ch16

Student: ____

1. Almost every business transaction in our modern economy involves an exchange of money.

   True False

2. Any business transaction can be thought of as an exchange of "something of value" for money--where money is the price.

   True False

3. Pricing objectives and policies should flow from company-level objectives.

   True False

4. Pricing objectives need not be *explicitly* stated.

   True False

5. A target return pricing objective seeks to obtain a specific level of profit--often stated as a percentage of sales or return on investment.

   True False

6. A target return pricing objective has administrative advantages in a large company where there are many divisions to compare.

   True False

7. Many nonprofit organizations try to set a price level that will earn a target return figure of zero.

   True False

8. The target return figure is zero for an organization that sets a price level that will just recover costs.

   True False

9. A target return objective and a profit maximization objective are both profit-oriented objectives.

   True False

10. Profit maximization objectives lead to high prices and monopolies--and are generally not in the public interest.

    True False

11. A profit maximization pricing objective may lead to relatively low prices, especially if demand is very elastic.

    True False

12. Pricing to achieve profit maximization always lead to high prices.

    True False

13. Sales-oriented pricing objectives don't refer to profit.

    True False

14. A sales-oriented pricing objective seeks some level of unit sales, dollar sales, or share of market--without referring to profit.

    True False

15. Sales-oriented pricing objectives are sensible because sales growth almost guarantees higher profits.

    True False

16. A firm should not simply assume that its profits will grow if its sales grow.

    True False

17. A marketing manager who sets prices to achieve a given level of market share is using a profit-oriented pricing objective.

    True False

18. Sales-oriented pricing objectives--such as maintaining or increasing market share--are unpopular because it is so difficult to measure results.

    True False

19. Managers satisfied with their current market share and profits are most likely to adopt sales growth oriented objectives.

    True False

20. "Meeting competition" is a sales oriented pricing objective.

    True False

21. Status quo pricing objectives might focus on meeting competition, avoiding competition, or stabilizing prices.

    True False

22. Meeting competition and nonprice competition are both status-quo objectives.

    True False

23. Status quo pricing objectives suggest avoiding price competition, but may lead to very aggressive competition with Promotion, Place, or Product.

    True False

24. When the total market is not growing a common strategy adopted is to stabilize prices.

True False

25. Nonprice competition, a status quo pricing objective, is never part of an aggressive overall marketing strategy.

True False

26. Administered prices are prices agreed to by competing firms in a market.

True False

27. When a firm sells through intermediaries, there is little reason to try to administer the price intermediaries charge final consumers.

True False

28. Most firms avoid administered prices because they may be illegal under the Robinson-Patman Act.

True False

29. Most firms in the U.S. avoid using a one-price policy because it is so inconvenient to administer and leads to more negotiation and higher selling costs.

True False

30. The majority of U.S. firms use a one-price policy.

True False

31. Flexible-price policies are most common in the channels, in direct sales to business customers, and for expensive shopping products because sales reps may need to make adjustments for market conditions.

True False

32. Flexible pricing is most common in the channels, in direct sales of business products, and at retail for expensive shopping products.

True False

33. In less-developed economies, retail shopkeepers typically use a one-price policy.

True False

34. A flexible-price policy is most often used where products are not standardized and where bargaining is common.

True False

35. The haggling that often occurs when a consumer buys a new car is a direct result of the flexible pricing most auto dealers use.

True False

36. A flexible-price policy is illegal in the U.S.

True False

37. A skimming pricing policy tries to sell to customers who are at the top of the demand curve first, before aiming for more price sensitive customers.

True False

38. In the market introduction stage of the product life cycle, if a firm has economies of scale and expects competitors to enter the market soon, it would be wise to adopt a skimming pricing policy.

True False

39. A skimming price policy usually involves a slow reduction in price over time.

True False

40. A skimming policy does not involve price reduction over time.

True False

41. If a firm's demand curve is fairly elastic, a penetration pricing policy would be more suitable than a skimming pricing policy.

True False

42. A low penetration price discourages competitors from entering the market.

True False

43. Penetration pricing may be wise if the firm expects strong competition very soon after introduction.

True False

44. Introductory price dealing means setting a low "penetration" price early in the product life cycle to discourage competitors from entering the market.

True False

45. Introductory price dealing involves setting high initial prices on a product when it is introduced--to see how much consumers are willing to pay.

True False

46. How much a nation's money is worth in some other nation's currency can impact the price level in both local and international markets.

True False

47. The exchange rate affects what is a competitive price for products sold in international markets, but not local markets.

True False

48. Exchange rate changes can be an important factor even for a small firm that sells only in its own local market.

True False

49. Basic list prices are the prices that final consumers or users are normally asked to pay.

True False

50. Quantity discounts encourage customers to buy in larger amounts.

True False

51. There are two kinds of quantity discounts: cumulative and accumulative.

True False

52. Cumulative quantity discounts encourage repeat buying from the same seller, while noncumulative quantity discounts encourage large individual orders.

True False

53. Noncumulative quantity discounts are intended to encourage customers to make more of their on-going purchases from the same seller.

True False

54. A seasonal discount encourages buyers to stock products earlier than present demand requires.

True False

55. Seasonal discounts tend to smooth out sales during the year and therefore permit year-round operation.

True False

56. 2/10, net 30 means the buyer can take a 2 percent discount off the face value of the invoice if the invoice is paid within 10 days.

True False

57. The term "3/10, net 30" means that thirty percent of the face value of the invoice is due immediately, and that the rest must be paid within 30 days.

True False

58. The term "3/10, net 30" means that a 3 percent discount off the face value of the invoice is allowed if the invoice is paid within 10 days, and that otherwise the full face value is due within 30 days.

True False

59. Not taking advantage of cash discounts may have the same effect as paying a fairly large "interest charge."

True False

60. Allowances are given to final consumers, customers, or channel members for accepting more of something.

True False

61. Many intermediaries seek advertising allowances from manufacturers to help them pay the cost of advertising the products they sell.

True False

62. Stocking allowances are given to an intermediary to get shelf space for a product.

True False

63. Push money allowances are intended to make the retailers' salespeople sell particular products very aggressively.

True False

64. If a seller wanted to pay the delivery charges and keep title to the products until delivered to a buyer, the seller could use "F.O.B. buyer's factory" geographic pricing terms.

True False

65. F.O.B. "shipping point" pricing simplifies the seller's pricing, but tends to reduce the size of the seller's market.

True False

66. When a seller uses "zone pricing," the actual freight charge for delivering each order is included in the price the buyer pays for the product.

True False

67. When a seller uses "zone pricing," all customers who are in the same zone are charged the same freight charge--even if the actual shipping cost varies.

True False

68. In zone pricing, the seller pays the actual freight charges and bills each customer the exact amount.

True False

69. Uniform delivered pricing is most commonly used when transportation costs are relatively low.

True False

70. Freight-absorption pricing basically amounts to cutting list price on sales to distant customers.

True False

71. Value pricing involves developing a "bare bones" marketing mix and a cheap price.

True False

72. "Value pricing" means setting a fair price for a marketing mix that gives the target market superior customer value.

True False

73. There are more pricing options in pure competition than in monopolistic competition.

True False

74. Most firms operate in monopolistic competition instead of pure competition.

True False

75. Most firms operate in monopolistic competition, where products and whole marketing mixes are not exactly the same.

True False

76. A value pricer tries to offer a target market the same marketing mix as competitors but with a below-the-market price.

True False

77. In mature markets there is downward pressure on both prices and profit margins. In this situation retailers often have to set prices to meet the competition.

True False

78. In both pure competition and oligopoly situations, the only sensible policy is meeting competition.

True False

79. Meeting the competitive price often makes sense for a firm in an oligopoly situation, because setting a price above the market will usually result in a large loss of sales it might have gotten at the competitive price.

True False

80. The unfair trade practices acts are intended to prevent intermediaries from using "outrageously" high markups that would cheat consumers.

True False

81. In states which have unfair trade practice acts, wholesalers and retailers are usually required to mark up merchandise a certain minimum percentage above cost.

True False

82. Unfair trade practice acts put a higher limit on prices, especially at the wholesale and retail levels.

True False

83. Pricing a product sold in a foreign market lower than the cost of producing it is called dumping.

True False

84. Pricing a product sold in a foreign market higher than in its domestic market is referred to as dumping.

True False

85. Unfortunately, no laws prevent a retailer from using a phony list price--to make a consumer think that the price being charged offers a really big discount.

True False

86. Price fixing is not illegal unless it hurts a competitor.

True False

87. Price fixing is completely illegal in the United States.

True False

88. Price discrimination is illegal according to the provisions of the Robinson-Patman Act.

True False

89. In the "Borden case," the U.S. Supreme Court ruled that a well-known label alone makes a product different from a physically similar product with an unknown label.

True False

90. It is always illegal to sell the same products to different buyers at different prices, even if the price differences are based on cost differences.

True False

91. "Meeting competition" in "good faith" is allowed as a defense in price discrimination situations.

True False

92. Under the Robinson-Patman Act, meeting a competitor's price is not permitted as a defense in price discrimination cases.

True False

93. The Robinson-Patman Act permits promotion allowances only if they are made available to all customers on "proportionately equal terms."

True False

94. _____ is what a customer must give up to get the benefits offered by the rest of a firm's marketing mix.

A. Promotion
B. Price
C. Product
D. Past
E. Profit

95. Strategy planning for Price is concerned with:

A. to whom and when discounts and allowances will be given.
B. how transportation costs will be handled.
C. how flexible prices will be.
D. at what level prices will be set over the product life cycle.
E. All of the above.

96. Almost any business transaction in a modern economy involves:

A. an exchange at a list price.
B. "dumping."
C. an exchange of money--the money being the Price--for something of value.
D. a loss of consumer surplus.
E. an exchange in which price serves as a measure of quality.

97. Which of the following is not an example of price?

A. college tuition.
B. doctor's fee.
C. apartment rent.
D. interest on a loan.
E. all of the above are examples of price.

98. Which of the following is NOT a "Something of Value" which might be offered to CONSUMERS in the "price equation"?

A. Stocking allowance
B. Service
C. Repair facilities
D. Credit
E. Packaging

99. Which of the following is "something of value" that might be offered to FINAL CONSUMERS as part of the "price equation"?

A. Sufficient margin to allow for profit.
B. Trade allowances.
C. Competitive advantage.
D. Branded merchandise.
E. None of the above.

100. Which of the following is LEAST LIKELY to be in the "Something of Value" part of the "price equation" for CHANNEL MEMBERS?

A. Repair facilities
B. Rebates
C. Price-level guarantees
D. Promotion aimed at customers
E. Convenient packaging for handling

101. Pricing objectives should flow from, and fit in with,

A. shareholder expectations and market practices.
B. regulatory policies.
C. industry standards.
D. company-level and marketing objectives.
E. market price leader actions.

102. Pricing objectives should be explicitly stated because:

A. they have a direct effect on pricing policies as well as price setting methods.
B. they are signals given to competing firms.
C. they form the basis of shareholder expectations about a firm's prospects.
D. it is required by law.
E. they are signals given to consumers.

103. A marketing manager may choose a pricing objective that is:

A. sales oriented.
B. status-quo oriented.
C. profit oriented.
D. any of the above--depending on the situation.
E. None of the above.

104. A pricing objective that seeks a specific level of profit is a:

A. profit maximization objective.
B. value objective.
C. sales-oriented objective.
D. target return objective.
E. status-quo objective.

105. Which of the following pricing objectives is a producer seeking when the producer tries to obtain some percent return on his investment?

A. Status quo
B. Meeting competition
C. Profit maximization
D. Target return
E. Growth in market share

106. Which of the following is a PROFIT-ORIENTED pricing objective?

A. Meeting competition
B. Sales growth
C. Target return
D. Nonprice competition
E. Growth in market share

107. Fidelity Corp. earned a 6 percent return on investment last year and wants to increase it to 10 percent this year. Which of the following pricing objectives is Fidelity seeking?

A. Target return
B. Growth in sales
C. Growth in market share
D. Maximize profits
E. Nonprice competition

108. Target return pricing objectives:

A. usually are very high for firms facing heavy competition.
B. aren't used by industry leaders because they can maximize profits.
C. would never make sense for a nonprofit organization.
D. may simplify the management of large producers with many divisions or departments.
E. All of the above.

109. A marketing manager for a large company who wants to compare the financial performance of different divisions of the firm would probably pursue which of the following pricing objectives?

A. Status quo
B. Market share
C. Target return
D. Profit maximization
E. Sales growth

110. What is the objective of a target return strategy?

A. A specific share of the market.
B. A specific level of profit.
C. A specific sales volume.
D. A specific share of competitors' sales.
E. A specific mindshare of consumers.

111. KeyLine, Inc., engages primarily in the manufacture of touch-sensitive LCD monitors. The company prices its products so that it earns a 20 percent return on investment. Which pricing objective is the company following?

A. Meet competition
B. Unit sales growth
C. Non price competition
D. Target return
E. Share of market

112. A manufacturer spends a large amount of money on research and development leading to the introduction of a product that is likely to present the firm with a breakthrough opportunity. The manufacturer prices the product with the goal of achieving a 20 percent return on its investment. Which of the following types of pricing objectives is the company using?

A. Target return.
B. Profit maximization.
C. Nonprice competition.
D. Meeting competition.
E. Dollar or unit sales growth.

113. A target return figure of zero implies:

A. setting negligible sales targets.
B. setting a price level that will just recover costs.
C. setting a price that helps attain previous year's high profitability.
D. setting a price that would match the industry standard profit margin.
E. setting a price at which competition will be zero.

114. A government agency charges motorists a toll for using a bridge. The toll is dropped when the cost of the bridge is paid. In other words, the government's target return figure was

A. twenty percent.
B. one.
C. ten percent.
D. hundred percent.
E. zero.

115. Some top managers seek only enough profits to convince stockholders that they are "doing a good job." The pricing objective of such managers is:

A. satisfactory profits.
B. status quo.
C. nonprice competition.
D. profit maximization.
E. meeting competition.

116. Caught between the threat of antitrust action, stockholder demands, and public interest groups, some large corporations set a(an) _______________ pricing objective.

A. increasing target return
B. "aggressive" competition
C. profit maximization
D. increasing market share
E. satisfactory long-run target return

117. An "all the traffic will bear" pricing objective is a _______________ objective.

A. target return
B. profit maximization
C. growth in market share
D. meeting competition
E. nonprice competition

118. Seeking a profit maximization pricing objective:

A. will help a firm to earn "all the traffic will bear."
B. requires some knowledge of the firm's demand curve to be implemented effectively.
C. with no competitors and an inelastic demand curve is likely to lead to "high" prices in the short run.
D. may lead to a low penetration price.
E. All of the above are true.

119. Profit maximization pricing objectives:

A. almost always lead to high prices.
B. are generally not in the public interest.
C. seek to get as much profit as possible.
D. may be stated as a desire to achieve rapid sales growth.
E. All of the above.

120. Profit maximization pricing objectives:

A. can only be achieved when the producer's price is high.
B. may be in the interest of both producers and consumers.
C. usually focus on low prices as that is what is required to draw in a larger base of customers.
D. are never used in combination with penetration pricing.
E. can only be achieved by using cost-plus pricing approaches.

121. Genetech Corp. has invested heavily to develop a patented new product. Genetech wants to achieve a rapid return on its investment. It probably should set a _______________ pricing objective.

A. profit maximization.
B. target return.
C. sales-oriented.
D. status-quo.
E. None of the above.

122. ProEdge Tech, a leading technology firm, has bluntly stated its pricing objective as: "Charge all the traffic will bear." This is an example of a

A. profit maximization objective.
B. unit sales growth objective.
C. growth in market share objective.
D. target return objective.
E. non price competition objective.

123. A profit maximization pricing objective

A. is a sales-oriented pricing objective.
B. does not always lead to high prices.
C. can never be socially responsible.
D. is often stated as percentage of market share.
E. is a status quo oriented pricing objective.

124. A sales-oriented objective may seek all of the following except

A. some level of unit sales.
B. some level of dollar sales.
C. target return profits.
D. share of the market.
E. percentage of the market.

125. Sales-oriented pricing objectives include:

A. Dollar or unit sales growth.
B. Meeting competition.
C. Growth in market share.
D. Profit maximization.
E. Both A and C.

126. Which of the following is a SALES-ORIENTED pricing objective?

A. Growth in market share
B. Target return
C. Nonprice competition
D. Satisfactory profits
E. Meeting competition

127. A firm that is very concerned about increases in market share should adopt a _______________ pricing objective.

A. profit-oriented
B. sales-oriented
C. nonprice competition
D. status quo
E. target return

128. Heritage Brick's marketing manager is setting her pricing policies to "increase market share to 8%." Her pricing objective seems to be:

A. status-quo oriented.
B. sales oriented.
C. profit oriented.
D. target return oriented.
E. None of the above.

129. Australian Outback Products Co. has introduced a new product and set the price to help achieve "the 10% share we need to be in the game." This is an example of a:

A. status-quo objective.
B. profit-oriented objective.
C. target return objective.
D. sales-oriented objective.
E. profit maximization objective.

130. Which of the following is a sales-oriented pricing objective?

A. Meet competition
B. Market share growth
C. Profit maximization
D. Target return
E. Non price competition

131. Sales-oriented pricing objectives:

A. may include market share targets as well as dollar or unit sales targets.
B. might be achieved and still result in losses.
C. are especially risky during times when a firm's costs are rising rapidly.
D. All of the above are true.
E. None of the above is true.

132. Sales-oriented objectives stated in market share terms:

A. make some sense when a market is growing rapidly.
B. use market share targets instead of dollar or unit sales targets.
C. might be achieved and still result in losses for the firm.
D. may lead to greater economies of scale for the firm than for its competitors.
E. All of the above are true.

133. Some nonprofit organizations set prices to increase market share because

A. it is a regulatory requirement.
B. they would never do any business otherwise.
C. they are trying improve their image.
D. they wish to monopolize the market.
E. they are not trying to earn a profit.

134. Which of the following observations is true?

A. Market share objectives and straight sales growth objectives have similar limitations.
B. A larger market share, gained at whatever price, leads to sustainable competitive advantage.
C. Market share objectives are not popular among modern managers.
D. Sales growth essentially means bigger profits.
E. A sales-oriented objective does not refer to profit.

135. The problem with sales-oriented pricing objectives is that:

A. many managers are evaluated by their level of sales.
B. larger sales don't necessarily lead to higher profits.
C. the number of units sold does not consider possible growth in the market.
D. sales growth usually leads to declining profits.
E. All of the above.

136. Regarding pricing objectives, a good marketing manager knows that:

A. sales-oriented objectives usually lead to high profits.
B. target return objectives usually lead to a large profit.
C. status quo pricing objectives can be part of an extremely aggressive marketing strategy.
D. profit maximization objectives don't always lead to high prices.
E. Both C and D.

137. Which of the following is a STATUS-QUO pricing objective?

A. Growth in sales
B. Maximize profits
C. Growth in market share
D. Satisfactory profits
E. Meeting competition

138. Which of the following is a status quo oriented pricing objective?

A. Target return
B. Unit sales growth
C. Profit maximization
D. Growth in market share
E. Non price competition

139. Which of the following statements would be most likely to be made by a manager with a status-quo pricing objective?

A. "A price of $10.00 will penetrate the market."
B. "A price of $10.00 will not start a price war with our competitors."
C. "A price of $10.00 should maximize profits."
D. "A price of $10.00 will provide a 30% return on investment."
E. "A price of $10.00 should result in a 9% increase in sales."

140. Faced with many "me-too" competitors, Sonic Burgers, Inc. has set its price level to "meet competition"--while emphasizing nonprice competition. Sonic Burgers' pricing objective seems to be a _______________ objective.

A. status quo
B. sales-oriented
C. profit-oriented
D. satisfactory profits
E. maintaining market share

141. Managers satisfied with their current market share and profits sometimes adopt what can be termed as "don't-rock-the-pricing-boat objectives." These are also referred to as

A. market share maximization objectives.
B. profit maximization objectives.
C. status quo objectives.
D. sales-oriented objectives.
E. target return objectives.

142. "Don't-rock-the-boat" thinking is most common when

A. a product is in the introduction stage.
B. the total market is not growing.
C. there is threat of intense competition.
D. a firm moves into international markets for the first time.
E. a product is in the growth stage.

143. Managers justify status quo objectives as an attempt to do all of the following except

A. stabilize prices.
B. meet competition
C. maximize profits.
D. avoid competition.
E. stabilize market situation.

144. Godiva, a maker of expensive European chocolates, does not mention price in its magazine advertising. Instead, the ad copy mentions the quality of the ingredients, the fine packaging, and the luxurious boutiques where Godiva chocolates are sold. Godiva seems to be pursuing a pricing objective of:

A. Meeting competition.
B. Nonprice competition.
C. Target return.
D. Growth in market share.
E. None of the above.

145. Prices are "administered" when:

A. they fall below "suggested list price."
B. prices can change every time a customer asks for a price.
C. government regulators set prices.
D. firms consciously set their own prices.
E. they are set by bargaining between buyers and sellers.

146. Prices are called "administered" when:

A. they are determined through negotiations between buyers and sellers.
B. they fall below the "suggested list price."
C. a marketing manager has to change the strategy every time a customer asks about the price.
D. government intervenes to ensure that prices fluctuate freely in response to market forces.
E. firms set their own prices for some period of time--rather than letting daily market forces determine their prices.

147. When individual firms set their own prices--sometimes holding them steady for long periods of time--rather than letting daily market forces determine prices, such prices are called:

A. flexible prices.
B. parallel prices.
C. equilibrium prices.
D. administered prices.
E. fixed prices.

148. According to the text,

A. price has only a single dimension.
B. managers rarely have a choice in pricing.
C. managers should administer their prices.
D. managers should simply mark up their costs to determine pricing.
E. managers should follow a price leader's strategy.

149. A one-price policy means:

A. offering the same price to all customers who purchase products under essentially the same conditions and in the same quantities.
B. never using temporary sales or rebates.
C. selling to different customers at different prices.
D. setting a price at the "right" level from the start and never changing it.
E. None of the above.

150. Offering the same price to all customers who purchase products under essentially the same conditions and in the same quantities is a _______________ policy.

A. penetration pricing
B. one-price
C. value pricing
D. flexible-price
E. skimming pricing

151. A one-price policy means offering the same price:

A. All four seasons of the year.
B. For all types of merchandise.
C. For individual consumers and organizational buyers.
D. For store brands and national brands.
E. To all customers.

152. A _____ policy means offering the same price to all customers who purchase products under essentially the same conditions and in the same quantities.

A. one-price
B. flexible price
C. skimming price
D. differentiated
E. penetration price

153. The majority of U.S. firms use a one-price policy

A. to broadcast a single price to competitors.
B. for administrative convenience.
C. to increase pricing flexibility.
D. to undercut competition.
E. to ward off competition from imports.

154. A flexible-price policy means offering

A. different products and quantities to different customers at different prices.
B. the same product and quantities to different customers at same prices.
C. different products and quantities to different customers at same prices.
D. the same product and quantities to different customers at different prices.
E. the same product and different quantities to different customers at same prices.

155. Some marketing managers have set up relationships with Internet companies whose ads invite customers to "set your own price." Such marketing managers

A. have given up on administering prices.
B. are carefully administering a flexible price.
C. are following a one-price policy.
D. make it easier for competition to undercut them.
E. are following a penetration pricing policy.

156. A business products producer which has given its salespeople the right to adjust prices when necessary to get new business is using a _______________ policy.

A. flexible-price
B. target-return pricing
C. penetration pricing
D. one-price
E. skimming pricing

157. The marketing manager for Aerial Photography, Inc. says his sales reps have gotten in the habit of setting prices which do not produce a profit. Aerial Photography apparently is using:

A. penetration pricing.
B. introductory price dealing.
C. administered pricing.
D. flexible pricing.
E. profit minimization pricing.

158. White Sands Heavy Equipment Co. produces industrial equipment that it sells through its national sales force. Its sales reps often must negotiate with customers to match the low prices of foreign competitors. Apparently, the firm has

A. an "F.O.B.-Seller's Factory" price policy.
B. been violating the Robinson-Patman act.
C. a skimming price policy.
D. a status quo pricing objective.
E. a flexible-price policy.

159. A flexible-price policy is MOST LIKELY to be set by a retailer selling:

A. milk.
B. women's shoes.
C. golf balls.
D. T-shirts.
E. cars.

160. Which of the following statements about a flexible-price policy is True?

A. Flexible pricing means offering the same price to all customers who purchase under essentially the same conditions and in the same quantities.
B. The availability of computer pricing databases has had no effect on the popularity of flexible-price policies.
C. Flexible pricing often involves price negotiation between the buyer and seller.
D. Flexible pricing does not cause channel conflict.
E. All of the above.

161. Trying to get the "cream" of a market (i.e., the top of a demand curve) at a high price before aiming at the more price-sensitive customers is consistent with a(an):

A. flexible-price policy.
B. sales-oriented pricing policy.
C. skimming pricing policy.
D. introductory price dealing policy.
E. penetration pricing policy.

162. If a producer's marketing manager doesn't know the shape of the demand curve for a new product, the initial price level policy should probably be a _______________ policy.

A. flexible-pricing
B. target-return pricing
C. introductory pricing
D. penetration price
E. skimming price

163. Which pricing policy would probably be best for a profit-oriented producer introducing a really new product with a very inelastic demand curve?

A. Skimming pricing
B. Meeting competition pricing
C. Below-the-market pricing
D. Penetration pricing
E. Introductory price dealing

164. A _____ price policy tries to sell the top of the demand curve at a high price before aiming at more price-sensitive customers.

A. meet competition
B. status quo
C. penetration
D. skimming
E. panning

165. Skimming may maximize profits in the market introduction stage for an innovation, especially if

A. there are few substitutes.
B. all customers are price sensitive.
C. competition is intense.
D. a price reduction will reduce goodwill.
E. demand is perfectly elastic.

166. A leading hard-disk manufacturer introduces a new line of high-capacity disk drivers. After selling to elite customers at a high price point, the company slowly reduces its prices over a period of time. The company is engaging in

A. single pricing.
B. introductory price dealing.
C. price skimming.
D. penetration pricing.
E. predatory pricing.

167. A "skimming pricing policy":

A. should be used if a firm expects strong competition very soon.
B. is most useful when demand is very elastic.
C. is typically used during the sales decline stage of the product life cycle.
D. usually involves a slow reduction in price over time.
E. means temporary price cuts to speed new products into a market.

168. Over time, a skimming policy usually involves

A. price movement up the demand curve.
B. price movement down the demand curve.
C. profit minimization in the market introduction stage.
D. efforts to target the top portion of the demand curve.
E. declining sales and profits.

169. Trying to sell a firm's new product to a large market at one low price is known as:

A. a skimming pricing policy.
B. introductory price dealing.
C. nonprice competition.
D. a penetration pricing policy.
E. a flexible-pricing policy.

170. A "penetration pricing policy":

A. is the same as a "meeting competition" price-level policy.
B. is wise when demand is fairly inelastic--offering an "elite" market.
C. involves temporary price cuts to speed new products into market.
D. involves a series of step-by-step price reductions along an inelastic demand curve.
E. may be wise if a firm expects strong competition very soon after its product introduction.

171. A penetration pricing policy

A. tries to sell the top of the demand curve initially.
B. tries to sell the whole market at one low price.
C. tries to sell the top of a market.
D. tries to target the elite market first.
E. involves price movement down the demand curve over time.

172. A penetration pricing policy:

A. Tries to sell the whole market at one low price.
B. Tries to sell the top of the market at a high price.
C. Is used when demand for the product involved is inelastic.
D. Usually involves a slow reduction in price over time.
E. Is used when the firm does not expect strong competition soon after its product is introduced.

173. A firm would likely pursue penetration pricing when

A. it expects zero competition.
B. economies of scale are nonexistent.
C. the elite market is substantial.
D. the whole demand curve is fairly elastic.
E. supply is limited.

174. Which pricing policy is probably "best" for a profit-oriented, low-cost producer who is introducing a new product into a market with elastic demand and is expecting strong competition very soon after product introduction?

A. Skimming pricing
B. Introductory price dealing
C. Meeting competition pricing
D. Penetration pricing
E. Status-quo pricing

175. Using temporary price cuts to speed a producer's new product into a market is known as:

A. a skimming pricing policy.
B. introductory price dealing.
C. a flexible-price policy.
D. a penetration pricing policy.
E. a meeting competition pricing policy.

176. The use of temporary price cuts to speed new products into a market and encourage trial by customers is:

A. A penetration pricing policy.
B. Introductory price dealing.
C. Pricing for dollar or unit sales growth.
D. A skimming price policy.
E. A flexible-price policy.

177. Introductory price dealing:

A. would not be used if other competitors already had competing products on the market at a price consumers found acceptable.
B. is often viewed by competitors as a "stay out" price.
C. usually sets off price wars.
D. is different from penetration pricing.
E. can apply only to final consumers, not channel members.

178. Unilever is introducing a new brand of car window cleaner in market maturity. To speed its entry into the market--without encouraging price competition--Unilever should use:

A. a flexible-price policy.
B. a one-price policy.
C. a penetration pricing policy.
D. introductory price dealing.
E. a skimming pricing policy.

179. Which of the following observations concerning introductory price dealing is true?

A. Established competitors usually choose to meet introductory price dealing.
B. They are temporary price cuts to speed new products into a market.
C. They have the same effect as price skimming.
D. They are the same as low penetration prices.
E. The plan is to sustain the price cut for an extended period of time.

180. When setting a price level policy, a good marketing manager knows that:

A. introductory price dealing usually does not increase sales.
B. a penetration price makes the most sense when there is a large "elite" market.
C. a "skimming" price may lead to low profits if demand is very elastic.
D. it's easy to raise prices if the initial price is too low.
E. none of the above is true.

181. A British firm selling in the U.S. prices its product at $100. The initial exchange rate is 0.80 pounds per dollar. If the new exchange rate is 0.75 pounds per dollar, the revenue for the British firm from a single sale would drop by

A. 80 pounds.
B. 5 pounds.
C. 75 pounds.
D. 10 pounds.
E. 8 pounds.

182. Final customers or users are normally asked to pay _______________ prices for products they buy.

A. basic list
B. phony list
C. discounted
D. wholesale list
E. unchanging list

183. _____ are the prices final customers or users are normally asked to pay for products.

A. Basic list prices
B. Discounts
C. Cost prices
D. Net prices
E. Payoffs

184. _______________ are reductions from list price that are given by a seller to a buyer who either gives up some marketing function or provides the function himself.

A. PMs
B. Phony prices
C. Spiffs
D. Markups
E. Discounts

185. Quantity discounts are offered by sellers to:

A. reduce shipping or selling costs.
B. encourage customers to purchase larger quantities.
C. shift some of the storing function to buyers.
D. encourage buyers to make additional purchases.
E. All of the above.

186. Quantity discounts are discounts offered to encourage

A. customers to buy in larger amounts.
B. buyers to pay their bills quickly.
C. buyers to buy later than present demand requires.
D. excellent customer service.
E. customers to buy sooner.

187. If a producer wants to stabilize demand over time by encouraging repeat business, it should probably use

A. uniform delivered pricing.
B. phony list prices.
C. a seasonal discount.
D. a cash discount.
E. a cumulative quantity discount.

188. Offering a CUMULATIVE quantity discount seeks to:

A. reduce the seller's shipping costs.
B. eliminate some marketing function.
C. shift some of the storing function to the buyer.
D. encourage the buyer to make additional purchases.
E. All of the above.

189. Cady ClayWorks offers its customers a 10 percent discount if they buy at least $200,000 worth of products during a year. The products may be bought in one order--or spread out over several orders. Cady ClayWorks is offering a:

A. cumulative quantity discount.
B. brokerage allowance.
C. seasonal discount.
D. noncumulative quantity discount.
E. cash discount.

190. Ceramics Distributing Co. wants to keep its inventory low. Which of the following would be LEAST likely to encourage customers to take over more responsibility for the storage function?

A. offering a cumulative quantity discount
B. offering a stocking allowance
C. offering a noncumulative quantity discount
D. offering a seasonal discount

191. Offering a NONCUMULATIVE quantity discount seeks to:

A. reduce the seller's shipping costs.
B. encourage bigger orders.
C. discourage small orders.
D. shift some of the storing function to the buyer.
E. All of the above.

192. Noncumulative quantity discounts

A. apply only to individual orders.
B. are designed to primarily encourage repeat buying.
C. reduce the customer's cost for additional purchases.
D. tie a buyer to the seller after a single purchase.
E. are never attractive to buyers.

193. Ceramics Distributing Co. wants to keep its inventory low. Which of the following would be MOST likely to encourage customers to take over more responsibility for the storage function?

A. setting a skimming price
B. specifying invoice terms of 2/10, net 30
C. offering a noncumulative quantity discount
D. using zone pricing
E. using F.O.B. shipping point pricing

194. Calumet Pottery Supply allows a 10 percent reduction off its list price of Jepson clay whenever an intermediary orders more than 100 cases in one shipment. This is a:

A. cash discount.
B. seasonal discount.
C. cumulative quantity discount.
D. PM.
E. noncumulative quantity discount.

195. Insta-Mark Inc. makes custom-imprinted three-ring binders for business customers. Its prices are: $4.00 per binder for a single order of up to 50 binders; $3.50 per binder for a single order of 51 to 100 binders; and $3.00 per binder for a single order over 100 binders. Insta-Mark is using a(n):

A. Seasonal discount.
B. Cash discount.
C. Cumulative quantity discount.
D. Noncumulative quantity discount.
E. Trade discount.

196. A discount that is offered to encourage buyers to stock earlier than present demand requires is:

A. a cash discount.
B. a seasonal discount.
C. a quantity discount.
D. "push money."
E. a trade discount.

197. Sears reduces prices on gas grills between November and February, prior to spring and summer. This price reduction is a:

A. Trade discount.
B. Seasonal discount.
C. Noncumulative quantity discount.
D. Cumulative quantity discount.
E. Cash discount.

198. The following terms appeared on an invoice dated May 20 which was sent by a manufacturer to a retail store: 2/10, net 30. The amount of the invoice was $2,000. Assuming the retailer paid the invoice on June 1 (10 days after the products were delivered), how much should he have paid?

A. $1,900
B. $1,800
C. $2,000
D. $1,960
E. $2,040

199. The cash discount term "2/10, net 30" means that:

A. the invoice is dated February 10 and must be paid by February 30.
B. the buyer will, in effect, be borrowing at a 36 percent annual interest rate if he takes 30 days to pay the invoice.
C. the buyer must make a 2 percent down payment--with the balance due in 10 to 30 days.
D. a 2 percent discount off the face value of the invoice is permitted if the bill is paid within 10 days.
E. Both B and D are true.

200. The terms "3/20, net 60" mean that:

A. in effect, the buyer will pay a 27 percent interest rate if he takes 60 days to pay the invoice.
B. the buyer must make a 3 percent down payment--with the balance due in 20 to 60 days.
C. a 3 percent discount off the face value of the invoice is permitted if the bill is paid within 60 days--otherwise, the full face value is due within 20 days.
D. the invoice is dated March 20 and must be paid within 60 days.
E. None of the above is a true statement.

201. A firm has just received an invoice for $1,000 with the following terms: 3/10, net 30. In this case, the firm:

A. should not worry about earning the cash discount because the amount is small.
B. can take a 10 percent discount if it pays within 3 days, and otherwise the full amount is due in 30 days.
C. can take a 3 percent discount if it pays the invoice on the 30^{th} day.
D. in effect, will be borrowing at an annual rate of 54 percent if it pays the invoice in 30 days.
E. should pay $900 if it pays within 10 days.

202. Cash discount terms of 2/10, net 60 on an invoice would--in effect-- amount to borrowing at an annual interest rate of about ________ percent if the buyer did not pay the invoice for 60 days.

A. 22
B. 72
C. 14
D. 18
E. 36

203. Cash discount terms of 2/10, net 30 on an invoice would--in effect-- amount to borrowing at an annual interest rate of about ________ percent if the buyer did not pay the invoice for 30 days.

A. 10
B. 30
C. 18
D. 12
E. 36

204. When a buyer receives an invoice for $100 with terms of "2/15 net 30" he can expect to pay:

A. $100 if he pays anytime in the first 30 days.
B. less than $100 if he pays during the first 15 days.
C. $100 if he pays anytime during the first fifteen days.
D. more than $100 if he pays from day fifteen through day thirty.
E. the full $100 if he waits more than 30 days to pay.

205. The cash discount terms for a purchase worth $1,000 made on August 1 are 3/10, net 30. How much will the buyer have to pay if he makes the payment on August 7?

A. $930
B. $30
C. $1,030
D. $1,000
E. $970

206. A cash discount of 3/15, net 30 means that:

A. The buyer gets a 15 percent discount off the face value of the invoice if the invoice is paid within 3 days.
B. The buyer gets a 3 percent discount off the face value of the invoice if the invoice is paid within 15 days.
C. The buyer makes a 3 percent down payment on the face value of the invoice within 15 days; the remainder is due in 30 days.
D. The buyer gets a 3/15 (20 percent) discount if the invoice is paid within 30 days.
E. None of the above.

207. A wholesaler has been offering his customers payment terms of 3/10, net 60. He wants to tighten his terms because interest rates have gone up. He could change his terms to:

A. 3/10, net 90.
B. 3/20, net 60.
C. 4/10, net 60.
D. 3/10, net 30.
E. None of the above would be in the intended direction.

208. A marketing manager might offer a cash discount to channel members to:

A. increase sales during a slow period.
B. encourage buyers to pay their bills quickly.
C. reduce shipping or selling costs.
D. encourage them to buy in larger quantities.
E. All of the above.

209. Producers offer trade (functional) discounts to:

A. encourage customers to buy out-of-season merchandise.
B. encourage customers to pay their bills quickly.
C. prevent retailers from becoming wholesalers.
D. encourage quantity purchases by customers.
E. cover the cost of work wholesalers or retailers are expected to do.

210. A reduction from the list price given to channel members based on the job they are going to do is a(n):

A. Sale price.
B. Everyday low price.
C. Trade discount.
D. Cash discount.
E. None of the above.

211. Trade (functional) discounts

A. are illegal unless they are offered to meet a competitor's price.
B. are not offered by sellers who use administered prices.
C. are a type of cash discount.
D. reflect the fact that marketing activities can often be shifted and shared in the channel in different ways.
E. are typically offered to consumers but not to intermediaries.

212. Arroyo Leather Furniture gives its wholesalers discounts of 30 percent and 10 percent--expecting the wholesalers to pass the 30 percent discount on to their retail customers. These discounts off the manufacturer's suggested retail prices--to cover the costs of the jobs the intermediaries will do--are _______________ discounts.

A. seasonal
B. illegal
C. cash
D. trade (functional)
E. quantity

213. To get the sale price, customers

A. buy when they have to buy.
B. buy when the seller wants to sell.
C. have to buy things that they never need.
D. have to give up all consumer surplus.
E. buy when they have a necessity.

214. Everyday low pricing of consumer convenience products:

A. tends to reduce fluctuations in prices customers actually pay.
B. has been used by many retailers even though no producers have adopted this approach.
C. makes it easy to quickly compete on price--without changing the basic strategy--when a competitor offers a particularly large discount for a short period of time.
D. relies on frequent discounts and allowances from the producer.
E. confuses customers and increases selling costs.

215. A producer of plastic water bottles that can be attached to bikes gives retailers a 3 percent price reduction to advertise its products locally. This is an example of:

A. value pricing.
B. push money.
C. everyday low pricing.
D. an advertising allowance.
E. a cash discount.

216. A producer of sports equipment offers its retailers a 2 percent price reduction on all purchases if the dealer advertises the products locally. Apparently, the producer is using

A. "push money."
B. a functional allowance.
C. a cash discount.
D. a trade discount.
E. an advertising allowance.

217. A reduction from list price given to retailers to get shelf space for a product is a:

A. shelf allocation.
B. brokerage allowance.
C. trade allowance.
D. slotting allowance.
E. push money allowance.

218. A reduction from list price given to intermediaries to get shelf space for a product is a:

A. shelf allocation.
B. brokerage allowance.
C. trade allowance.
D. stocking allowance.
E. push money allowance.

219. A retailer might expect a stocking allowance:

A. for paying the supplier's invoice before the product is delivered.
B. to pass along to retail salesclerks who aggressively sell the product.
C. to offset the handling costs for a new product.
D. if the manufacturer can't fill an order by the promised delivery date.
E. None of the above--stocking allowances only apply to wholesalers.

220. A producer offers a retailer free merchandise to stock a new item. The retailer is receiving a(n)

A. spiff.
B. cash discount.
C. seasonal discount.
D. slotting allowance.
E. cumulative quantity discount.

221. Jiffy Cake Mix Company developed a new brownie mix that is much improved over its current brownie mix. When a sales representative for Jiffy contacted a buyer for a major supermarket chain, the buyer demanded that Jiffy give the supermarket chain a combination of cash and free cases of goods whose total value exceeded the entire marketing budget Jiffy planned to spend on the new brownie mix during its first year on the market. When the sales representative from Jiffy protested, the buyer said, "It is company policy to get _______________ in order to secure shelf space for new brands."

A. Push money
B. Trade discounts
C. Quantity discounts
D. Stocking allowances
E. Sale prices

222. Some manufacturers give _______________ to retailers to pass on to the retailers' salesclerks to encourage aggressive selling of specific items or lines.

A. advertising allowances
B. cash discounts
C. slotting allowances
D. "push money"
E. trade discounts

223. Some producers give _________ to retailers to pass on to the retailers' salesclerks in return for aggressively selling particular items or lines.

A. brokerage commissions
B. advertising allowances
C. trade discounts
D. "push money" allowances
E. cash discounts

224. "Push money" is most likely to be offered to:

A. cosmetics salespeople at a department store.
B. salesclerks at a grocery store.
C. component materials sales reps.
D. industrial supplies sales reps.
E. Each of the above is equally likely to receive "push money."

225. Careful handling of "trade-ins"--to avoid reducing the list price--is especially important for sellers of:

A. expense items.
B. raw materials.
C. emergency products.
D. component materials.
E. none of the above.

226. Which of the following give a producer a way to be certain that final consumers actually get the price reduction?

A. Rebates
B. Push money allowances
C. Spiffs
D. Trade-in allowance
E. Noncumulative quantity discount

227. Which of the following statements about rebates is True?

A. Rebates are refunds paid to consumers after a purchase.
B. Rebates ensure that the final consumer gets a producer's price reduction.
C. Many consumers purchase a product because a rebate is offered but then never request the refund.
D. Many consumers think that some sellers make it an unnecessary hassle to claim a rebate.
E. All of the above.

228. Which of the following geographic pricing policies would probably handicap a producer wanting to compete with other producers who are closer to a potential buyer?

A. F.O.B. mill
B. F.O.B. delivered
C. Zone pricing
D. Freight absorption
E. All of the above.

229. A seller's invoice reads: "Seller pays the cost of loading said merchandise onto a common carrier. At the point of loading, title to such products passes to the buyer, who assumes responsibility for damage in transit, except as covered by the transportation agency." This shipment has been shipped:

A. F.O.B. delivered.
B. F.O.B. shipping point.
C. F.O.B. mill, freight absorbed.
D. F.O.B. buyer's factory.
E. F.O.B. seller's factory--freight prepaid.

230. If a producer wants title to pass to a buyer immediately--but still wants to pay the freight bill--the invoice should read:

A. F.O.B. buyer's factory.
B. F.O.B. shipping point.
C. F.O.B. delivered.
D. F.O.B. seller's factory--freight prepaid.
E. F.O.B. mill.

231. Which of the following observations concerning F.O.B. pricing is not true?

A. Typically, it names the place.
B. F.O.B. shipping point pricing may narrow the market.
C. F.O.B. shipping point pricing complicates the seller's pricing.
D. If a firm wants to pay the freight for the convenience of customers, it can use F.O.B. delivered.
E. A firm can use F.O.B. buyer's factory if it wants to pay the freight.

232. "Zone pricing":

A. allows a uniform delivered price to be charged to all buyers in each zone.
B. simplifies the calculation of transportation charges.
C. means making an average freight charge to all buyers within some geographic area.
D. may make it possible to compete with sellers located closer to the buyer.
E. All of the above.

233. A producer in Philadelphia uses "zone pricing." It's selling widgets for $150/ton in the Eastern Zone--which includes Richmond and Baltimore. The actual freight cost from its plant to Baltimore is $70/ton and from its plant to Richmond is $80/ton. In this situation:

A. one ton of widgets costs a Baltimore buyer the same as an Richmond buyer.
B. both buyers would pay $225 for one ton of widgets.
C. one ton of widgets delivered to Richmond would cost the buyer $230.
D. one ton of widgets delivered to Baltimore would cost the buyer $220.
E. Both C and D.

234. On the price sticker placed on the window of a new vehicle by the manufacturer, the manufacturer's suggested retail price is listed, followed by a "destination charge" for shipping the vehicle to the dealership. The destination charge is the same everywhere in the country, no matter whether the dealership is close to or far away from the manufacturing plant. This pricing practice is called:

A. F.O.B. pricing.
B. None of the above.
C. Zone pricing.
D. Uniform delivered pricing.
E. Freight absorption pricing.

235. Uniform delivered pricing:

A. usually results in higher delivered prices for everyone.
B. results in all buyers paying less than the actual transportation costs.
C. is most often used when transportation costs are relatively low.
D. is just an extension of F.O.B. pricing.
E. All of the above.

236. Uniform delivered pricing is most often used when

A. transportation costs are relatively high.
B. the seller wishes to sell in all geographic areas at one price.
C. the seller does not wish to have a nationally advertised price.
D. an average freight charge becomes illogical.
E. F.O.B. shipping point pricing is preferred.

237. A catalog merchant divides the country into regions. Every buyer in a particular region pays the same average shipping charge. The shipping charges differ from region to region, depending on how far the region is from the catalog merchant's main warehouse facility. The catalog merchant is using:

A. F.O.B. pricing.
B. Uniform delivered pricing.
C. Freight absorption pricing.
D. None of the above.

238. Freight absorption pricing:

A. amounts to cutting list price to appeal to new geographic markets.
B. forces all buyers to pay higher shipping costs.
C. tends to restrict firms from competing in distant markets.
D. tends to decrease competition.
E. Both B and C.

239. A producer of electrical parts in Kansas City wants to expand into the West Coast market--where price competition is tough. It probably should use:

A. F.O.B. mill pricing.
B. uniform delivered pricing.
C. zone pricing.
D. freight absorption pricing.
E. either A or B.

240. Cherokee Cable Corporation, sells heavy wire cable to large construction companies around the country. Customers pay shipping from a central warehouse in Dallas. Recently, a new competitor in Atlanta has been taking away some of Cherokee Cable's Southern customers. If Cherokee Cable wants to compete in those distant markets, but not increase the cost of its product to other customers, it would probably switch to

A. zone pricing.
B. specifying "F.O.B. Dallas" in its contracts.
C. uniform delivered pricing.
D. freight absorption pricing.
E. None of the above would help Cherokee Cable Corporation with its problem.

241. Regarding geographic pricing policies:

A. uniform delivered pricing tends to decrease the size of a firm's market.
B. F.O.B. pricing tends to increase the size of a firm's market.
C. freight absorption pricing tends to increase the size of a firm's market.
D. zone pricing encourages large orders.
E. All of the above.

242. Which of the following statements about geographic pricing policies is true?

A. Zone pricing penalizes buyers closest to the factory.
B. Uniform delivered pricing is more practical when transportation costs are relatively low.
C. Freight absorption pricing may increase the size of market territories.
D. F.O.B. pricing tends to reduce the size of market territories.
E. All of the above are true statements.

243. _____ means setting a fair price level for a marketing mix that really gives the target market superior customer value.

A. Uniform pricing
B. Target pricing
C. Consumer surplus
D. Value pricing
E. Status quo pricing

244. Which of the following statements concerning "value pricing" is FALSE?

A. Value pricing tries to build customer loyalty.
B. Companies using value pricing guarantee what they offer.
C. Value pricing involves setting a fair price level for a marketing mix that meets customers' needs.
D. Value pricing means using "budget" or "cheap" prices.
E. The focus of value pricing is on the customer's requirements--and the whole strategy.

245. A producer's price level decision is made by the market in:

A. a monopoly.
B. pure competition.
C. monopolistic competition.
D. All of the above.
E. None of the above.

246. Most firms operate in monopolistic competition, where products and whole marketing mixes are not exactly the same. This implies that

A. there are pricing options.
B. value pricing has no advantage.
C. it's foolish to offer products above the market price.
D. there are no price choices in most markets.
E. it is better to be a price follower.

247. Regarding price-level policies:

A. meeting competition is the only sensible policy in monopolistic competition.
B. in an oligopoly situation, pricing "above the market" usually leads to an increase in profit.
C. a firm in pure competition may increase profit by pricing "below the market."
D. charging a lower price than seeming competitors may not mean that a firm is selling "below the market."
E. All of the above.

248. Which of the following observations is true of a mature market?

A. There is downward pressure on prices.
B. Profit margins are never under threat.
C. Differentiating the value a firm offers is easy.
D. Pricing choices are abundant.
E. Price moves up the demand curve over time.

249. In an oligopoly situation, a wise marketing manager will probably set the firm's price level:

A. at the competitive level.
B. on a negotiated basis--that is, customer by customer.
C. above competitors' prices.
D. at least 10 percent below the price leader's price.
E. below competitors' prices.

250. Which of the following may be the only sensible pricing policy in oligopoly situations?

A. Maximizing profits
B. Pricing way below market
C. Meeting competition
D. Pricing way above market
E. Price leadership

251. In oligopoly situations, each oligopolist may choose a status quo pricing objective and set its price at the competitive level. Some critics call this pricing behavior

A. market share growth objective.
B. conscious parallel action.
C. dumping.
D. introductory price dealing.
E. predatory pricing.

252. Some critics charge that firms in oligopoly situations practice conscious parallel action. These critics apparently think the firms:

A. seek too high a target return objective.
B. give quantity discounts which are "too large."
C. raise prices to match increases in other industries.
D. are "conspiring" to set prices.
E. administer prices.

253. "Unfair trade practice acts":

A. require different types of retailers to charge different retail prices.
B. make price fixing illegal.
C. eliminate price competition on manufacturers' brands.
D. prohibit intermediaries from taking excessive markups.
E. put a lower limit on prices, especially at the wholesale and retail levels.

254. "Unfair trade practice acts":

A. prohibit very high markups at the retail level.
B. allow manufacturers to set retail prices for branded products.
C. prohibit price fixing among retailers.
D. allow intermediaries to sell below cost.
E. protect certain limited-line retailers from "ruinous" price competition.

255. A main purpose of "unfair trade practice acts" is to:

A. prevent manufacturers from taking high markups.
B. eliminate price competition on manufacturers' brands.
C. require some minimum percentage markup on cost.
D. permit different types of retail outlets to charge different retail prices.
E. guarantee retailers some profit.

256. Antidumping laws:

A. protect consumers from the high prices charged by monopolistic foreign producers.
B. set the maximum price a foreign producer can charge.
C. are used in an effort to control the minimum price of imported products.
D. make it illegal for a foreign producer to sell a product at a price level lower than domestic producers.
E. force foreign producers to sell below cost if they want to compete with a nation's domestic producers.

257. World Imports/Exports, Inc., is pricing a product sold in a foreign market below the cost of producing it. It sells the same product at a higher price in its domestic market. The company is engaging in

A. price dealing.
B. skimming.
C. dumping.
D. fair trade.
E. conscious parallel action.

258. Some customers encourage the use of ______________ by paying more attention to supposed price discounts than to the actual prices (and values).

A. unchanging list prices
B. basic list prices
C. phony list prices
D. fair trade prices

259. A jewelry store advertises a one-carat diamond engagement ring as being discounted 50 percent off the original price of $10,000, for a sale price of $5,000. However, the ring was never put on sale at the original price, and its actual cost to the retailer was only $1,500. This jewelry store could be accused of using:

A. Price fixing.
B. Phony list prices.
C. Dumping.
D. Price discrimination.
E. Unfair trade practices.

260. "Price fixing" means:

A. changing a price that was set at the wrong level by the financial manager.
B. pricing a product that will be sold in a foreign market at a level below the cost of production.
C. selling products of like grade and quality to different buyers at different prices.
D. a firm consciously setting its prices.
E. competitors getting together to raise, lower, or stabilize prices.

261. Recently, some executives for highway construction companies agreed to stop competing with each other on price and to meet every three months to decide their price for the next quarter. In this situation:

A. the Sherman Act has been violated.
B. the Robinson-Patman Act has been violated by price discrimination.
C. the executives are exercising their right to free trade.
D. the unfair trade practice acts have been violated.
E. as long as prices don't increase--the executives have done nothing wrong.

262. The president of a major airline makes telephone calls to the top executives of several other airlines asking them to "hold the line" and refrain from offering discounts on fares for several key routes in order to improve profit margins. This practice could easily be considered:

A. Dumping.
B. Price discrimination.
C. Price fixing.
D. Zone pricing.
E. None of the above.

263. Which of the following observations concerning price fixing is true?

A. It is highly uncommon and relatively difficult to achieve.
B. It is permitted in the United States, under certain circumstances.
C. It is considered "conspiracy" under the Sherman Act.
D. In the U.S, individual managers are not held responsible for price fixing.
E. Price fixing laws across the globe are similar in nature.

264. Which of the following laws specifically makes illegal any price discrimination which injures competition?

A. Magnuson-Moss Act
B. Robinson-Patman Act
C. Wheeler-Lea Act
D. FTC Act
E. Sherman Act

265. Which of the following laws focuses specifically on price discrimination?

A. Robinson-Patman Act
B. Magnuson-Moss Act
C. Sherman Act
D. Wheeler-Lea Act
E. Federal Trade Commission Act

266. The Robinson-Patman Act says that to be legal, price differences must be based on:

A. a need to meet competition
B. a reasonable profit margin as determined by the FTC
C. freight costs
D. cost differences
E. Both A and D.

267. The Robinson-Patman Act does permit some price differences—but they must be based on

A. cost differences.
B. the need to make profits.
C. accounting practices.
D. cartel requirements.
E. conscious parallel action.

268. Charlie Ferragamo is a sales representative for the Season-All Spice Company, and sells spices to large food service operations and restaurants. Charlie used to be able to justify selling his products for a higher price than the competition because he believed his spices were of higher quality. However, now the demand for individual brands of spices has become very elastic because buyers perceive few differences among the brands. One of Charlie's regular customers told Charlie that another spice company offered him a significantly lower price on spices, and he asked if Charlie could match the price. Charlie said, "I have to see a written price quote from the competitor. If I lower my price without seeing the price quote, I could be accused by my other customers of engaging in ________________."

A. Dumping.
B. Price discrimination.
C. Price fixing.
D. Zone pricing.
E. None of the above.

269. A large producer who offers no discounts and the same prices to all customers in the U.S.:

A. does not have pricing objectives.
B. ignores the benefits of administered pricing.
C. probably ignores nonprice competition too.
D. may be "playing it safe" because of concern about the Robinson-Patman Act.
E. is probably violating the antidumping laws.

270. The court decisions in the Borden case clearly show that:

A. products of "like grade and quality" must be offered to all buyers at the same price--even if sold under different labels.
B. manufacturers who supply retailers with dealer brands cannot force the retailer to charge consumers the manufacturer's suggested list price.
C. price fixing is always illegal.
D. a manufacturer can charge different prices for different brands of physically identical products as long as the price differentials do not exceed the recognized consumer appeal of the higher-priced brands.
E. manufacturers cannot charge different prices for dealer brands and manufacturer brands.

271. A manufacturer might try to defend itself against charges of illegal price discrimination by claiming that:

A. the price discrimination occurred as a defensive measure to "meet competition in good faith."
B. the price differentials did not actually injure competition.
C. the price differentials were justified on the basis of cost differences in production and/or distribution.
D. its products were not of "like grade and quality."
E. Any of the above could make price discrimination legal.

272. A manufacturer could try to defend itself against charges of price discrimination under the Robinson-Patman Act by claiming that:

A. the products were not of "like grade and quality."
B. any price differences were to "meet competition in good faith."
C. the price differences did not injure competition.
D. the price differences were justified on the basis of cost differences.
E. All of the above are possible defenses against price discrimination charges.

273. Price discrimination:

A. by firms selling to final consumers is illegal, but it is usually legal in selling to intermediaries.
B. is not covered by Federal laws, but in some states it is illegal.
C. is always illegal.
D. may be legal if the firm can prove that different prices were set based on different costs.
E. None of the above is true.

274. Jackson Motors, Inc. normally sells its electric motors to all buyers for $100. However, a competitor offered to sell similar motors to one of Jackson Motors' biggest customers for only $80 and Jackson Motors offered that customer--but not its other customers--a $80 selling price. According to the Robinson-Patman Act:

A. Jackson Motors has not violated the law--it is just meeting competition.
B. Jackson Motors is breaking the law--unless it offers to sell motors to all of its customers for $80.
C. Jackson Motors cannot lower its $100 selling price.
D. Jackson Motors cannot use the "meeting competition in good faith" defense unless it beats its competitor's $80 selling price.
E. Jackson Motors AND its competitor are both guilty of price fixing.

275. The Robinson-Patman Act:

A. States that selling the same product to different consumers at different prices is always illegal.
B. Makes it illegal for a firm to offer quantity discounts.
C. Requires that promotional allowances be made available to all of a firm's customers on "proportionately equal" terms.
D. All of the above.
E. None of the above.

276. Advertising allowances offered by producers can be ILLEGAL unless they are made available:

A. for products of "like grade and quality."
B. to all customers on proportionately equal terms.
C. to all buyers in equal dollar amounts.
D. on all products sold by the producer.
E. within an FTC approved agreement.

277. Which of the following price-related actions by a manufacturer most likely would be a violation of the Robinson-Patman Act?

A. Offering a lower price to only one buyer to match a competitor's price.
B. Selling to all its customers at uniform prices.
C. Granting a lower price to a buyer because of a large-quantity purchase.
D. Giving a special advertising allowance to a retailer that was having difficulty competing in its local market.
E. None of the above is a violation.

Use this information for questions that refer to the Pricing 1 case.

As a project for her marketing class, Emily Washington is researching how five local businesses price their products. The following are brief sketches of what she has learned about each company.

At Bella Computers, Emily has discovered that the company earned a 6 percent return on investment this year and wants to increase it to 9 percent next year. To its retailer customers, Bella Computers gives cash discount terms of 2/10, net 30. It also gives retailers a 3% reduction 0n the invoice amount due to advertise Bella products locally. Bella gives retailers' salespeople 2% of the sale price for each Bella Computer they sell.

At Ross Pharmaceuticals, she learned that the company has invested heavily in developing a new product that recently received a patent. Because cash is tight, the company wants to achieve a rapid return on its investment. The new patented product is badly needed in the market, so a very inelastic demand curve is expected.

Digital Imaging makes photographic prints for wedding photographers. It is very concerned about competitor reactions to its pricing, so it has selected prices that will not draw the attention of the competition and not start a price war. Digital Imaging offers customers an 8% discount if their purchases exceed $20,000 a year.

Jack's One Hour Cleaners recently opened for business. The company invested a lot of money in new equipment, and feels that it has to quickly get "at least 10% market share to stay in the game." This need obviously influences the company's pricing decisions. Jack's also plans to offer customers 20% discounts on any order over $20.

National Printing Equipment (NPE) produces equipment that helps to print newspapers and magazines. The company sells directly to printers and through wholesalers. Its salespeople negotiate prices with individual customers and often have to match competitors' prices. NPE has a new product, the Gutenberg NP201, with some competitive advantages now, but competitors are expected to follow quickly with similar products. The new product is being introduced into a market with elastic demand. In regard to freight charges for its equipment, NPE's invoice reads, "Seller pays the cost of loading equipment onto a common carrier. At the point of loading, title to such products passes to the buyer, who assumes responsibility for damage in transit, except as covered by the transportation agency."

278. National Printing Equipment ships its products:

A. based on freight-absorption pricing.
B. using uniform delivered pricing.
C. F.O.B. shipping point.
D. F.O.B. buyer's factory.
E. at no cost to the customer.

279. Bella Computers' pricing objective is best described as:

A. target return.
B. status quo oriented.
C. profit oriented.
D. sales oriented.
E. none of the above.

280. Ross Pharmaceuticals' pricing objective is:

A. sales oriented.
B. profit maximization.
C. status-quo oriented.
D. to meet competition.
E. none of the above.

281. What is Digital Imaging's pricing objective?

A. status-quo oriented
B. sales oriented
C. profit oriented
D. target return
E. none of the above

282. What is Jack's One Hour Cleaners' pricing objective?

A. profit oriented
B. target return
C. sales oriented
D. status-quo oriented
E. none of the above

283. Which company uses administered prices?

A. Bella Computers
B. Ross Pharmaceuticals
C. Digital Imaging
D. Jack's One Hour Cleaners
E. All of the companies use adminstered prices

284. National Printing Equipment has:

A. been violating the Sherman Act
B. been violating the Robinson Patman Act
C. a status-quo pricing objective
D. a skimming price policy
E. a flexible pricing policy

285. Which pricing policy would be recommended for Ross Pharmaceuticals' new product?

A. meeting competition pricing
B. penetration pricing
C. introductory pricing
D. skimming pricing
E. below-the-market pricing

286. National Printing Equipment's new Gutenberg NP201 should probably use:

A. price fixing.
B. skimming pricing.
C. introductory pricing.
D. penetration pricing.
E. seasonal discounts.

287. Which business offers a CUMULATIVE quantity discount?

A. Digital Imaging
B. Jack's One Hour Cleaners
C. National Printing Equipment
D. Ross Pharmaceuticals
E. Bella Computers

288. Which business offers a NONCUMULATIVE quantity discount?

A. Jack's One Hour Cleaners
B. Digital Imaging
C. National Printing Equipment
D. Ross Pharmaceuticals
E. Bella Computers

289. If one of Bella Computers' retail customers did not pay the invoice for 30 days, the customer would - in effect - be borrowing at what annual interest rate?

A. 9 percent
B. 18 percent
C. 27 percent
D. 36 percent
E. 72 percent

290. The marketing manager at NPE says that the firm offers trade (functional) discounts. Why would it offer these?

A. to encourage customers to buy older models.
B. to cover the cost of work its wholesalers are expected to do.
C. to encourage quantity purchases by customers.
D. to avoid price competition.
E. to encourage customers to pay their bills quickly.

291. The 3% price reduction Bella Computers gives its retailers is an example of:

A. push money.
B. value pricing.
C. an advertising allowance.
D. everyday low pricing.
E. a cash discount.

292. The 2% Bella Computers gives to retailers' salespeople is an example of:

A. value pricing.
B. push money.
C. everyday low pricing.
D. an advertising allowance.
E. a stocking fee.

ch16 Key

1. Almost every business transaction in our modern economy involves an exchange of money.
(p. 409)

<u>TRUE</u>

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #1
Question Type: Definition
Self-Test: No

2. Any business transaction can be thought of as an exchange of "something of value" for money--where money is the price.
(p. 409)

<u>TRUE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #2
Question Type: Definition
Self-Test: No

3. Pricing objectives and policies should flow from company-level objectives.
(p. 410)

<u>TRUE</u>

AACSB: 11 Analysis for decisions
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #3
Question Type: Definition
Self-Test: No

4. Pricing objectives need not be *explicitly* stated.
(p. 410)

<u>FALSE</u>

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #4
Question Type: Definition
Self-Test: No

5. A target return pricing objective seeks to obtain a specific level of profit--often stated as a percentage of sales or return on investment.
(p. 411)

<u>TRUE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #5
Question Type: Definition
Self-Test: No

6. A target return pricing objective has administrative advantages in a large company where there are many divisions to compare.
(p. 411)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #6
Question Type: Definition
Self-Test: No

7. Many nonprofit organizations try to set a price level that will earn a target return figure of zero.
(p. 412)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #7
Question Type: Definition
Self-Test: No

8. The target return figure is zero for an organization that sets a price level that will just recover costs.
(p. 412)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #8
Question Type: Definition
Self-Test: No

9. A target return objective and a profit maximization objective are both profit-oriented objectives.
(p. 411-412)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #9
Question Type: Definition
Self-Test: No

10. Profit maximization objectives lead to high prices and monopolies--and are generally not in the public interest.
(p. 412)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #10
Question Type: Definition
Self-Test: No

11. A profit maximization pricing objective may lead to relatively low prices, especially if demand is very elastic.
(p. 412)

<u>TRUE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #11
Question Type: Definition
Self-Test: No

12. Pricing to achieve profit maximization always lead to high prices.
(p. 412)

<u>FALSE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #12
Question Type: Definition
Self-Test: No

13. Sales-oriented pricing objectives don't refer to profit.
(p. 412)

<u>TRUE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #13
Question Type: Definition
Self-Test: No

14. A sales-oriented pricing objective seeks some level of unit sales, dollar sales, or share of market--without referring to profit.
(p. 412)

<u>TRUE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #14
Question Type: Definition
Self-Test: No

15. Sales-oriented pricing objectives are sensible because sales growth almost guarantees higher profits.
(p. 412)

<u>FALSE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #15
Question Type: Definition
Self-Test: No

16. A firm should not simply assume that its profits will grow if its sales grow.
(p. 412)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #16
Question Type: Definition
Self-Test: No

17. A marketing manager who sets prices to achieve a given level of market share is using a profit-oriented pricing objective.
(p. 412)

FALSE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #17
Question Type: Definition
Self-Test: No

18. Sales-oriented pricing objectives--such as maintaining or increasing market share--are unpopular because it is so difficult to measure results.
(p. 413)

FALSE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #18
Question Type: Definition
Self-Test: No

19. Managers satisfied with their current market share and profits are most likely to adopt sales growth oriented objectives.
(p. 413)

FALSE

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #19
Question Type: Definition
Self-Test: No

20. "Meeting competition" is a sales oriented pricing objective.
(p. 413)

FALSE

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #20
Question Type: Definition
Self-Test: No

21. *(p. 413)* Status quo pricing objectives might focus on meeting competition, avoiding competition, or stabilizing prices.

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #21
Question Type: Definition
Self-Test: No

22. *(p. 413)* Meeting competition and nonprice competition are both status-quo objectives.

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #22
Question Type: Definition
Self-Test: No

23. *(p. 413)* Status quo pricing objectives suggest avoiding price competition, but may lead to very aggressive competition with Promotion, Place, or Product.

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #23
Question Type: Definition
Self-Test: No

24. *(p. 413)* When the total market is not growing a common strategy adopted is to stabilize prices.

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #24
Question Type: Definition
Self-Test: No

25. *(p. 413)* Nonprice competition, a status quo pricing objective, is never part of an aggressive overall marketing strategy.

FALSE

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #25
Question Type: Definition
Self-Test: No

26. Administered prices are prices agreed to by competing firms in a market.
(p. 413)

FALSE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #26
Question Type: Definition
Self-Test: No

27. When a firm sells through intermediaries, there is little reason to try to administer the price intermediaries charge final consumers.
(p. 413)

FALSE

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #27
Question Type: Definition
Self-Test: No

28. Most firms avoid administered prices because they may be illegal under the Robinson-Patman Act.
(p. 413)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #28
Question Type: Definition
Self-Test: No

29. Most firms in the U.S. avoid using a one-price policy because it is so inconvenient to administer and leads to more negotiation and higher selling costs.
(p. 414)

FALSE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #29
Question Type: Definition
Self-Test: No

30. The majority of U.S. firms use a one-price policy.
(p. 414)

TRUE

AACSB: 13 Economic environments
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #30
Question Type: Definition
Self-Test: No

31. Flexible-price policies are most common in the channels, in direct sales to business customers, and for expensive shopping products because sales reps may need to make adjustments for market conditions.
(p. 415)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #31
Question Type: Definition
Self-Test: No

32. Flexible pricing is most common in the channels, in direct sales of business products, and at retail for expensive shopping products.
(p. 415)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 2
Perreault - Chapter 16 #32
Question Type: Definition
Self-Test: No

33. In less-developed economies, retail shopkeepers typically use a one-price policy.
(p. 415)

FALSE

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #33
Question Type: Definition
Self-Test: No

34. A flexible-price policy is most often used where products are not standardized and where bargaining is common.
(p. 415)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #34
Question Type: Definition
Self-Test: No

35. The haggling that often occurs when a consumer buys a new car is a direct result of the flexible pricing most auto dealers use.
(p. 415-416)

TRUE

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #35
Question Type: Definition
Self-Test: No

36. A flexible-price policy is illegal in the U.S.
(p. 415)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #36
Question Type: Definition
Self-Test: No

37. A skimming pricing policy tries to sell to customers who are at the top of the demand curve first, before aiming for more price sensitive customers.
(p. 416)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #37
Question Type: Definition
Self-Test: No

38. In the market introduction stage of the product life cycle, if a firm has economies of scale and expects competitors to enter the market soon, it would be wise to adopt a skimming pricing policy.
(p. 416)

FALSE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #38
Question Type: Definition
Self-Test: No

39. A skimming price policy usually involves a slow reduction in price over time.
(p. 416)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #39
Question Type: Definition
Self-Test: No

40. A skimming policy does not involve price reduction over time.
(p. 416)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #40
Question Type: Definition
Self-Test: No

41. If a firm's demand curve is fairly elastic, a penetration pricing policy would be more suitable than a skimming pricing policy.
(p. 418)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #41
Question Type: Definition
Self-Test: No

42. A low penetration price discourages competitors from entering the market.
(p. 418)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #42
Question Type: Definition
Self-Test: No

43. Penetration pricing may be wise if the firm expects strong competition very soon after introduction.
(p. 418)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #43
Question Type: Definition
Self-Test: No

44. Introductory price dealing means setting a low "penetration" price early in the product life cycle to discourage competitors from entering the market.
(p. 418)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #44
Question Type: Definition
Self-Test: No

45. Introductory price dealing involves setting high initial prices on a product when it is introduced--to see how much consumers are willing to pay.
(p. 418)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #45
Question Type: Definition
Self-Test: No

46. How much a nation's money is worth in some other nation's currency can impact the price level in both local and international markets.
(p. 419-420)

<u>TRUE</u>

AACSB: 13 Economic environments
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #46
Question Type: Definition
Self-Test: No

47. The exchange rate affects what is a competitive price for products sold in international markets, but not local markets.
(p. 419-420)

<u>FALSE</u>

AACSB: 13 Economic environments
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #47
Question Type: Definition
Self-Test: No

48. Exchange rate changes can be an important factor even for a small firm that sells only in its own local market.
(p. 419-420)

<u>TRUE</u>

AACSB: 13 Economic environments
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #48
Question Type: Definition
Self-Test: No

49. Basic list prices are the prices that final consumers or users are normally asked to pay.
(p. 420)

<u>TRUE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #49
Question Type: Definition
Self-Test: No

50. Quantity discounts encourage customers to buy in larger amounts.
(p. 421)

<u>TRUE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #50
Question Type: Definition
Self-Test: No

51. There are two kinds of quantity discounts: cumulative and accumulative.
(p. 421)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #51
Question Type: Definition
Self-Test: No

52. Cumulative quantity discounts encourage repeat buying from the same seller, while noncumulative quantity discounts encourage large individual orders.
(p. 421)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #52
Question Type: Definition
Self-Test: No

53. Noncumulative quantity discounts are intended to encourage customers to make more of their on-going purchases from the same seller.
(p. 421)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #53
Question Type: Definition
Self-Test: No

54. A seasonal discount encourages buyers to stock products earlier than present demand requires.
(p. 421)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #54
Question Type: Definition
Self-Test: No

55. Seasonal discounts tend to smooth out sales during the year and therefore permit year-round operation.
(p. 421)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #55
Question Type: Definition
Self-Test: No

56. 2/10, net 30 means the buyer can take a 2 percent discount off the face value of the invoice if the invoice is paid within 10 days.
(p. 422)

<u>TRUE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #56
Question Type: Definition
Self-Test: No

57. The term "3/10, net 30" means that thirty percent of the face value of the invoice is due immediately, and that the rest must be paid within 30 days.
(p. 422)

<u>FALSE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #57
Question Type: Definition
Self-Test: No

58. The term "3/10, net 30" means that a 3 percent discount off the face value of the invoice is allowed if the invoice is paid within 10 days, and that otherwise the full face value is due within 30 days.
(p. 422)

<u>TRUE</u>

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #58
Question Type: Definition
Self-Test: No

59. Not taking advantage of cash discounts may have the same effect as paying a fairly large "interest charge."
(p. 422)

<u>TRUE</u>

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #59
Question Type: Definition
Self-Test: No

60. Allowances are given to final consumers, customers, or channel members for accepting more of something.
(p. 423)

<u>FALSE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #60
Question Type: Definition
Self-Test: No

61. Many intermediaries seek advertising allowances from manufacturers to help them pay the cost of advertising the products they sell.
(p. 423)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #61
Question Type: Definition
Self-Test: No

62. Stocking allowances are given to an intermediary to get shelf space for a product.
(p. 423)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #62
Question Type: Definition
Self-Test: No

63. Push money allowances are intended to make the retailers' salespeople sell particular products very aggressively.
(p. 424)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #63
Question Type: Definition
Self-Test: No

64. If a seller wanted to pay the delivery charges and keep title to the products until delivered to a buyer, the seller could use "F.O.B. buyer's factory" geographic pricing terms.
(p. 425)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #64
Question Type: Definition
Self-Test: No

65. F.O.B. "shipping point" pricing simplifies the seller's pricing, but tends to reduce the size of the seller's market.
(p. 425)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #65
Question Type: Definition
Self-Test: No

66. When a seller uses "zone pricing," the actual freight charge for delivering each order is included in the price the buyer pays for the product.
(p. 426)

<u>FALSE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #66
Question Type: Definition
Self-Test: No

67. When a seller uses "zone pricing," all customers who are in the same zone are charged the same freight charge--even if the actual shipping cost varies.
(p. 426)

<u>TRUE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #67
Question Type: Definition
Self-Test: No

68. In zone pricing, the seller pays the actual freight charges and bills each customer the exact amount.
(p. 426)

<u>FALSE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #68
Question Type: Definition
Self-Test: No

69. Uniform delivered pricing is most commonly used when transportation costs are relatively low.
(p. 426)

<u>TRUE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #69
Question Type: Definition
Self-Test: No

70. Freight-absorption pricing basically amounts to cutting list price on sales to distant customers.
(p. 426)

<u>TRUE</u>

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #70
Question Type: Definition
Self-Test: No

71. Value pricing involves developing a "bare bones" marketing mix and a cheap price.
(p. 427)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #71
Question Type: Definition
Self-Test: No

72. "Value pricing" means setting a fair price for a marketing mix that gives the target market superior customer value.
(p. 427)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #72
Question Type: Definition
Self-Test: No

73. There are more pricing options in pure competition than in monopolistic competition.
(p. 427)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #73
Question Type: Definition
Self-Test: No

74. Most firms operate in monopolistic competition instead of pure competition.
(p. 427)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #74
Question Type: Definition
Self-Test: No

75. Most firms operate in monopolistic competition, where products and whole marketing mixes are not exactly the same.
(p. 427)

TRUE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 5
Perreault - Chapter 16 #75
Question Type: Definition
Self-Test: No

76. A value pricer tries to offer a target market the same marketing mix as competitors but with a below-the-market price.
(p. 428)

FALSE

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #76
Question Type: Definition
Self-Test: No

77. In mature markets there is downward pressure on both prices and profit margins. In this situation retailers often have to set prices to meet the competition.
(p. 428)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #77
Question Type: Comprehension
Self-Test: No

78. In both pure competition and oligopoly situations, the only sensible policy is meeting competition.
(p. 429)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #78
Question Type: Definition
Self-Test: No

79. Meeting the competitive price often makes sense for a firm in an oligopoly situation, because setting a price above the market will usually result in a large loss of sales it might have gotten at the competitive price.
(p. 429)

TRUE

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #79
Question Type: Definition
Self-Test: No

80. The unfair trade practices acts are intended to prevent intermediaries from using "outrageously" high markups that would cheat consumers.
(p. 429)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #80
Question Type: Definition
Self-Test: No

81. (p. 429) In states which have unfair trade practice acts, wholesalers and retailers are usually required to mark up merchandise a certain minimum percentage above cost.

TRUE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #81
Question Type: Definition
Self-Test: No

82. (p. 429) Unfair trade practice acts put a higher limit on prices, especially at the wholesale and retail levels.

FALSE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #82
Question Type: Definition
Self-Test: No

83. (p. 429) Pricing a product sold in a foreign market lower than the cost of producing it is called dumping.

TRUE

AACSB: 13 Economic environments
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #83
Question Type: Definition
Self-Test: No

84. (p. 429) Pricing a product sold in a foreign market higher than in its domestic market is referred to as dumping.

FALSE

AACSB: 13 Economic environments
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #84
Question Type: Definition
Self-Test: No

85. (p. 430) Unfortunately, no laws prevent a retailer from using a phony list price--to make a consumer think that the price being charged offers a really big discount.

FALSE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #85
Question Type: Definition
Self-Test: No

86. Price fixing is not illegal unless it hurts a competitor.
(p. 430)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #86
Question Type: Definition
Self-Test: No

87. Price fixing is completely illegal in the United States.
(p. 430)

TRUE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #87
Question Type: Definition
Self-Test: No

88. Price discrimination is illegal according to the provisions of the Robinson-Patman Act.
(p. 432)

TRUE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #88
Question Type: Definition
Self-Test: No

89. In the "Borden case," the U.S. Supreme Court ruled that a well-known label alone makes a product different from a physically similar product with an unknown label.
(p. 432)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #89
Question Type: Definition
Self-Test: No

90. It is always illegal to sell the same products to different buyers at different prices, even if the price differences are based on cost differences.
(p. 432)

FALSE

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #90
Question Type: Definition
Self-Test: No

91. "Meeting competition" in "good faith" is allowed as a defense in price discrimination situations.
(p. 432)

TRUE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #91
Question Type: Definition
Self-Test: No

92. Under the Robinson-Patman Act, meeting a competitor's price is not permitted as a defense in price discrimination cases.
(p. 432)

FALSE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #92
Question Type: Definition
Self-Test: No

93. The Robinson-Patman Act permits promotion allowances only if they are made available to all customers on "proportionately equal terms."
(p. 432)

TRUE

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #93
Question Type: Definition
Self-Test: No

94. _____ is what a customer must give up to get the benefits offered by the rest of a firm's marketing mix.
(p. 408)

A. Promotion
B. Price
C. Product
D. Past
E. Profit

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #94
Question Type: Application
Self-Test: No

95. Strategy planning for Price is concerned with:
(p. 408)

A. to whom and when discounts and allowances will be given.
B. how transportation costs will be handled.
C. how flexible prices will be.
D. at what level prices will be set over the product life cycle.
E. All of the above.

AACSB: 11 Analysis for decisions
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #95
Question Type: Definition
Self-Test: No

96. Almost any business transaction in a modern economy involves:
(p. 409)

A. an exchange at a list price.
B. "dumping."
C. an exchange of money--the money being the Price--for something of value.
D. a loss of consumer surplus.
E. an exchange in which price serves as a measure of quality.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #96
Question Type: Definition
Self-Test: No

97. Which of the following is not an example of price?
(p. 409)

A. college tuition.
B. doctor's fee.
C. apartment rent.
D. interest on a loan.
E. all of the above are examples of price.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #97
Question Type: Definition
Self-Test: No

98. Which of the following is NOT a "Something of Value" which might be offered to CONSUMERS in the "price equation"?
(p. 410)

A. Stocking allowance
B. Service
C. Repair facilities
D. Credit
E. Packaging

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #98
Question Type: Self-Test
Self-Test: Self-Test

99. Which of the following is "something of value" that might be offered to FINAL CONSUMERS as part of the "price equation"?
(p. 410)

A. Sufficient margin to allow for profit.
B. Trade allowances.
C. Competitive advantage.
D. Branded merchandise.
E. None of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #99
Question Type: Application
Self-Test: No

100. Which of the following is LEAST LIKELY to be in the "Something of Value" part of the "price equation" for CHANNEL MEMBERS?
(p. 410)

A. Repair facilities
B. Rebates
C. Price-level guarantees
D. Promotion aimed at customers
E. Convenient packaging for handling

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #100
Question Type: Definition
Self-Test: No

101. Pricing objectives should flow from, and fit in with,
(p. 410)

A. shareholder expectations and market practices.
B. regulatory policies.
C. industry standards.
D. company-level and marketing objectives.
E. market price leader actions.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #101
Question Type: Application
Self-Test: No

102. Pricing objectives should be explicitly stated because:
(p. 410)

A. they have a direct effect on pricing policies as well as price setting methods.
B. they are signals given to competing firms.
C. they form the basis of shareholder expectations about a firm's prospects.
D. it is required by law.
E. they are signals given to consumers.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #102
Question Type: Comprehension
Self-Test: No

103. A marketing manager may choose a pricing objective that is:
(p. 411)

A. sales oriented.
B. status-quo oriented.
C. profit oriented.
D. any of the above--depending on the situation.
E. None of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #103
Question Type: Definition
Self-Test: No

104. A pricing objective that seeks a specific level of profit is a:
(p. 411)

A. profit maximization objective.
B. value objective.
C. sales-oriented objective.
D. target return objective.
E. status-quo objective.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #104
Question Type: Comprehension
Self-Test: No

105. Which of the following pricing objectives is a producer seeking when the producer tries to obtain some percent return on his investment?
(p. 411)

A. Status quo
B. Meeting competition
C. Profit maximization
D. Target return
E. Growth in market share

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #105
Question Type: Definition
Self-Test: No

106. Which of the following is a PROFIT-ORIENTED pricing objective?
(p. 411)

A. Meeting competition
B. Sales growth
C. Target return
D. Nonprice competition
E. Growth in market share

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #106
Question Type: Definition
Self-Test: No

107. Fidelity Corp. earned a 6 percent return on investment last year and wants to increase it to 10 percent this year. Which of the following pricing objectives is Fidelity seeking?
(p. 411)

A. Target return
B. Growth in sales
C. Growth in market share
D. Maximize profits
E. Nonprice competition

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #107
Question Type: Application
Self-Test: No

108. Target return pricing objectives:
(p. 411)

A. usually are very high for firms facing heavy competition.
B. aren't used by industry leaders because they can maximize profits.
C. would never make sense for a nonprofit organization.
D. may simplify the management of large producers with many divisions or departments.
E. All of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #108
Question Type: Comprehension
Self-Test: No

109. A marketing manager for a large company who wants to compare the financial performance of different divisions of the firm would probably pursue which of the following pricing objectives?
(p. 411)

A. Status quo
B. Market share
C. Target return
D. Profit maximization
E. Sales growth

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #109
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

110. What is the objective of a target return strategy?
(p. 411)

A. A specific share of the market.
B. A specific level of profit.
C. A specific sales volume.
D. A specific share of competitors' sales.
E. A specific mindshare of consumers.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #110
Question Type: Definition
Self-Test: No

111. KeyLine, Inc., engages primarily in the manufacture of touch-sensitive LCD monitors. The company prices its products so that it earns a 20 percent return on investment. Which pricing objective is the company following?
(p. 411)

A. Meet competition
B. Unit sales growth
C. Non price competition
D. Target return
E. Share of market

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #111
Question Type: Application
Self-Test: No

112. (p. 411) A manufacturer spends a large amount of money on research and development leading to the introduction of a product that is likely to present the firm with a breakthrough opportunity. The manufacturer prices the product with the goal of achieving a 20 percent return on its investment. Which of the following types of pricing objectives is the company using?

A. Target return.
B. Profit maximization.
C. Nonprice competition.
D. Meeting competition.
E. Dollar or unit sales growth.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #112
Question Type: Application
Self-Test: No

113. (p. 412) A target return figure of zero implies:

A. setting negligible sales targets.
B. setting a price level that will just recover costs.
C. setting a price that helps attain previous year's high profitability.
D. setting a price that would match the industry standard profit margin.
E. setting a price at which competition will be zero.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #113
Question Type: Comprehension
Self-Test: No

114. (p. 412) A government agency charges motorists a toll for using a bridge. The toll is dropped when the cost of the bridge is paid. In other words, the government's target return figure was

A. twenty percent.
B. one.
C. ten percent.
D. hundred percent.
E. zero.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #114
Question Type: Application
Self-Test: No

115. Some top managers seek only enough profits to convince stockholders that they are "doing a good job." The pricing objective of such managers is:
(p. 412)

A. satisfactory profits.
B. status quo.
C. nonprice competition.
D. profit maximization.
E. meeting competition.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #115
Question Type: Definition
Self-Test: No

116. Caught between the threat of antitrust action, stockholder demands, and public interest groups, some large corporations set a(an) ______________ pricing objective.
(p. 412)

A. increasing target return
B. "aggressive" competition
C. profit maximization
D. increasing market share
E. satisfactory long-run target return

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #116
Question Type: Application
Self-Test: No

117. An "all the traffic will bear" pricing objective is a ______________ objective.
(p. 412)

A. target return
B. profit maximization
C. growth in market share
D. meeting competition
E. nonprice competition

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #117
Question Type: Definition
Self-Test: No

118. Seeking a profit maximization pricing objective:
(p. 412)

A. will help a firm to earn "all the traffic will bear."
B. requires some knowledge of the firm's demand curve to be implemented effectively.
C. with no competitors and an inelastic demand curve is likely to lead to "high" prices in the short run.
D. may lead to a low penetration price.
E. All of the above are true.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #118
Question Type: Comprehension
Self-Test: No

119. Profit maximization pricing objectives:
(p. 412)

A. almost always lead to high prices.
B. are generally not in the public interest.
C. seek to get as much profit as possible.
D. may be stated as a desire to achieve rapid sales growth.
E. All of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #119
Question Type: Comprehension
Self-Test: No

120. Profit maximization pricing objectives:
(p. 412)

A. can only be achieved when the producer's price is high.
B. may be in the interest of both producers and consumers.
C. usually focus on low prices as that is what is required to draw in a larger base of customers.
D. are never used in combination with penetration pricing.
E. can only be achieved by using cost-plus pricing approaches.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #120
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

121. Genetech Corp. has invested heavily to develop a patented new product. Genetech wants to achieve a rapid return on its investment. It probably should set a _______________ pricing objective.
(p. 412)

A. profit maximization.
B. target return.
C. sales-oriented.
D. status-quo.
E. None of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #121
Question Type: Application
Self-Test: No

122. ProEdge Tech, a leading technology firm, has bluntly stated its pricing objective as: "Charge all the traffic will bear." This is an example of a
(p. 412)

A. profit maximization objective.
B. unit sales growth objective.
C. growth in market share objective.
D. target return objective.
E. non price competition objective.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #122
Question Type: Application
Self-Test: No

123. A profit maximization pricing objective
(p. 412)

A. is a sales-oriented pricing objective.
B. does not always lead to high prices.
C. can never be socially responsible.
D. is often stated as percentage of market share.
E. is a status quo oriented pricing objective.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #123
Question Type: Comprehension
Self-Test: No

124. A sales-oriented objective may seek all of the following except
(p. 412)

A. some level of unit sales.
B. some level of dollar sales.
C. target return profits.
D. share of the market.
E. percentage of the market.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #124
Question Type: Application
Self-Test: No

125. Sales-oriented pricing objectives include:
(p. 412)

A. Dollar or unit sales growth.
B. Meeting competition.
C. Growth in market share.
D. Profit maximization.
E. Both A and C.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #125
Question Type: Comprehension
Self-Test: No

126. Which of the following is a SALES-ORIENTED pricing objective?
(p. 412)

<u>A.</u> Growth in market share
B. Target return
C. Nonprice competition
D. Satisfactory profits
E. Meeting competition

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #126
Question Type: Definition
Self-Test: No

127. A firm that is very concerned about increases in market share should adopt a _______________ pricing objective.
(p. 413)

A. profit-oriented
<u>B.</u> sales-oriented
C. nonprice competition
D. status quo
E. target return

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #127
Question Type: Application
Self-Test: No

128. Heritage Brick's marketing manager is setting her pricing policies to "increase market share to 8%." Her pricing objective seems to be:
(p. 413)

A. status-quo oriented.
<u>B.</u> sales oriented.
C. profit oriented.
D. target return oriented.
E. None of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #128
Question Type: Application
Self-Test: No

129. *(p. 413)* Australian Outback Products Co. has introduced a new product and set the price to help achieve "the 10% share we need to be in the game." This is an example of a:

A. status-quo objective.
B. profit-oriented objective.
C. target return objective.
D. sales-oriented objective.
E. profit maximization objective.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #129
Question Type: Self-Test
Self-Test: Self-Test

130. *(p. 413)* Which of the following is a sales-oriented pricing objective?

A. Meet competition
B. Market share growth
C. Profit maximization
D. Target return
E. Non price competition

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #130
Question Type: Application
Self-Test: No

131. *(p. 412-413)* Sales-oriented pricing objectives:

A. may include market share targets as well as dollar or unit sales targets.
B. might be achieved and still result in losses.
C. are especially risky during times when a firm's costs are rising rapidly.
D. All of the above are true.
E. None of the above is true.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #131
Question Type: Comprehension
Self-Test: No

132. *(p. 412-413)* Sales-oriented objectives stated in market share terms:

A. make some sense when a market is growing rapidly.
B. use market share targets instead of dollar or unit sales targets.
C. might be achieved and still result in losses for the firm.
D. may lead to greater economies of scale for the firm than for its competitors.
E. All of the above are true.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #132
Question Type: Self-Test
Self-Test: Self-Test

133. Some nonprofit organizations set prices to increase market share because
(p. 413)

A. it is a regulatory requirement.
B. they would never do any business otherwise.
C. they are trying improve their image.
D. they wish to monopolize the market.
E. they are not trying to earn a profit.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #133
Question Type: Comprehension
Self-Test: No

134. Which of the following observations is true?
(p. 412-413)

A. Market share objectives and straight sales growth objectives have similar limitations.
B. A larger market share, gained at whatever price, leads to sustainable competitive advantage.
C. Market share objectives are not popular among modern managers.
D. Sales growth essentially means bigger profits.
E. A sales-oriented objective does not refer to profit.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #134
Question Type: Comprehension
Self-Test: No

135. The problem with sales-oriented pricing objectives is that:
(p. 412-413)

A. many managers are evaluated by their level of sales.
B. larger sales don't necessarily lead to higher profits.
C. the number of units sold does not consider possible growth in the market.
D. sales growth usually leads to declining profits.
E. All of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #135
Question Type: Comprehension
Self-Test: No

136. Regarding pricing objectives, a good marketing manager knows that:
(p. 412-413)

A. sales-oriented objectives usually lead to high profits.
B. target return objectives usually lead to a large profit.
C. status quo pricing objectives can be part of an extremely aggressive marketing strategy.
D. profit maximization objectives don't always lead to high prices.
E. Both C and D.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #136
Question Type: Integrating
Self-Test: No

137. Which of the following is a STATUS-QUO pricing objective?
(p. 413)

A. Growth in sales
B. Maximize profits
C. Growth in market share
D. Satisfactory profits
E. Meeting competition

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #137
Question Type: Definition
Self-Test: No

138. Which of the following is a status quo oriented pricing objective?
(p. 413)

A. Target return
B. Unit sales growth
C. Profit maximization
D. Growth in market share
E. Non price competition

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #138
Question Type: Application
Self-Test: No

139. Which of the following statements would be most likely to be made by a manager with a status-quo pricing objective?
(p. 413)

A. "A price of $10.00 will penetrate the market."
B. "A price of $10.00 will not start a price war with our competitors."
C. "A price of $10.00 should maximize profits."
D. "A price of $10.00 will provide a 30% return on investment."
E. "A price of $10.00 should result in a 9% increase in sales."

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #139
Question Type: Application
Self-Test: No

140. (p. 413) Faced with many "me-too" competitors, Sonic Burgers, Inc. has set its price level to "meet competition"--while emphasizing nonprice competition. Sonic Burgers' pricing objective seems to be a ______________ objective.

A. status quo
B. sales-oriented
C. profit-oriented
D. satisfactory profits
E. maintaining market share

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #140
Question Type: Application
Self-Test: No

141. (p. 413) Managers satisfied with their current market share and profits sometimes adopt what can be termed as "don't-rock-the-pricing-boat objectives." These are also referred to as

A. market share maximization objectives.
B. profit maximization objectives.
C. status quo objectives.
D. sales-oriented objectives.
E. target return objectives.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #141
Question Type: Comprehension
Self-Test: No

142. (p. 413) "Don't-rock-the-boat" thinking is most common when

A. a product is in the introduction stage.
B. the total market is not growing.
C. there is threat of intense competition.
D. a firm moves into international markets for the first time.
E. a product is in the growth stage.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #142
Question Type: Comprehension
Self-Test: No

143. Managers justify status quo objectives as an attempt to do all of the following except
(p. 413)

A. stabilize prices.
B. meet competition
C. maximize profits.
D. avoid competition.
E. stabilize market situation.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #143
Question Type: Comprehension
Self-Test: No

144. Godiva, a maker of expensive European chocolates, does not mention price in its magazine advertising. Instead, the ad copy mentions the quality of the ingredients, the fine packaging, and the luxurious boutiques where Godiva chocolates are sold. Godiva seems to be pursuing a pricing objective of:
(p. 413)

A. Meeting competition.
B. Nonprice competition.
C. Target return.
D. Growth in market share.
E. None of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #144
Question Type: Application
Self-Test: No

145. Prices are "administered" when:
(p. 413)

A. they fall below "suggested list price."
B. prices can change every time a customer asks for a price.
C. government regulators set prices.
D. firms consciously set their own prices.
E. they are set by bargaining between buyers and sellers.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #145
Question Type: Definition
Self-Test: No

146. Prices are called "administered" when:
(p. 413)

A. they are determined through negotiations between buyers and sellers.
B. they fall below the "suggested list price."
C. a marketing manager has to change the strategy every time a customer asks about the price.
D. government intervenes to ensure that prices fluctuate freely in response to market forces.
E. firms set their own prices for some period of time--rather than letting daily market forces determine their prices.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #146
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

147. When individual firms set their own prices--sometimes holding them steady for long periods of time--rather than letting daily market forces determine prices, such prices are called:
(p. 413)

A. flexible prices.
B. parallel prices.
C. equilibrium prices.
D. administered prices.
E. fixed prices.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 1
Perreault - Chapter 16 #147
Question Type: Definition
Self-Test: No

148. According to the text,
(p. 414)

A. price has only a single dimension.
B. managers rarely have a choice in pricing.
C. managers should administer their prices.
D. managers should simply mark up their costs to determine pricing.
E. managers should follow a price leader's strategy.

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 1
Perreault - Chapter 16 #148
Question Type: Comprehension
Self-Test: No

149. A one-price policy means:
(p. 414)

A. offering the same price to all customers who purchase products under essentially the same conditions and in the same quantities.
B. never using temporary sales or rebates.
C. selling to different customers at different prices.
D. setting a price at the "right" level from the start and never changing it.
E. None of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 2
Perreault - Chapter 16 #149
Question Type: Definition
Self-Test: No

150. Offering the same price to all customers who purchase products under essentially the same conditions and in the same quantities is a ______________ policy.
(p. 414)

A. penetration pricing
B. one-price
C. value pricing
D. flexible-price
E. skimming pricing

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #150
Question Type: Definition
Self-Test: No

151. A one-price policy means offering the same price:
(p. 414)

A. All four seasons of the year.
B. For all types of merchandise.
C. For individual consumers and organizational buyers.
D. For store brands and national brands.
E. To all customers.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #151
Question Type: Definition
Self-Test: No

152. A _____ policy means offering the same price to all customers who purchase products under essentially the same conditions and in the same quantities.
(p. 414)

A. one-price
B. flexible price
C. skimming price
D. differentiated
E. penetration price

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #152
Question Type: Application
Self-Test: No

153. The majority of U.S. firms use a one-price policy
(p. 414)

A. to broadcast a single price to competitors.
B. for administrative convenience.
C. to increase pricing flexibility.
D. to undercut competition.
E. to ward off competition from imports.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 2
Perreault - Chapter 16 #153
Question Type: Comprehension
Self-Test: No

154. A flexible-price policy means offering
(p. 414)

A. different products and quantities to different customers at different prices.
B. the same product and quantities to different customers at same prices.
C. different products and quantities to different customers at same prices.
D. the same product and quantities to different customers at different prices.
E. the same product and different quantities to different customers at same prices.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #154
Question Type: Definition
Self-Test: No

155. Some marketing managers have set up relationships with Internet companies whose ads invite customers to "set your own price." Such marketing managers
(p. 414-415)

A. have given up on administering prices.
B. are carefully administering a flexible price.
C. are following a one-price policy.
D. make it easier for competition to undercut them.
E. are following a penetration pricing policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 2
Perreault - Chapter 16 #155
Question Type: Comprehension
Self-Test: No

156. A business products producer which has given its salespeople the right to adjust prices when necessary to get new business is using a _______________ policy.
(p. 415)

A. flexible-price
B. target-return pricing
C. penetration pricing
D. one-price
E. skimming pricing

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #156
Question Type: Application
Self-Test: No

157. The marketing manager for Aerial Photography, Inc. says his sales reps have gotten in the habit of setting prices which do not produce a profit. Aerial Photography apparently is using:
(p. 415)

A. penetration pricing.
B. introductory price dealing.
C. administered pricing.
D. flexible pricing.
E. profit minimization pricing.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 2
Perreault - Chapter 16 #157
Question Type: Application
Self-Test: No

158. White Sands Heavy Equipment Co. produces industrial equipment that it sells through its national sales force. Its sales reps often must negotiate with customers to match the low prices of foreign competitors. Apparently, the firm has
(p. 415)

A. an "F.O.B.-Seller's Factory" price policy.
B. been violating the Robinson-Patman act.
C. a skimming price policy.
D. a status quo pricing objective.
E. a flexible-price policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 2
Perreault - Chapter 16 #158
Question Type: Comprehension
Self-Test: No

159. A flexible-price policy is MOST LIKELY to be set by a retailer selling:
(p. 415)

A. milk.
B. women's shoes.
C. golf balls.
D. T-shirts.
E. cars.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #159
Question Type: Self-Test
Self-Test: Self-Test

160. Which of the following statements about a flexible-price policy is True?
(p. 415)

A. Flexible pricing means offering the same price to all customers who purchase under essentially the same conditions and in the same quantities.
B. The availability of computer pricing databases has had no effect on the popularity of flexible-price policies.
C. Flexible pricing often involves price negotiation between the buyer and seller.
D. Flexible pricing does not cause channel conflict.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 2
Perreault - Chapter 16 #160
Question Type: Comprehension
Self-Test: No

161. Trying to get the "cream" of a market (i.e., the top of a demand curve) at a high price before aiming at the more price-sensitive customers is consistent with a(an):
(p. 416)

A. flexible-price policy.
B. sales-oriented pricing policy.
<u>C.</u> skimming pricing policy.
D. introductory price dealing policy.
E. penetration pricing policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #161
Question Type: Definition
Self-Test: No

162. If a producer's marketing manager doesn't know the shape of the demand curve for a new product, the initial price level policy should probably be a _______________ policy.
(p. 416)

A. flexible-pricing
B. target-return pricing
C. introductory pricing
D. penetration price
<u>E.</u> skimming price

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #162
Question Type: Application
Self-Test: No

163. Which pricing policy would probably be best for a profit-oriented producer introducing a really new product with a very inelastic demand curve?
(p. 416)

<u>A.</u> Skimming pricing
B. Meeting competition pricing
C. Below-the-market pricing
D. Penetration pricing
E. Introductory price dealing

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #163
Question Type: Application
Self-Test: No

164. A _____ price policy tries to sell the top of the demand curve at a high price before aiming at more price-sensitive customers.
(p. 416)

A. meet competition
B. status quo
C. penetration
D. skimming
E. panning

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #164
Question Type: Application
Self-Test: No

165. Skimming may maximize profits in the market introduction stage for an innovation, especially if
(p. 416)

A. there are few substitutes.
B. all customers are price sensitive.
C. competition is intense.
D. a price reduction will reduce goodwill.
E. demand is perfectly elastic.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 3
Perreault - Chapter 16 #165
Question Type: Comprehension
Self-Test: No

166. A leading hard-disk manufacturer introduces a new line of high-capacity disk drivers. After selling to elite customers at a high price point, the company slowly reduces its prices over a period of time. The company is engaging in
(p. 416)

A. single pricing.
B. introductory price dealing.
C. price skimming.
D. penetration pricing.
E. predatory pricing.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #166
Question Type: Application
Self-Test: No

167. A "skimming pricing policy":
(p. 416)

A. should be used if a firm expects strong competition very soon.
B. is most useful when demand is very elastic.
C. is typically used during the sales decline stage of the product life cycle.
D. usually involves a slow reduction in price over time.
E. means temporary price cuts to speed new products into a market.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #167
Question Type: Self-Test
Self-Test: Self-Test

168. Over time, a skimming policy usually involves
(p. 416)

A. price movement up the demand curve.
B. price movement down the demand curve.
C. profit minimization in the market introduction stage.
D. efforts to target the top portion of the demand curve.
E. declining sales and profits.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 3
Perreault - Chapter 16 #168
Question Type: Comprehension
Self-Test: No

169. Trying to sell a firm's new product to a large market at one low price is known as:
(p. 418)

A. a skimming pricing policy.
B. introductory price dealing.
C. nonprice competition.
D. a penetration pricing policy.
E. a flexible-pricing policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #169
Question Type: Definition
Self-Test: No

170. A "penetration pricing policy":
(p. 418)

A. is the same as a "meeting competition" price-level policy.
B. is wise when demand is fairly inelastic--offering an "elite" market.
C. involves temporary price cuts to speed new products into market.
D. involves a series of step-by-step price reductions along an inelastic demand curve.
E. may be wise if a firm expects strong competition very soon after its product introduction.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #170
Question Type: Comprehension
Self-Test: No

171. A penetration pricing policy
(p. 418)

A. tries to sell the top of the demand curve initially.
B. tries to sell the whole market at one low price.
C. tries to sell the top of a market.
D. tries to target the elite market first.
E. involves price movement down the demand curve over time.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #171
Question Type: Comprehension
Self-Test: No

172. A penetration pricing policy:
(p. 418)

A. Tries to sell the whole market at one low price.
B. Tries to sell the top of the market at a high price.
C. Is used when demand for the product involved is inelastic.
D. Usually involves a slow reduction in price over time.
E. Is used when the firm does not expect strong competition soon after its product is introduced.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #172
Question Type: Comprehension
Self-Test: No

173. A firm would likely pursue penetration pricing when
(p. 418)

A. it expects zero competition.
B. economies of scale are nonexistent.
C. the elite market is substantial.
D. the whole demand curve is fairly elastic.
E. supply is limited.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 3
Perreault - Chapter 16 #173
Question Type: Comprehension
Self-Test: No

174. Which pricing policy is probably "best" for a profit-oriented, low-cost producer who is introducing a new product into a market with elastic demand and is expecting strong competition very soon after product introduction?
(p. 418)

A. Skimming pricing
B. Introductory price dealing
C. Meeting competition pricing
D. Penetration pricing
E. Status-quo pricing

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #174
Question Type: Application
Self-Test: No

175. Using temporary price cuts to speed a producer's new product into a market is known as:
(p. 418)

A. a skimming pricing policy.
B. introductory price dealing.
C. a flexible-price policy.
D. a penetration pricing policy.
E. a meeting competition pricing policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #175
Question Type: Definition
Self-Test: No

176. The use of temporary price cuts to speed new products into a market and encourage trial by customers is:
(p. 418)

A. A penetration pricing policy.
B. Introductory price dealing.
C. Pricing for dollar or unit sales growth.
D. A skimming price policy.
E. A flexible-price policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #176
Question Type: Application
Self-Test: No

177. Introductory price dealing:
(p. 418)

A. would not be used if other competitors already had competing products on the market at a price consumers found acceptable.
B. is often viewed by competitors as a "stay out" price.
C. usually sets off price wars.
D. is different from penetration pricing.
E. can apply only to final consumers, not channel members.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 3
Perreault - Chapter 16 #177
Question Type: Comprehension
Self-Test: No

178. Unilever is introducing a new brand of car window cleaner in market maturity. To speed its entry into the market--without encouraging price competition--Unilever should use:
(p. 418)

A. a flexible-price policy.
B. a one-price policy.
C. a penetration pricing policy.
D. introductory price dealing.
E. a skimming pricing policy.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #178
Question Type: Application
Self-Test: No

179. Which of the following observations concerning introductory price dealing is true?
(p. 418)

A. Established competitors usually choose to meet introductory price dealing.
B. They are temporary price cuts to speed new products into a market.
C. They have the same effect as price skimming.
D. They are the same as low penetration prices.
E. The plan is to sustain the price cut for an extended period of time.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #179
Question Type: Comprehension
Self-Test: No

180. When setting a price level policy, a good marketing manager knows that:
(p. 416-418)

A. introductory price dealing usually does not increase sales.
B. a penetration price makes the most sense when there is a large "elite" market.
C. a "skimming" price may lead to low profits if demand is very elastic.
D. it's easy to raise prices if the initial price is too low.
<u>E.</u> none of the above is true.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #180
Question Type: Comprehension
Self-Test: No

181. A British firm selling in the U.S. prices its product at $100. The initial exchange rate is 0.80 pounds per dollar. If the new exchange rate is 0.75 pounds per dollar, the revenue for the British firm from a single sale would drop by
(p. 419)

A. 80 pounds.
<u>B.</u> 5 pounds.
C. 75 pounds.
D. 10 pounds.
E. 8 pounds.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #181
Question Type: Mathematical
Self-Test: No

182. Final customers or users are normally asked to pay _______________ prices for products they buy.
(p. 420)

<u>A.</u> basic list
B. phony list
C. discounted
D. wholesale list
E. unchanging list

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #182
Question Type: Definition
Self-Test: No

183. _____ are the prices final customers or users are normally asked to pay for products.
(p. 420)

A. Basic list prices
B. Discounts
C. Cost prices
D. Net prices
E. Payoffs

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #183
Question Type: Application
Self-Test: No

184. ______________ are reductions from list price that are given by a seller to a buyer who either gives up some marketing function or provides the function himself.
(p. 420)

A. PMs
B. Phony prices
C. Spiffs
D. Markups
E. Discounts

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #184
Question Type: Definition
Self-Test: No

185. Quantity discounts are offered by sellers to:
(p. 421)

A. reduce shipping or selling costs.
B. encourage customers to purchase larger quantities.
C. shift some of the storing function to buyers.
D. encourage buyers to make additional purchases.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #185
Question Type: Comprehension
Self-Test: No

186. Quantity discounts are discounts offered to encourage
(p. 421)

A. customers to buy in larger amounts.
B. buyers to pay their bills quickly.
C. buyers to buy later than present demand requires.
D. excellent customer service.
E. customers to buy sooner.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #186
Question Type: Comprehension
Self-Test: No

187. If a producer wants to stabilize demand over time by encouraging repeat business, it should probably use
(p. 421)

A. uniform delivered pricing.
B. phony list prices.
C. a seasonal discount.
D. a cash discount.
E. a cumulative quantity discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #187
Question Type: Comprehension
Self-Test: No

188. Offering a CUMULATIVE quantity discount seeks to:
(p. 421)

A. reduce the seller's shipping costs.
B. eliminate some marketing function.
C. shift some of the storing function to the buyer.
D. encourage the buyer to make additional purchases.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #188
Question Type: Self-Test
Self-Test: Self-Test

189. Cady ClayWorks offers its customers a 10 percent discount if they buy at least $200,000 worth of products during a year. The products may be bought in one order--or spread out over several orders. Cady ClayWorks is offering a:
(p. 421)

A. cumulative quantity discount.
B. brokerage allowance.
C. seasonal discount.
D. noncumulative quantity discount.
E. cash discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #189
Question Type: Application
Self-Test: No

190. Ceramics Distributing Co. wants to keep its inventory low. Which of the following would be LEAST likely to encourage customers to take over more responsibility for the storage function?
(p. 421)

A. offering a cumulative quantity discount
B. offering a stocking allowance
C. offering a noncumulative quantity discount
D. offering a seasonal discount

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #190
Question Type: Application
Self-Test: No

191. Offering a NONCUMULATIVE quantity discount seeks to:
(p. 421)

A. reduce the seller's shipping costs.
B. encourage bigger orders.
C. discourage small orders.
D. shift some of the storing function to the buyer.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #191
Question Type: Comprehension
Self-Test: No

192. Noncumulative quantity discounts
(p. 421)

A. apply only to individual orders.
B. are designed to primarily encourage repeat buying.
C. reduce the customer's cost for additional purchases.
D. tie a buyer to the seller after a single purchase.
E. are never attractive to buyers.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #192
Question Type: Comprehension
Self-Test: No

193. Ceramics Distributing Co. wants to keep its inventory low. Which of the following would be MOST likely to encourage customers to take over more responsibility for the storage function?
(p. 421)

A. setting a skimming price
B. specifying invoice terms of 2/10, net 30
C. offering a noncumulative quantity discount
D. using zone pricing
E. using F.O.B. shipping point pricing

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #193
Question Type: Application
Self-Test: No

194. Calumet Pottery Supply allows a 10 percent reduction off its list price of Jepson clay whenever an
(p. 421) intermediary orders more than 100 cases in one shipment. This is a:

A. cash discount.
B. seasonal discount.
C. cumulative quantity discount.
D. PM.
E. noncumulative quantity discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #194
Question Type: Application
Self-Test: No

195. Insta-Mark Inc. makes custom-imprinted three-ring binders for business customers. Its prices are: $4.00
(p. 421) per binder for a single order of up to 50 binders; $3.50 per binder for a single order of 51 to 100 binders; and $3.00 per binder for a single order over 100 binders. Insta-Mark is using a(n):

A. Seasonal discount.
B. Cash discount.
C. Cumulative quantity discount.
D. Noncumulative quantity discount.
E. Trade discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #195
Question Type: Application
Self-Test: No

196. A discount that is offered to encourage buyers to stock earlier than present demand requires is:
(p. 421)

A. a cash discount.
B. a seasonal discount.
C. a quantity discount.
D. "push money."
E. a trade discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #196
Question Type: Definition
Self-Test: No

197. (p. 421) Sears reduces prices on gas grills between November and February, prior to spring and summer. This price reduction is a:

A. Trade discount.
B. Seasonal discount.
C. Noncumulative quantity discount.
D. Cumulative quantity discount.
E. Cash discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #197
Question Type: Application
Self-Test: No

198. (p. 422) The following terms appeared on an invoice dated May 20 which was sent by a manufacturer to a retail store: 2/10, net 30. The amount of the invoice was $2,000. Assuming the retailer paid the invoice on June 1 (10 days after the products were delivered), how much should he have paid?

A. $1,900
B. $1,800
C. $2,000
D. $1,960
E. $2,040

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #198
Question Type: Mathematical
Self-Test: No

199. (p. 422) The cash discount term "2/10, net 30" means that:

A. the invoice is dated February 10 and must be paid by February 30.
B. the buyer will, in effect, be borrowing at a 36 percent annual interest rate if he takes 30 days to pay the invoice.
C. the buyer must make a 2 percent down payment--with the balance due in 10 to 30 days.
D. a 2 percent discount off the face value of the invoice is permitted if the bill is paid within 10 days.
E. Both B and D are true.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #199
Question Type: Self-Test
Self-Test: Self-Test

200. The terms "3/20, net 60" mean that:
(p. 422)

A. in effect, the buyer will pay a 27 percent interest rate if he takes 60 days to pay the invoice.
B. the buyer must make a 3 percent down payment--with the balance due in 20 to 60 days.
C. a 3 percent discount off the face value of the invoice is permitted if the bill is paid within 60 days--otherwise, the full face value is due within 20 days.
D. the invoice is dated March 20 and must be paid within 60 days.
E. None of the above is a true statement.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #200
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

201. A firm has just received an invoice for $1,000 with the following terms: 3/10, net 30. In this case, the firm:
(p. 422)

A. should not worry about earning the cash discount because the amount is small.
B. can take a 10 percent discount if it pays within 3 days, and otherwise the full amount is due in 30 days.
C. can take a 3 percent discount if it pays the invoice on the 30^{th} day.
D. in effect, will be borrowing at an annual rate of 54 percent if it pays the invoice in 30 days.
E. should pay $900 if it pays within 10 days.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #201
Question Type: Mathematical
Self-Test: No

202. Cash discount terms of 2/10, net 60 on an invoice would--in effect-- amount to borrowing at an annual interest rate of about ________ percent if the buyer did not pay the invoice for 60 days.
(p. 422)

A. 22
B. 72
C. 14
D. 18
E. 36

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #202
Question Type: Mathematical
Self-Test: No

203. Cash discount terms of 2/10, net 30 on an invoice would--in effect-- amount to borrowing at an annual interest rate of about ________ percent if the buyer did not pay the invoice for 30 days.
(p. 422)

A. 10
B. 30
C. 18
D. 12
<u>E.</u> 36

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #203
Question Type: Mathematical
Self-Test: No

204. When a buyer receives an invoice for $100 with terms of "2/15 net 30" he can expect to pay:
(p. 422)

A. $100 if he pays anytime in the first 30 days.
<u>B.</u> less than $100 if he pays during the first 15 days.
C. $100 if he pays anytime during the first fifteen days.
D. more than $100 if he pays from day fifteen through day thirty.
E. the full $100 if he waits more than 30 days to pay.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #204
Question Type: Mathematical
Self-Test: No

205. The cash discount terms for a purchase worth $1,000 made on August 1 are 3/10, net 30. How much will the buyer have to pay if he makes the payment on August 7?
(p. 422)

A. $930
B. $30
C. $1,030
D. $1,000
<u>E.</u> $970

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #205
Question Type: Mathematical
Self-Test: No

206. A cash discount of 3/15, net 30 means that:
(p. 422)

A. The buyer gets a 15 percent discount off the face value of the invoice if the invoice is paid within 3 days.
B. The buyer gets a 3 percent discount off the face value of the invoice if the invoice is paid within 15 days.
C. The buyer makes a 3 percent down payment on the face value of the invoice within 15 days; the remainder is due in 30 days.
D. The buyer gets a 3/15 (20 percent) discount if the invoice is paid within 30 days.
E. None of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #206
Question Type: Comprehension
Self-Test: No

207. A wholesaler has been offering his customers payment terms of 3/10, net 60. He wants to tighten his terms because interest rates have gone up. He could change his terms to:
(p. 422)

A. 3/10, net 90.
B. 3/20, net 60.
C. 4/10, net 60.
D. 3/10, net 30.
E. None of the above would be in the intended direction.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #207
Question Type: Application
Self-Test: No

208. A marketing manager might offer a cash discount to channel members to:
(p. 422)

A. increase sales during a slow period.
B. encourage buyers to pay their bills quickly.
C. reduce shipping or selling costs.
D. encourage them to buy in larger quantities.
E. All of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #208
Question Type: Definition
Self-Test: No

209. Producers offer trade (functional) discounts to:
(p. 423)

A. encourage customers to buy out-of-season merchandise.
B. encourage customers to pay their bills quickly.
C. prevent retailers from becoming wholesalers.
D. encourage quantity purchases by customers.
E. cover the cost of work wholesalers or retailers are expected to do.

AACSB: 8 Financial
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #209
Question Type: Definition
Self-Test: No

210. A reduction from the list price given to channel members based on the job they are going to do is a(n):
(p. 423)

A. Sale price.
B. Everyday low price.
C. Trade discount.
D. Cash discount.
E. None of the above.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #210
Question Type: Application
Self-Test: No

211. Trade (functional) discounts
(p. 423)

A. are illegal unless they are offered to meet a competitor's price.
B. are not offered by sellers who use administered prices.
C. are a type of cash discount.
D. reflect the fact that marketing activities can often be shifted and shared in the channel in different ways.
E. are typically offered to consumers but not to intermediaries.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #211
Question Type: Self-Test
Self-Test: Self-Test

212. Arroyo Leather Furniture gives its wholesalers discounts of 30 percent and 10 percent--expecting the wholesalers to pass the 30 percent discount on to their retail customers. These discounts off the manufacturer's suggested retail prices--to cover the costs of the jobs the intermediaries will do--are _______________ discounts.
(p. 423)

A. seasonal
B. illegal
C. cash
D. trade (functional)
E. quantity

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #212
Question Type: Application
Self-Test: No

213. To get the sale price, customers
(p. 423)

A. buy when they have to buy.
B. buy when the seller wants to sell.
C. have to buy things that they never need.
D. have to give up all consumer surplus.
E. buy when they have a necessity.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #213
Question Type: Comprehension
Self-Test: No

214. Everyday low pricing of consumer convenience products:
(p. 423)

A. tends to reduce fluctuations in prices customers actually pay.
B. has been used by many retailers even though no producers have adopted this approach.
C. makes it easy to quickly compete on price--without changing the basic strategy--when a competitor offers a particularly large discount for a short period of time.
D. relies on frequent discounts and allowances from the producer.
E. confuses customers and increases selling costs.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #214
Question Type: Comprehension
Self-Test: No

215. A producer of plastic water bottles that can be attached to bikes gives retailers a 3 percent price reduction to advertise its products locally. This is an example of:
(p. 423)

A. value pricing.
B. push money.
C. everyday low pricing.
<u>D.</u> an advertising allowance.
E. a cash discount.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #215
Question Type: Application
Self-Test: No

216. A producer of sports equipment offers its retailers a 2 percent price reduction on all purchases if the dealer advertises the products locally. Apparently, the producer is using
(p. 423)

A. "push money."
B. a functional allowance.
C. a cash discount.
D. a trade discount.
<u>E.</u> an advertising allowance.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #216
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

217. A reduction from list price given to retailers to get shelf space for a product is a:
(p. 423)

A. shelf allocation.
B. brokerage allowance.
C. trade allowance.
<u>D.</u> slotting allowance.
E. push money allowance.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #217
Question Type: Application
Self-Test: No

218. A reduction from list price given to intermediaries to get shelf space for a product is a:
(p. 423)

A. shelf allocation.
B. brokerage allowance.
C. trade allowance.
D. stocking allowance.
E. push money allowance.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #218
Question Type: Application
Self-Test: No

219. A retailer might expect a stocking allowance:
(p. 423)

A. for paying the supplier's invoice before the product is delivered.
B. to pass along to retail salesclerks who aggressively sell the product.
C. to offset the handling costs for a new product.
D. if the manufacturer can't fill an order by the promised delivery date.
E. None of the above--stocking allowances only apply to wholesalers.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #219
Question Type: Self-Test
Self-Test: Self-Test

220. A producer offers a retailer free merchandise to stock a new item. The retailer is receiving a(n)
(p. 423)

A. spiff.
B. cash discount.
C. seasonal discount.
D. slotting allowance.
E. cumulative quantity discount.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #220
Question Type: Application
Self-Test: No

221. *(p. 423)* Jiffy Cake Mix Company developed a new brownie mix that is much improved over its current brownie mix. When a sales representative for Jiffy contacted a buyer for a major supermarket chain, the buyer demanded that Jiffy give the supermarket chain a combination of cash and free cases of goods whose total value exceeded the entire marketing budget Jiffy planned to spend on the new brownie mix during its first year on the market. When the sales representative from Jiffy protested, the buyer said, "It is company policy to get ______________ in order to secure shelf space for new brands."

A. Push money
B. Trade discounts
C. Quantity discounts
D. Stocking allowances
E. Sale prices

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #221
Question Type: Application
Self-Test: No

222. *(p. 424)* Some manufacturers give ______________ to retailers to pass on to the retailers' salesclerks to encourage aggressive selling of specific items or lines.

A. advertising allowances
B. cash discounts
C. slotting allowances
D. "push money"
E. trade discounts

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #222
Question Type: Definition
Self-Test: No

223. *(p. 424)* Some producers give ________ to retailers to pass on to the retailers' salesclerks in return for aggressively selling particular items or lines.

A. brokerage commissions
B. advertising allowances
C. trade discounts
D. "push money" allowances
E. cash discounts

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #223
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

224. "Push money" is most likely to be offered to:
(p. 424)

A. cosmetics salespeople at a department store.
B. salesclerks at a grocery store.
C. component materials sales reps.
D. industrial supplies sales reps.
E. Each of the above is equally likely to receive "push money."

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #224
Question Type: Application
Self-Test: No

225. Careful handling of "trade-ins"--to avoid reducing the list price--is especially important for sellers of:
(p. 424)

A. expense items.
B. raw materials.
C. emergency products.
D. component materials.
E. none of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #225
Question Type: Comprehension
Self-Test: No

226. Which of the following give a producer a way to be certain that final consumers actually get the price reduction?
(p. 425)

A. Rebates
B. Push money allowances
C. Spiffs
D. Trade-in allowance
E. Noncumulative quantity discount

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #226
Question Type: Comprehension
Self-Test: No

227. Which of the following statements about rebates is True?
(p. 425)

A. Rebates are refunds paid to consumers after a purchase.
B. Rebates ensure that the final consumer gets a producer's price reduction.
C. Many consumers purchase a product because a rebate is offered but then never request the refund.
D. Many consumers think that some sellers make it an unnecessary hassle to claim a rebate.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #227
Question Type: Comprehension
Self-Test: No

228. *(p. 425)* Which of the following geographic pricing policies would probably handicap a producer wanting to compete with other producers who are closer to a potential buyer?

A. F.O.B. mill
B. F.O.B. delivered
C. Zone pricing
D. Freight absorption
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #228
Question Type: Integrating
Self-Test: No

229. *(p. 425)* A seller's invoice reads: "Seller pays the cost of loading said merchandise onto a common carrier. At the point of loading, title to such products passes to the buyer, who assumes responsibility for damage in transit, except as covered by the transportation agency." This shipment has been shipped:

A. F.O.B. delivered.
B. F.O.B. shipping point.
C. F.O.B. mill, freight absorbed.
D. F.O.B. buyer's factory.
E. F.O.B. seller's factory--freight prepaid.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #229
Question Type: Application
Self-Test: No

230. *(p. 425)* If a producer wants title to pass to a buyer immediately--but still wants to pay the freight bill--the invoice should read:

A. F.O.B. buyer's factory.
B. F.O.B. shipping point.
C. F.O.B. delivered.
D. F.O.B. seller's factory--freight prepaid.
E. F.O.B. mill.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #230
Question Type: Self-Test
Self-Test: Self-Test

231. Which of the following observations concerning F.O.B. pricing is not true?
(p. 425)

A. Typically, it names the place.
B. F.O.B. shipping point pricing may narrow the market.
C. F.O.B. shipping point pricing complicates the seller's pricing.
D. If a firm wants to pay the freight for the convenience of customers, it can use F.O.B. delivered.
E. A firm can use F.O.B. buyer's factory if it wants to pay the freight.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #231
Question Type: Comprehension
Self-Test: No

232. "Zone pricing":
(p. 426)

A. allows a uniform delivered price to be charged to all buyers in each zone.
B. simplifies the calculation of transportation charges.
C. means making an average freight charge to all buyers within some geographic area.
D. may make it possible to compete with sellers located closer to the buyer.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #232
Question Type: Comprehension
Self-Test: No

233. A producer in Philadelphia uses "zone pricing." It's selling widgets for $150/ton in the Eastern Zone--which includes Richmond and Baltimore. The actual freight cost from its plant to Baltimore is $70/ton and from its plant to Richmond is $80/ton. In this situation:
(p. 426)

A. one ton of widgets costs a Baltimore buyer the same as an Richmond buyer.
B. both buyers would pay $225 for one ton of widgets.
C. one ton of widgets delivered to Richmond would cost the buyer $230.
D. one ton of widgets delivered to Baltimore would cost the buyer $220.
E. Both C and D.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #233
Question Type: Application
Self-Test: No

234. On the price sticker placed on the window of a new vehicle by the manufacturer, the manufacturer's suggested retail price is listed, followed by a "destination charge" for shipping the vehicle to the dealership. The destination charge is the same everywhere in the country, no matter whether the dealership is close to or far away from the manufacturing plant. This pricing practice is called:
(p. 426)

A. F.O.B. pricing.
B. None of the above.
C. Zone pricing.
D. Uniform delivered pricing.
E. Freight absorption pricing.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #234
Question Type: Application
Self-Test: No

235. Uniform delivered pricing:
(p. 426)

A. usually results in higher delivered prices for everyone.
B. results in all buyers paying less than the actual transportation costs.
C. is most often used when transportation costs are relatively low.
D. is just an extension of F.O.B. pricing.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #235
Question Type: Comprehension
Self-Test: No

236. Uniform delivered pricing is most often used when
(p. 426)

A. transportation costs are relatively high.
B. the seller wishes to sell in all geographic areas at one price.
C. the seller does not wish to have a nationally advertised price.
D. an average freight charge becomes illogical.
E. F.O.B. shipping point pricing is preferred.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #236
Question Type: Comprehension
Self-Test: No

237. A catalog merchant divides the country into regions. Every buyer in a particular region pays the same average shipping charge. The shipping charges differ from region to region, depending on how far the region is from the catalog merchant's main warehouse facility. The catalog merchant is using:
(p. 426)

A. F.O.B. pricing.
B. Uniform delivered pricing.
C. Freight absorption pricing.
D. None of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #237
Question Type: Application
Self-Test: No

238. Freight absorption pricing:
(p. 426)

A. amounts to cutting list price to appeal to new geographic markets.
B. forces all buyers to pay higher shipping costs.
C. tends to restrict firms from competing in distant markets.
D. tends to decrease competition.
E. Both B and C.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #238
Question Type: Comprehension
Self-Test: No

239. A producer of electrical parts in Kansas City wants to expand into the West Coast market--where price competition is tough. It probably should use:
(p. 426)

A. F.O.B. mill pricing.
B. uniform delivered pricing.
C. zone pricing.
D. freight absorption pricing.
E. either A or B.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #239
Question Type: Application
Self-Test: No

240. Cherokee Cable Corporation, sells heavy wire cable to large construction companies around the country. Customers pay shipping from a central warehouse in Dallas. Recently, a new competitor in Atlanta has been taking away some of Cherokee Cable's Southern customers. If Cherokee Cable wants to compete in those distant markets, but not increase the cost of its product to other customers, it would probably switch to
(p. 426)

A. zone pricing.
B. specifying "F.O.B. Dallas" in its contracts.
C. uniform delivered pricing.
D. freight absorption pricing.
E. None of the above would help Cherokee Cable Corporation with its problem.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #240
Question Type: Application
Self-Test: No

241. Regarding geographic pricing policies:
(p. 426)

A. uniform delivered pricing tends to decrease the size of a firm's market.
B. F.O.B. pricing tends to increase the size of a firm's market.
C. freight absorption pricing tends to increase the size of a firm's market.
D. zone pricing encourages large orders.
E. All of the above.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #241
Question Type: Integrating
Self-Test: No

242. Which of the following statements about geographic pricing policies is true?
(p. 425-426)

A. Zone pricing penalizes buyers closest to the factory.
B. Uniform delivered pricing is more practical when transportation costs are relatively low.
C. Freight absorption pricing may increase the size of market territories.
D. F.O.B. pricing tends to reduce the size of market territories.
E. All of the above are true statements.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Easy
LearnObj: 4
Perreault - Chapter 16 #242
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

243. _____ means setting a fair price level for a marketing mix that really gives the target market superior customer value.
(p. 427)

A. Uniform pricing
B. Target pricing
C. Consumer surplus
D. Value pricing
E. Status quo pricing

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Easy
LearnObj: 5
Perreault - Chapter 16 #243
Question Type: Application
Self-Test: No

244. Which of the following statements concerning "value pricing" is FALSE?
(p. 427)

A. Value pricing tries to build customer loyalty.
B. Companies using value pricing guarantee what they offer.
C. Value pricing involves setting a fair price level for a marketing mix that meets customers' needs.
D. Value pricing means using "budget" or "cheap" prices.
E. The focus of value pricing is on the customer's requirements--and the whole strategy.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Medium
LearnObj: 5
Perreault - Chapter 16 #244
Question Type: Comprehension
Self-Test: No

245. A producer's price level decision is made by the market in:
(p. 427)

A. a monopoly.
B. pure competition.
C. monopolistic competition.
D. All of the above.
E. None of the above.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Medium
LearnObj: 5
Perreault - Chapter 16 #245
Question Type: Comprehension
Self-Test: No

246. Most firms operate in monopolistic competition, where products and whole marketing mixes are not exactly the same. This implies that
(p. 427)

A. there are pricing options.
B. value pricing has no advantage.
C. it's foolish to offer products above the market price.
D. there are no price choices in most markets.
E. it is better to be a price follower.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Hard
LearnObj: 5
Perreault - Chapter 16 #246
Question Type: Comprehension
Self-Test: No

247. Regarding price-level policies:
(p. 427-428)

A. meeting competition is the only sensible policy in monopolistic competition.
B. in an oligopoly situation, pricing "above the market" usually leads to an increase in profit.
C. a firm in pure competition may increase profit by pricing "below the market."
D. charging a lower price than seeming competitors may not mean that a firm is selling "below the market."
E. All of the above.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Hard
LearnObj: 5
Perreault - Chapter 16 #247
Question Type: Comprehension
Self-Test: No

248. Which of the following observations is true of a mature market?
(p. 428)

A. There is downward pressure on prices.
B. Profit margins are never under threat.
C. Differentiating the value a firm offers is easy.
D. Pricing choices are abundant.
E. Price moves up the demand curve over time.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Hard
LearnObj: 5
Perreault - Chapter 16 #248
Question Type: Comprehension
Self-Test: No

249. In an oligopoly situation, a wise marketing manager will probably set the firm's price level:
(p. 429)

A. at the competitive level.
B. on a negotiated basis--that is, customer by customer.
C. above competitors' prices.
D. at least 10 percent below the price leader's price.
E. below competitors' prices.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Medium
LearnObj: 5
Perreault - Chapter 16 #249
Question Type: Comprehension
Self-Test: No

250. Which of the following may be the only sensible pricing policy in oligopoly situations?
(p. 429)

A. Maximizing profits
B. Pricing way below market
C. Meeting competition
D. Pricing way above market
E. Price leadership

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Medium
LearnObj: 5
Perreault - Chapter 16 #250
Question Type: Application
Self-Test: No

251. In oligopoly situations, each oligopolist may choose a status quo pricing objective and set its price at the competitive level. Some critics call this pricing behavior
(p. 429)

A. market share growth objective.
B. conscious parallel action.
C. dumping.
D. introductory price dealing.
E. predatory pricing.

AACSB: 10 Org Dynamics
Chapter: 16
Difficulty: Medium
LearnObj: 5
Perreault - Chapter 16 #251
Question Type: Application
Self-Test: No

252. Some critics charge that firms in oligopoly situations practice conscious parallel action. These critics apparently think the firms:
(p. 429)

A. seek too high a target return objective.
B. give quantity discounts which are "too large."
C. raise prices to match increases in other industries.
D. are "conspiring" to set prices.
E. administer prices.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Hard
LearnObj: 5
Perreault - Chapter 16 #252
Question Type: Comprehension
Self-Test: No

253. "Unfair trade practice acts":
(p. 429)

A. require different types of retailers to charge different retail prices.
B. make price fixing illegal.
C. eliminate price competition on manufacturers' brands.
D. prohibit intermediaries from taking excessive markups.
E. put a lower limit on prices, especially at the wholesale and retail levels.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #253
Question Type: Definition
Self-Test: No

254. "Unfair trade practice acts":
(p. 429)

A. prohibit very high markups at the retail level.
B. allow manufacturers to set retail prices for branded products.
C. prohibit price fixing among retailers.
D. allow intermediaries to sell below cost.
E. protect certain limited-line retailers from "ruinous" price competition.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #254
Question Type: Comprehension
Self-Test: No

255. A main purpose of "unfair trade practice acts" is to:
(p. 429)

A. prevent manufacturers from taking high markups.
B. eliminate price competition on manufacturers' brands.
C. require some minimum percentage markup on cost.
D. permit different types of retail outlets to charge different retail prices.
E. guarantee retailers some profit.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #255
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

256. Antidumping laws:
(p. 429)

A. protect consumers from the high prices charged by monopolistic foreign producers.
B. set the maximum price a foreign producer can charge.
C. are used in an effort to control the minimum price of imported products.
D. make it illegal for a foreign producer to sell a product at a price level lower than domestic producers.
E. force foreign producers to sell below cost if they want to compete with a nation's domestic producers.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #256
Question Type: Comprehension
Self-Test: No

257. World Imports/Exports, Inc., is pricing a product sold in a foreign market below the cost of producing it. It sells the same product at a higher price in its domestic market. The company is engaging in
(p. 429)

A. price dealing.
B. skimming.
C. dumping.
D. fair trade.
E. conscious parallel action.

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #257
Question Type: Application
Self-Test: No

258. Some customers encourage the use of _______________ by paying more attention to supposed price discounts than to the actual prices (and values).
(p. 430)

A. unchanging list prices
B. basic list prices
C. phony list prices
D. fair trade prices

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #258
Question Type: Definition
Self-Test: No

259. A jewelry store advertises a one-carat diamond engagement ring as being discounted 50 percent off the original price of $10,000, for a sale price of $5,000. However, the ring was never put on sale at the original price, and its actual cost to the retailer was only $1,500. This jewelry store could be accused of using:
(p. 430)

A. Price fixing.
B. Phony list prices.
C. Dumping.
D. Price discrimination.
E. Unfair trade practices.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #259
Question Type: Application
Self-Test: No

260. "Price fixing" means:
(p. 430)

A. changing a price that was set at the wrong level by the financial manager.
B. pricing a product that will be sold in a foreign market at a level below the cost of production.
C. selling products of like grade and quality to different buyers at different prices.
D. a firm consciously setting its prices.
E. competitors getting together to raise, lower, or stabilize prices.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #260
Question Type: Definition
Self-Test: No

261. Recently, some executives for highway construction companies agreed to stop competing with each other on price and to meet every three months to decide their price for the next quarter. In this situation:
(p. 430)

A. the Sherman Act has been violated.
B. the Robinson-Patman Act has been violated by price discrimination.
C. the executives are exercising their right to free trade.
D. the unfair trade practice acts have been violated.
E. as long as prices don't increase--the executives have done nothing wrong.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #261
Question Type: Application
Self-Test: No

262. The president of a major airline makes telephone calls to the top executives of several other airlines asking them to "hold the line" and refrain from offering discounts on fares for several key routes in order to improve profit margins. This practice could easily be considered:
(p. 430)

A. Dumping.
B. Price discrimination.
C. Price fixing.
D. Zone pricing.
E. None of the above.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #262
Question Type: Application
Self-Test: No

263. Which of the following observations concerning price fixing is true?
(p. 430)

A. It is highly uncommon and relatively difficult to achieve.
B. It is permitted in the United States, under certain circumstances.
C. It is considered "conspiracy" under the Sherman Act.
D. In the U.S, individual managers are not held responsible for price fixing.
E. Price fixing laws across the globe are similar in nature.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #263
Question Type: Comprehension
Self-Test: No

264. Which of the following laws specifically makes illegal any price discrimination which injures competition?
(p. 432)

A. Magnuson-Moss Act
B. Robinson-Patman Act
C. Wheeler-Lea Act
D. FTC Act
E. Sherman Act

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #264
Question Type: Definition
Self-Test: No

265. Which of the following laws focuses specifically on price discrimination?
(p. 432)

A. Robinson-Patman Act
B. Magnuson-Moss Act
C. Sherman Act
D. Wheeler-Lea Act
E. Federal Trade Commission Act

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #265
Question Type: Definition
Self-Test: No

266. The Robinson-Patman Act says that to be legal, price differences must be based on:
(p. 432)

A. a need to meet competition
B. a reasonable profit margin as determined by the FTC
C. freight costs
D. cost differences
E. Both A and D.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #266
Question Type: Definition
Self-Test: No

267. The Robinson-Patman Act does permit some price differences—but they must be based on
(p. 432)

A. cost differences.
B. the need to make profits.
C. accounting practices.
D. cartel requirements.
E. conscious parallel action.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #267
Question Type: Application
Self-Test: No

268. Charlie Ferragamo is a sales representative for the Season-All Spice Company, and sells spices to large food service operations and restaurants. Charlie used to be able to justify selling his products for a higher price than the competition because he believed his spices were of higher quality. However, now the demand for individual brands of spices has become very elastic because buyers perceive few differences among the brands. One of Charlie's regular customers told Charlie that another spice company offered him a significantly lower price on spices, and he asked if Charlie could match the price. Charlie said, "I have to see a written price quote from the competitor. If I lower my price without seeing the price quote, I could be accused by my other customers of engaging in ________________."

(p. 432)

A. Dumping.
B. Price discrimination.
C. Price fixing.
D. Zone pricing.
E. None of the above.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #268
Question Type: Application
Self-Test: No

269. A large producer who offers no discounts and the same prices to all customers in the U.S.:

(p. 432)

A. does not have pricing objectives.
B. ignores the benefits of administered pricing.
C. probably ignores nonprice competition too.
D. may be "playing it safe" because of concern about the Robinson-Patman Act.
E. is probably violating the antidumping laws.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #269
Question Type: Comprehension
Self-Test: No

270. The court decisions in the Borden case clearly show that:

(p. 432)

A. products of "like grade and quality" must be offered to all buyers at the same price--even if sold under different labels.
B. manufacturers who supply retailers with dealer brands cannot force the retailer to charge consumers the manufacturer's suggested list price.
C. price fixing is always illegal.
D. a manufacturer can charge different prices for different brands of physically identical products as long as the price differentials do not exceed the recognized consumer appeal of the higher-priced brands.
E. manufacturers cannot charge different prices for dealer brands and manufacturer brands.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Hard
LearnObj: 6
Perreault - Chapter 16 #270
Question Type: Comprehension
Self-Test: No

271. A manufacturer might try to defend itself against charges of illegal price discrimination by claiming that:
(p. 432)

A. the price discrimination occurred as a defensive measure to "meet competition in good faith."
B. the price differentials did not actually injure competition.
C. the price differentials were justified on the basis of cost differences in production and/or distribution.
D. its products were not of "like grade and quality."
E. Any of the above could make price discrimination legal.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #271
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

272. A manufacturer could try to defend itself against charges of price discrimination under the Robinson-Patman Act by claiming that:
(p. 432)

A. the products were not of "like grade and quality."
B. any price differences were to "meet competition in good faith."
C. the price differences did not injure competition.
D. the price differences were justified on the basis of cost differences.
E. All of the above are possible defenses against price discrimination charges.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #272
Question Type: Integrating
Self-Test: No

273. Price discrimination:
(p. 432)

A. by firms selling to final consumers is illegal, but it is usually legal in selling to intermediaries.
B. is not covered by Federal laws, but in some states it is illegal.
C. is always illegal.
D. may be legal if the firm can prove that different prices were set based on different costs.
E. None of the above is true.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #273
Question Type: Comprehension
Self-Test: No

274. Jackson Motors, Inc. normally sells its electric motors to all buyers for $100. However, a competitor offered to sell similar motors to one of Jackson Motors' biggest customers for only $80 and Jackson Motors offered that customer--but not its other customers--a $80 selling price. According to the Robinson-Patman Act:
(p. 432)

A. Jackson Motors has not violated the law--it is just meeting competition.
B. Jackson Motors is breaking the law--unless it offers to sell motors to all of its customers for $80.
C. Jackson Motors cannot lower its $100 selling price.
D. Jackson Motors cannot use the "meeting competition in good faith" defense unless it beats its competitor's $80 selling price.
E. Jackson Motors AND its competitor are both guilty of price fixing.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Hard
LearnObj: 6
Perreault - Chapter 16 #274
Question Type: Application
Self-Test: No

275. The Robinson-Patman Act:
(p. 432)

A. States that selling the same product to different consumers at different prices is always illegal.
B. Makes it illegal for a firm to offer quantity discounts.
C. Requires that promotional allowances be made available to all of a firm's customers on "proportionately equal" terms.
D. All of the above.
E. None of the above.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #275
Question Type: Comprehension
Self-Test: No

276. Advertising allowances offered by producers can be ILLEGAL unless they are made available:
(p. 432)

A. for products of "like grade and quality."
B. to all customers on proportionately equal terms.
C. to all buyers in equal dollar amounts.
D. on all products sold by the producer.
E. within an FTC approved agreement.

AACSB: 2 Ethical reasoning
Chapter: 16
Difficulty: Medium
LearnObj: 6
Perreault - Chapter 16 #276
Question Type: Comprehension
Self-Test: No

277. (p. 432) Which of the following price-related actions by a manufacturer most likely would be a violation of the Robinson-Patman Act?

A. Offering a lower price to only one buyer to match a competitor's price.
B. Selling to all its customers at uniform prices.
C. Granting a lower price to a buyer because of a large-quantity purchase.
D. Giving a special advertising allowance to a retailer that was having difficulty competing in its local market.
E. None of the above is a violation.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Easy
LearnObj: 6
Perreault - Chapter 16 #277
Question Type: LearnAid
Self-Test: Self-Test & Learn Aid

Use this information for questions that refer to the Pricing 1 case.

As a project for her marketing class, Emily Washington is researching how five local businesses price their products. The following are brief sketches of what she has learned about each company.

At Bella Computers, Emily has discovered that the company earned a 6 percent return on investment this year and wants to increase it to 9 percent next year. To its retailer customers, Bella Computers gives cash discount terms of 2/10, net 30. It also gives retailers a 3% reduction 0n the invoice amount due to advertise Bella products locally. Bella gives retailers' salespeople 2% of the sale price for each Bella Computer they sell.

At Ross Pharmaceuticals, she learned that the company has invested heavily in developing a new product that recently received a patent. Because cash is tight, the company wants to achieve a rapid return on its investment. The new patented product is badly needed in the market, so a very inelastic demand curve is expected.

Digital Imaging makes photographic prints for wedding photographers. It is very concerned about competitor reactions to its pricing, so it has selected prices that will not draw the attention of the competition and not start a price war. Digital Imaging offers customers an 8% discount if their purchases exceed $20,000 a year.

Jack's One Hour Cleaners recently opened for business. The company invested a lot of money in new equipment, and feels that it has to quickly get "at least 10% market share to stay in the game." This need obviously influences the company's pricing decisions. Jack's also plans to offer customers 20% discounts on any order over $20.

National Printing Equipment (NPE) produces equipment that helps to print newspapers and magazines. The company sells directly to printers and through wholesalers. Its salespeople negotiate prices with individual customers and often have to match competitors' prices. NPE has a new product, the Gutenberg NP201, with some competitive advantages now, but competitors are expected to follow quickly with similar products. The new product is being introduced into a market with elastic demand. In regard to freight charges for its equipment, NPE's invoice reads, "Seller pays the cost of loading equipment onto a common carrier. At the point of loading, title to such products passes to the buyer, who assumes responsibility for damage in transit, except as covered by the transportation agency."

Perreault - Chapter 16

278. National Printing Equipment ships its products:
(p. 425)

A. based on freight-absorption pricing.
B. using uniform delivered pricing.
C. F.O.B. shipping point.
D. F.O.B. buyer's factory.
E. at no cost to the customer.

AACSB: 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #278
Question Type: Application
Self-Test: No

279. Bella Computers' pricing objective is best described as:
(p. 411)

A. target return.
B. status quo oriented.
C. profit oriented.
D. sales oriented.
E. none of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #279
Question Type: Application
Self-Test: No

280. Ross Pharmaceuticals' pricing objective is:
(p. 412)

A. sales oriented.
B. profit maximization.
C. status-quo oriented.
D. to meet competition.
E. none of the above.

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #280
Question Type: Application
Self-Test: No

281. What is Digital Imaging's pricing objective?
(p. 413)

A. status-quo oriented
B. sales oriented
C. profit oriented
D. target return
E. none of the above

AACSB: 10 Org Dynamics; 3 Analytical skills
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #281
Question Type: Application
Self-Test: No

282. What is Jack's One Hour Cleaners' pricing objective?
(p. 412)

A. profit oriented
B. target return
C. sales oriented
D. status-quo oriented
E. none of the above

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #282
Question Type: Application
Self-Test: No

283. Which company uses administered prices?
(p. 413)

A. Bella Computers
B. Ross Pharmaceuticals
C. Digital Imaging
D. Jack's One Hour Cleaners
E. All of the companies use adminstered prices

AACSB: 8 Financial
Chapter: 16
Difficulty: Medium
LearnObj: 1
Perreault - Chapter 16 #283
Question Type: Application
Self-Test: No

284. National Printing Equipment has:
(p. 414)

A. been violating the Sherman Act
B. been violating the Robinson Patman Act
C. a status-quo pricing objective
D. a skimming price policy
E. a flexible pricing policy

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 2
Perreault - Chapter 16 #284
Question Type: Application
Self-Test: No

285. Which pricing policy would be recommended for Ross Pharmaceuticals' new product?
(p. 416)

A. meeting competition pricing
B. penetration pricing
C. introductory pricing
D. skimming pricing
E. below-the-market pricing

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #285
Question Type: Application
Self-Test: No

286. National Printing Equipment's new Gutenberg NP201 should probably use:
(p. 418)

A. price fixing.
B. skimming pricing.
C. introductory pricing.
D. penetration pricing.
E. seasonal discounts.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 3
Perreault - Chapter 16 #286
Question Type: Application
Self-Test: No

287. Which business offers a CUMULATIVE quantity discount?
(p. 421)

A. Digital Imaging
B. Jack's One Hour Cleaners
C. National Printing Equipment
D. Ross Pharmaceuticals
E. Bella Computers

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #287
Question Type: Application
Self-Test: No

288. Which business offers a NONCUMULATIVE quantity discount?
(p. 421)

A. Jack's One Hour Cleaners
B. Digital Imaging
C. National Printing Equipment
D. Ross Pharmaceuticals
E. Bella Computers

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #288
Question Type: Application
Self-Test: No

289. If one of Bella Computers' retail customers did not pay the invoice for 30 days, the customer would - in effect - be borrowing at what annual interest rate?
(p. 422)

A. 9 percent
B. 18 percent
C. 27 percent
D. 36 percent
E. 72 percent

AACSB: 8 Financial
Chapter: 16
Difficulty: Hard
LearnObj: 4
Perreault - Chapter 16 #289
Question Type: Mathematical
Self-Test: No

290. *(p. 423)* The marketing manager at NPE says that the firm offers trade (functional) discounts. Why would it offer these?

A. to encourage customers to buy older models.
B. to cover the cost of work its wholesalers are expected to do.
C. to encourage quantity purchases by customers.
D. to avoid price competition.
E. to encourage customers to pay their bills quickly.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #290
Question Type: Application
Self-Test: No

291. *(p. 423)* The 3% price reduction Bella Computers gives its retailers is an example of:

A. push money.
B. value pricing.
C. an advertising allowance.
D. everyday low pricing.
E. a cash discount.

AACSB: 6. Reflective thinking
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #291
Question Type: Application
Self-Test: No

292. *(p. 424)* The 2% Bella Computers gives to retailers' salespeople is an example of:

A. value pricing.
B. push money.
C. everyday low pricing.
D. an advertising allowance.
E. a stocking fee.

AACSB: 9 Value creation
Chapter: 16
Difficulty: Medium
LearnObj: 4
Perreault - Chapter 16 #292
Question Type: Application
Self-Test: No

ch16 Summary

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