25 Lecture - MGT301

Important Subjective

1. What is a pricing strategy? Give an example.

Answer: A pricing strategy is a plan that outlines how a company sets the prices of its products or services. Example: Skimming pricing strategy.

2. What is the difference between cost-plus pricing and value-based pricing?

Answer: Cost-plus pricing is based on adding a markup to the cost of producing a product or service, while value-based pricing is based on the perceived value of the product or service to the customer.

3. What is dynamic pricing and how does it work?

Answer: Dynamic pricing is a pricing strategy that involves changing the price of a product or service based on various factors, such as demand, competition, and time of day.

4. What is price skimming and why is it used?

Answer: Price skimming is a pricing strategy in which a company sets a high price for a new product or service and then gradually lowers the price over time. It is used to maximize revenue in the early stages of a product's life cycle.

5. What is penetration pricing and why is it used?

Answer: Penetration pricing is a pricing strategy in which a company sets a low price for a new product or service to attract customers and gain market share. It is used to quickly establish a foothold in a new market.

6. What is psychological pricing and give an example?

Answer: Psychological pricing is a pricing strategy that uses pricing cues to influence customers' perceptions of a product's value. Example: setting a price at \$9.99 instead of \$10.00.

7. What is price bundling and why is it used?

Answer: Price bundling is a pricing strategy in which a company offers two or more products or services at a single, lower price. It is used to increase sales volume and encourage customers to try new products.

8. What is value pricing and how is it different from price skimming?

Answer: Value pricing is a pricing strategy that focuses on offering a product or service that provides superior value to the customer. It is different from price skimming, which focuses on maximizing revenue in the early stages of a product's life cycle.

9. What is yield management and how is it used in pricing?

Answer: Yield management is a pricing strategy used by service-based businesses, such as airlines and hotels, to maximize revenue by dynamically adjusting prices based on demand.

10. What is the difference between price elasticity of demand and price inelasticity of demand?

Answer: Price elasticity of demand is a measure of how sensitive customers are to changes in the price of a product or service, while price inelasticity of demand refers to situations where

customers are not very sensitive to changes in price.