixing when it does not limit competition.

Answer: FALSE

Diff: 2 Page Ref: 328

AACSB: Ethical Reasoning

Skill: Concept

Objective: 11-4

125) When Redman's Variety raised their store prices 40 percent and then ran a 20 percent off sale, Redman's was guilty of deceptive pricing.

Answer: TRUE

Diff: 2 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Application

Objective: 11-4

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

Answer: 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.

Diff: 2 Page Ref: 312-313

AACSB: Analytic Skills

Skill: Application

Objective: 11-1

127) Sensenig Propeller manufactures replica antique wooden airplane propellers. In the process of producing these products they generate a great deal of scrap hardwood. Which pricing mix strategy should they use, and how does it function?

Answer: Using by-product pricing, Sensenig will seek a market for the hardwood or by-products and should accept any price that covers more than the cost of storing and delivering the by-products. This practice allows the Sensenig to reduce the main product's price to make it more competitive. Sensenig might even find that the by-products themselves are profitable.

Diff: 1 Page Ref: 315

AACSB: Analytic Skills

Skill: Application

Objective: 11-2

128) Explain product line pricing.

Answer: 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.

Diff: 1 Page Ref: 313

AACSB: Analytic Skills

Skill: Application

Objective: 11-2

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

Answer: 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.

Diff: 2 Page Ref: 316

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

130) Describe the differences between dynamic and fixed pricing.

Answer: 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, it adjusts prices according to market forces, and it often works to the benefit of the customer

Diff: 1 Page Ref: 322

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

131) Explain the factors involved in setting international pricing.

Answer: 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."

Diff: 2 Page Ref: 323

AACSB: Multicultural and Diversity

Skill: Application

Objective: 11-3

132) When would price cuts and price increases be necessary?

Answer: 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.

Diff: 3 Page Ref: 324

AACSB: Analytic Skills

Skill: Application

Objective: 11-4

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

Answer: 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.

Diff: 2 Page Ref: 325-326

AACSB: Analytic Skills

Skill: Application

Objective: 11-4

134) What regulates pricing activities when the federal government does not?

Answer: States often regulate these activities. The most important pieces of federal legislation affecting prices are the Sherman, Clayton, and Robinson-Patman Acts, initially adopted to curb the formation of monopolies and to regulate business practices that might unfairly restrain trade. Because these statutes can be applied only to interstate commerce, many states have adopted similar provisions for companies that operate locally. Examples include pricing within channel levels and pricing across channel levels.

Diff: 2 Page Ref: 327

AACSB: Ethical Reasoning

Skill: Application

Objective: 11-4

135) Compare the practices of price-fixing and predatory pricing, explaining why each is prohibited by law.

Answer: Many federal, state, and local laws govern the rules of fair play in pricing. Two major areas of concern are price-fixing and predatory pricing. Companies that engage in price-fixing collude to set a common price for their comparable products; price-fixing undermines the core element of price competition in our free-market economy. On the other hand, predatory pricing takes price competition too far. Predatory pricing occurs when a company sells a product below cost with the intention of punishing a competitor or by putting a competitor out of business.

Diff: 3 Page Ref: 328-329

AACSB: Ethical Reasoning

Skill: Application

Objective: 11-4

136) For what types of products might marketers use market-skimming pricing?

Answer: 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.

Diff: 2 Page Ref: 312

AACSB: Analytic Skills

Skill: Application

Objective: 11-1

137) For what types of products might marketers use market-penetration pricing?

Answer: 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.

Diff: 2 Page Ref: 313

AACSB: Analytic Skills

Skill: Application

Objective: 11-1

138) Why is product line pricing used?

Answer: Such pricing is used to establish price ranges or price steps within product lines.

Diff: 1 Page Ref: 313

AACSB: Analytic Skills

Skill: Application

Objective: 11-2

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

Answer: Such products may include refrigerators with icemakers and cars with options such as stereos, GPS, and cruise control.

Diff: 1 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

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

Answer: Captive-product pricing is used when pricing theater tickets and selling refreshments at a higher rate; it is also used when pricing game consoles along with video games.

Diff: 3 Page Ref: 314

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

141) Give two examples of by-product pricing.

Answer: Examples could include selling scrap metal after producing metal stampings or selling donut holes after producing donuts.

Diff: 2 Page Ref: 315

AACSB: Reflective Thinking

Skill: Application

Objective: 11-2

142) How do consumers benefit from product bundle pricing?

Answer: 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.

Diff: 2 Page Ref: 315

AACSB: Analytic Skills

Skill: Application

Objective: 11-2

143) Give an example of a cash discount.

Answer: With a 2/10, net 30 arrangement, for example, the customer can deduct 2 percent if the bill is paid within 10 days.

Diff: 3 Page Ref: 316

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

144) List four types of segmented pricing.

Answer: Customer-segment pricing, product-form pricing, location pricing, and time pricing are all examples.

Diff: 3 Page Ref: 316

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

145) Explain the psychology behind a price of \$9.99 instead of \$10.00.

Answer: Consumers typically see the \$9.99 product in the \$9 range instead of the \$10 range; the price appears to psychologically be cheaper.

Diff: 2 Page Ref: 320

AACSB: Analytic Skills

Skill: Application

Objective: 11-3

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

Answer: The customer pays for the freight.

Diff: 2 Page Ref: 321

AACSB: Reflective Thinking

Skill: Application

Objective: 11-3

147) Explain two different ways a consumer might view a price cut.

Answer: 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.

Diff: 2 Page Ref: 325

AACSB: Analytic Skills

Skill: Application

Objective: 11-4

148) Why is predatory pricing considered illegal?

Answer: Predatory pricing works against the principles of a free-enterprise system; predatory pricing allows the marketers to sell below cost with the intention of punishing competitors.

Diff: 2 Page Ref: 329

AACSB: Ethical Reasoning

Skill: Application

Objective: 11-4

149) How can a manufacturer avoid using retail price maintenance but still exert some influence over the price retailers charge for its product?

Answer: The manufacturer can propose a suggested retail price.

Diff: 1 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Application

Objective: 11-4

150) How does deceptive pricing harm consumers?

Answer: Deceptive pricing occurs when a seller states prices or price savings that mislead consumers or are actually not available to consumers.

Diff: 2 Page Ref: 330

AACSB: Ethical Reasoning

Skill: Application

Objective: 11-4