

Pricing Practice

1. You must determine the customer price (wholesalers and retailers) for your new shampoo called Hair Joy. Visit two local beauty supply stores and compare the retail prices and unit prices (per ounce) of four comparable shampoos. Assume that your cost of manufacturing and distributing Hair Joy to wholesalers and retailers will be \$1.85 per ten-ounce bottle. Assume that retailers double the price they pay for shampoo from the manufacturer. What would you suggest as the price retailers should be charged? You expect to make 200,000 bottles of shampoo at the chosen price. What will be your break-even point? (10 points)

Elasticity of Demand

2. Whenever Jaime's two children have colds, he always gives them All-Better Pediatric Cold Medicine. He trusts the brand and will not buy any other over-the-counter cold medicine for his children. Jaime's demand for All-Better Pediatric Cold Medicine is *elastic* / *inelastic* (delete the one that is incorrect). (1 point)

3. Write whether the following products have elastic or inelastic demand: (1 point each)

Product	Elastic or Inelastic
a. Gasoline	
b. Apples out of season	
c. Cartier jewelry	
d. Greeting cards	
e. Cell phone service	

4. Perform an Internet search for an iPod. Choose a specific model and find three online retailers that sell the same model. Write down the retailer (i.e. www.amazon.com), then write the price next to it. (1 point each)

Retailer	Price
a.	
b.	
c.	

5. Are the prices the same? Different? Why is that? What does that tell you about how iPods are priced? What pricing strategies are used for iPods? (3 points)

6. The Price Planning PowerPoint discusses three pricing objectives: gaining market share, maximizing return on investment and meeting the competition. Determine which pricing objective is used in the following scenarios: (1 point each)

<p>a. A new shampoo manufacturer determined the average price of shampoos with similar features and target markets and charged that price. The pricing objective used by this company is _____.</p>	
<p>b. Target contracted with a furniture designer to design a new line of lamps. The retailer very carefully tracked expenses associated with designing and manufacturing the lamp line. They set the price after considering the investment and the profit they will make from it. The pricing objective the company used is maximizing the company's _____.</p>	
<p>c. Cricket introduced its cell phone well below the average price of existing cell phones. This pricing objective is aimed at _____.</p>	