Question #1 of 9

Question ID: 1573335

Debrin Company uses a tiered pricing strategy. Debrin is *most likely* to:

A) charge higher prices during peak times of day.

B) offer a discount for buying a large number of units.

C) set a temporarily low price until it builds market share and scales up production.

Explanation

Tiered pricing refers to setting prices based on a customer's volume of purchases.

(Module 28.1, LOS 28.b)

Question #2 of 9

Question ID: 1575466

To generate more sales on slow days, a hair salon will be offering its services at a 50% discount on Sundays and Mondays, but it will increase its prices by 20% on Fridays and Saturdays. Which pricing model *best* describes the company's strategy?

A) Dynamic pricing.

B) Razors-and-blades.

C) Tiered pricing.

Explanation

Dynamic pricing is a pricing model where a company charges different prices based on what time of day or time of week a purchase is made. Offering the same services at different prices on busier and slower days is an example of dynamic pricing.

Tiered pricing is a pricing model based on the volume of purchases; typically, the greater the volume purchased, the greater the overall price discount. *Razors-and-blades* is a pricing model for multiple products; typically, one product is sold at a low price and low margin, while a second complementary product is sold at a high margin.

(Module 28.1, LOS 28.a)

Question #3 of 9

Question ID: 1573336

Nebrid Company describes itself as a B2B firm. This means that Nebrid:

A) sells its products or services to other businesses. ✓

B) is a marketplace for buyers and sellers. ✗

C) provides both inbound and outbound logistics. ✗

Explanation

B2B businesses are those that sell their products to other businesses.

(Module 28.1, LOS 28.b)

Question #4 of 9

Question ID: 1575467

Pro-X Cycle (Pro-X) is a bicycle manufacturer specializing in custom bicycles. The company sells all bikes for $1,200, but it offers high-margin packages like custom paint and premium tires and brakes ranging between $1,000 and $2,000. The pricing model that *best* reflects Pro-X's strategy is:

A) hidden revenue. ✗

B) bundling. ✗

C) add-on pricing. ✓

Explanation

Add-on pricing refers to a pricing model in which a company sells its products at normal margins, but it offers additional (add-on) products to its customers at high margins.

Bundling is a pricing model for multiple complementary products (like renting an apartment with furniture). *Hidden revenue* is a pricing model in which a product is usually free (like an app for a smartphone), but revenue is generated through advertising sales in the app.

(Module 28.1, LOS 28.a)

Question #5 of 9

Question ID: 1573333

Binder Company describes itself as a direct sales business. In terms of its business model, this refers to Binder's:

A) channel strategy. ✓

B) pricing strategy. ✗

C) product or service.

Explanation

A channel strategy describes how a company will sell and deliver its product or service, such as selling directly to customers (direct sales) or through intermediaries such as retailers.

(Module 28.1, LOS 28.b)

Question #6 of 9

Question ID: 1575465

The management of a company that manufactures pens decides to initially offer its products at a significant discount to market price to gain market entry. Afterward, it will offer its products at various discounts based on volume of purchases. Which pricing models *best* reflect the company's strategy?

	Discount to market price	Discount based on purchase volume
A)	Freemium pricing	Dynamic pricing
B)	Freemium pricing	Tiered pricing
C)	Penetration pricing	Tiered pricing

Explanation

Penetration pricing is a pricing model in which a company sells its product at a low margin or even at a loss in the product's early days to gain market entry. *Tiered pricing* refers to a pricing model based on the volume of purchases; typically, the greater the volume purchased, the greater the overall price discount.

Freemium pricing is a pricing model in which a company offers its basic products at no cost, but it offers other related products or functionality for a fee. *Dynamic pricing* is a pricing model where a company charges different prices based on what time of day or time of week a purchase is made.

(Module 28.1, LOS 28.a)

Question #7 of 9

Question ID: 1573334

Redbin Software publishes a multiplayer video game. Redbin allows users to download the basic software at no charge and makes enhanced features available at various prices. Redbin's pricing strategy is *best* described as:

A) hidden revenue.

B) freemium.

C) penetration.

Explanation

Freemium pricing refers to providing a basic product at no cost and selling or unlocking increased functionality for a price.

(Module 28.1, LOS 28.b)

Question #8 of 9

Question ID: 1575468

A smartphone video game developer is about to launch its latest video game, *Omega Rising*. The developer wants to make the game available for free to users, and it wants to generate sales solely through aggressive advertising. It does not want to charge any fees for any of the game's functionalities. Which pricing model is *most appropriate* for the developer?

A) Hidden revenue.

B) Freemium pricing.

C) Penetration pricing.

Explanation

The *hidden revenue* pricing model is most appropriate. In this model, a company typically offers its product for free, while revenue is generated primarily through advertising revenue.

Freemium pricing is a pricing model in which a company offers its basic product at no cost, but it offers other related products or functionalities for a fee. While freemium pricing is often used by video game producers, under this pricing model, a video game would be offered for free—but related products like weapons or extra life would be sold for an additional fee.

Penetration pricing is a pricing model in which a company sells its product at a low margin or even at a loss in the product's early days to gain market entry.

(Module 28.1, LOS 28.a)

 Question ID: 1575469

Based on feedback from its extensive customer survey, a car manufacturer will include luxury interior fabrics and a top-of-line audio system as part of the basic features of its next model. As a result, the base price of the model will be higher than the price of competitors' models. Which pricing model *best* reflects the company's strategy?

A) Dynamic pricing.

B) Bundling.

C) Value-based pricing.

Explanation

Bundling is a strategy in which multiple complementary products (in this case, a car, its interior fabric, and its audio system) are priced together for a more profitable strategy. Note that because the manufacturer bundled these features as part of the car's price, this strategy is different than *add-on pricing*, in which the manufacturer would sell the car at normal margins, but would sell upgrade options like interior fabric and a stereo system separately at high margins.

Dynamic pricing is a pricing model where a company charges different prices based on what time of day or time of week a purchase is made.

Value-based pricing is a pricing strategy in which the price is set based on customers' perceived value of the product.

(Module 28.1, LOS 28.a)