

**CHAPTER**  
**14**

# Pricing Product

## Part 1: Content Review

### Matching

Write the letter for the correct term for each definition on the line provided.

- |   |  |
|---|--|
| <p>_____ 1. When a company sells the same product to different customers at different prices based on personal characteristics.</p> <p>_____ 2. Setting very low prices to remove competition, such as foreign companies that price their products below the same domestic ones to drive the domestic companies out of business.</p> <p>_____ 3. Minimum prices set by the government for certain goods and services that it thinks are being priced too low.</p> <p>_____ 4. Price recommended for the product by the manufacturer.</p> <p>_____ 5. Raising prices on certain kinds of goods to an excessively high level during an emergency.</p> <p>_____ 6. Maximum prices set by the government when it thinks certain products are being priced too high.</p> <p>_____ 7. Setting prices low for the base product but charging high prices for other components that are needed to complete the product or service.</p> <p>_____ 8. Pricing strategy that creates an image of a product and entices customers to buy.</p> <p>_____ 9. Decisions made about pricing levels, discounts offered, and credit offered to customers.</p> <p>_____ 10. Setting prices high to convey quality and status.</p> | <p><b>Terms</b></p> <p>A. captive pricing</p> <p>B. manufacturer's suggested retail price (MSRP)</p> <p>C. predatory pricing</p> <p>D. prestige pricing</p> <p>E. price ceiling</p> <p>F. price discrimination</p> <p>G. price floor</p> <p>H. price gouging</p> <p>I. price mix</p> <p>J. psychological pricing</p> |
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### Completion

Fill in the blanks with the term that best completes each sentence.

**Terms**

- |                                 |                   |              |
|---------------------------------|-------------------|--------------|
| bait and switch                 | deceptive pricing | price-fixing |
| bundling                        | list price        | price lining |
| buy one, get one (BOGO) pricing | loss leader       | unit pricing |
|                                 | odd pricing       |              |

1. \_\_\_\_\_ is the practice of advertising one product with the intent of persuading a customer to buy a more expensive item when they arrive in the store.

2. An item that is priced much lower than the current market price or the cost of acquiring the product is a(n) \_\_\_\_\_.
3. The \_\_\_\_\_ is the established price printed in a catalog, on a price tag, or in a price list.
4. Pricing products in a way to intentionally mislead a customer is \_\_\_\_\_.
5. \_\_\_\_\_ is allowing customers to compare prices based on a standard unit of measure, such as an ounce or a pound.
6. \_\_\_\_\_ occurs when a group of competitors agree to set the price for a specific product, which is usually high.
7. The practice of setting various prices for the same type of product to indicate different levels of quality is \_\_\_\_\_.
8. Combining two or more services or goods for one price is \_\_\_\_\_.
9. \_\_\_\_\_ is the practice of setting prices to end in an odd number to convey an image of a bargain.
10. \_\_\_\_\_ is the practice of giving customers a free or reduced-price item when another is purchased at full price.

### True or False

Decide whether each statement is true or false. If the statement is true, write *True* on the line provided. If the statement is false, write *False* and rewrite the statement to make it true.

1. Price lining does not give customers options.

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2. Price lining gives customers options and allows them to choose the features and value they want based on their needs and budgets.

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3. Discount-store prices and sale items do not usually end in odd numbers.

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4. Even pricing conveys quality.

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Name \_\_\_\_\_

5. High-end fashion designers and car manufacturers often use prestige pricing.

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6. Companies that sell to businesses use the same discount pricing as those that they use for selling to the consumer market.

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7. Marketers who misrepresent their products do not risk legal consequences.

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8. State laws consider price gouging a form of price-fixing.

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9. Some states have sales-below-cost (SBC) laws that ban loss-leader pricing.

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10. Price ceilings can cause the very shortages the government is trying to prevent.

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## Part 2: Concept Review

### Pricing Techniques

Write the letter for the correct term for each pricing technique on the line provided.

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|-------------------------------|--------------------------------|
| _____ 1. cash discount        | A. psychological pricing (B2C) |
| _____ 2. even pricing         | B. discount pricing (B2B)      |
| _____ 3. odd pricing          |                                |
| _____ 4. prestige pricing     |                                |
| _____ 5. promotional discount |                                |
| _____ 6. promotional pricing  |                                |
| _____ 7. quantity discount    |                                |
| _____ 8. seasonal discount    |                                |
| _____ 9. trade discount       |                                |
| _____ 10. unit pricing        |                                |

### B2C Psychological Pricing

Psychological pricing techniques are often used in the consumer market. For each of the following scenarios, write the pricing technique being described in the space provided: odd; even; prestige; or buy one, get one (BOGO) pricing. Some examples may use more than one technique.

1. Joy 1000, a perfume by French designer Jean Patou, is priced at \$190.

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2. Sign in the window of Sole Mates shoe store reads, "All shoes always \$29.99."

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3. A family restaurant advertises a "2 for \$20" promotion in which two meals can be purchased for \$20.

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4. The rooms at the Dolly Madison Inn are priced at \$400 per night.

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5. Every book in the sale catalog of Edward R. Hamilton is priced at \$1.99, \$2.99, or \$3.99.

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6. A house on Silver Lake is listed for sale at \$2.2 million.

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7. The same house described in the previous example was damaged by a hailstorm. It is now advertised as "Reduced! Now only \$1,999,999!"

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8. Every six months, Ray's Tires and Retreads runs a newspaper ad with the headline, "Buy one, get one 50 percent off."

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9. A retailer that sells computers offers a basic model for \$500, a model with several optional components for \$750, and a top-quality model for \$1,000.

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10. A local cable company is running a special that offers free home phone service for one year if a new contract is signed for cable and Internet service.

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### Governmental Influence on Pricing

Write your response to each of the following statements or questions in the space provided. Use complete sentences.

1. What is your opinion of a business that engages in unfair pricing practices? Would you knowingly buy from the business? Why or why not?

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Name \_\_\_\_\_

- 2. Where have you seen unit prices used in your community? How do you think the presence or absence of unit pricing affects buying decisions?

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- 3. Why do you think governments want to prevent monopolies?

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- 4. Do you think price ceilings are ethical? Why or why not?

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- 5. Do you think price floors are ethical? Why or why not?

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## Part 3: Marketing Math

### List Price versus Selling Price

The established price of a product is called the list price, which does *not* include any discounts. The *selling price* is the actual price the customer pays for a product after any discounts or coupons. Complete the table by computing the discount amount and the selling price. Round to the nearest cent. The first one is completed for you as an example.

List Price (\$)	Discount (%)	Discount Amount (\$)	Selling Price (\$)
20.00	10	2.00	18.00
29.95	15		
63.99	20		
89.88	60		
72.99	5		
84.00	25		
102.00	10		
159.99	20		
79.98	25		
24.99	10		
129.98	15		
162.00	50		
74.99	5		
48.00	20		
63.98	60		
249.00	40		

Name \_\_\_\_\_

### Coupon or Discount?

Which is the better deal? Imagine you are a marketing manager in charge of your store’s product promotions. You must decide whether to offer customers a \$10 store coupon or a 20 percent discount. In the following table, compute the selling price after a 20 percent discount is applied to the list price. Then, compute the selling price for the same item after a \$10 coupon is applied to the list price. Identify the option that offers the better selling price for the customer. The first one is completed for you as an example.

List Price (\$)	Discount (%)	Discount Amount (\$)	Selling Price after 20% Discount (\$)	Selling Price after \$10 Coupon (\$)	Which is the better deal?
24.99	20	5.00	19.99	14.99	Coupon
63.98	20				
14.99	20				
37.00	20				
43.00	20				
99.98	20				

## Part 4: Be Your Own Leader

### Core Beliefs

As a leader, you will be challenged by those close to you, those who are not on your team, your followers, and people who want to change you. If you do not know your core beliefs, you may be persuaded to change by people with very different beliefs. Think about what is most important to *you*. List your five core beliefs in the table below. Provide an example of how you demonstrate this core belief as a leader.

1. A. Core belief: \_\_\_\_\_

B. How I demonstrate this belief:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. A. Core belief: \_\_\_\_\_  
B. How I demonstrate this belief:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. A. Core belief: \_\_\_\_\_  
B. How I demonstrate this belief:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. A. Core belief: \_\_\_\_\_  
B. How I demonstrate this belief:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. A. Core belief: \_\_\_\_\_  
B. How I demonstrate this belief:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_