**POSTTEST KEY**

**OBJECTIVE A**

1. **a Pricing.** Pricing is the determination of an exchange price at which the buyer and seller perceive optimum value for a good or service. Promotion stimulates demand for products by informing customers of the products’ availability. Place decision is the marketing element focusing on considerations in getting a selected product in the right place at the   
right time. Product decision refers to what goods, services, or ideas a business will offer   
its customers. (5 points)

2. **d Exchange price.** The exchange price is the amount that both customers and sellers are willing to accept. Value is the amount of satisfaction a product will provide the customer. Markdowns are reductions in prices used to sell slow-moving or clearance items. Demand is the quantity of a good or service that buyers are ready and willing to buy at a given price at a particular time. (5 points)

3. **d Optimum.** Buyers need to feel that they are getting the most for the money they spend. If they felt that they were receiving minimum, little, or no value for the money spent for products, they would probably spend their money elsewhere in the future. (5 points)

4. **b Customers spend money elsewhere.** If customers feel that a business’s goods are overpriced, they will find somewhere else to buy. Sales will not increase, customers will not purchase more, and sales will not remain the same if customers feel that they are not   
getting the most for their money from a company. (5 points)

5. **a Yes, customers may feel quality is too low.** Quality and price are often considered the same by customers. Higher priced items are usually perceived as high-quality products. Customers who feel lower prices reflect low quality will not buy more of that product.  
 (5 points)

6. **a Quality.** Quality and price are often considered the same by many customers. Comfort is more often associated with the brand name or quality of the product. Discounts are often offered on slow-moving products, and location affects the number of sales. (5 points)

7. **b Flexible.** Economic hardships often force companies to lower prices to sell their products. Realistic prices are often associated with the quality of the product. Competitive pricing occurs when you try to meet or beat your nearest competitor’s prices. Inflexible pricing occurs when a company refuses to change its prices to meet customer demand. (5 points)

8. **c Competitive.** Adjusting prices to meet or beat the competition is competitive pricing. Competitive pricing often means being flexible, not inflexible. It also means being realistic (not too low or too high) rather than unrealistic. (5 points)

**POSTTEST KEY** (cont’d)

9. **b Services.** Pricing would be a relatively simple process if marketers had to consider only the cost of the physical product when setting prices; however, they must actually price the physical product and its associated services, such as credit, delivery, etc. Features are the physical characteristics of a product. Value is the amount of satisfaction a product will   
provide the customer. (5 points)

10. **c Java Joe’s Coffee Shop.** In small companies, such as a coffee shop, the owner is more likely to be in charge of pricing. Walmart, Sears, and Macy’s are all large companies that have departments responsible for the pricing function. (5 points)

11. **c Chain store.** Large companies usually have departments responsible for the pricing function. The owners of small boutiques, local clothing stores, and hair salons would most   
likely be in charge of setting prices for their goods and services. (5 points)

**Objective B**

12. **d Product.** Product decisions involve determining what goods, services, or ideas to produce or sell that will satisfy customers’ needs and wants. Pricing affects the type of research conducted, the length of the research project, and the amount of money spent on research. If a product is low priced, a company most likely will not be able to afford to spend lots of money on research. This is not an example of how pricing affects promotion or place. Profit is not an element of the marketing mix. (5 points)

13. **c**  **Cost of food.** Product decisions involve deciding what goods or services to produce or to sell in order to satisfy customers' needs and wants. Pricing affects the product decision in several ways. For example, the cost of food needed to produce menu items has an effect on the type of food that will be produced as well as on the price of the menu items. If specialty meats are expensive, a shop might decide not to use them to make sandwiches, but to use less expensive types of meat. Also, the shop might select less expensive meats because it does not want to charge an extremely high price for its sandwiches. The method of delivery and the type of decor are place factors that affect pricing. The amount of advertising is a promotion factor that affects pricing decisions. (5 points)

14. **c Higher.** Companies that use high-quality materials in the production of their goods have   
to pay higher prices for the materials. They will pass these increased costs on to their   
customers. (5 points)

15. **a Yes, a business with low prices may have a discount image.** When a business consistently uses low prices, it is usually thought of as a discount business. Businesses that carry name brands or luxury items usually charge higher prices and have a prestigious image in the eyes of customers. (5 points)

**POSTTEST KEY** (cont’d)

16. **b Promotion.** Promotion involves the various types of communications that marketers use to inform, persuade, or remind customers of their products. Pricing affects the choice of medium for promotion. Products with very low profit margins are usually promoted in lower priced media, while products that have high profit margins are usually promoted in   
a combination of media, including high-cost advertising media like magazines. Also, the bigger the advertisement, the higher its cost. This is not an example of pricing influencing place or product. Physical inventory is not an element of the marketing mix. (5 points)

17. **b Advertising budget.** Companies that sell low-priced items will not have as large an advertising budget as companies with higher priced items. Place decisions, including consideration of transportation channels and market location, as well as product decisions, such as selection of production materials, are not areas of promotion. (5 points)

18. **d Place.** Place involves shipping, handling, and storing products and determining when and where they will be available. Pricing affects the choice of transportation channels. There are a variety of ways that companies can ship their products to their final destinations, and some methods are cheaper than others (for example, trucking is usually less expensive than flying). This is not an example of pricing influencing product or promotion. Problem solving is not an element of the marketing mix. (5 points)

19. **d Pricing objective.** Company goals that influence how marketers make pricing decisions are called pricing objectives. One possible pricing objective is maximizing profit. Advertising goals would influence a company’s promotional decisions. Transportation choices are   
involved with the place decision. Product strategies may involve researching and   
developing new goods or services. (5 points)

20. **a Profitability.** Covering costs is a pricing objective related to profitability. Pricing objectives are company goals that influence how marketers make pricing decisions. They may relate to profitability (making as much as possible or simply covering costs), sales (selling as many units as possible or gaining market share), competition, or image/prestige. (5 points)

**Suggested** Criterion Level: 80 points