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.