**Chapter 11 and 12 Questions**

**Chapter 11 Discussion Questions 1, 3, 5**

1. Compare and contrast market-skimming and market-penetration pricing strategies and discuss the conditions under which each is appropriate. For each strategy, give an example of a recent introduced product that used that pricing strategy.

   Market-skimming pricing is, “Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales” (Kotler, 2014). Market-penetration pricing is “setting a low price for a new product in order to attract a large number of buyers and a large market share” (Kotler, 2014). Market-skimming sets high prices for a new product or products while market-penetration sets low prices its products in order to have a large number of sales. Both of these pricing strategies are focused on having profitable or large number in sales. An example of market-skimming pricing is when Apple introduced the iPhone. The initial price of the phone was at $599 and then it dropped within the next six months. Apple would make new features with the phone to attract new buyers and then drop the price again as low as $199. Apple skimmed the maximum amount of revenue within various segments of the market to attract new buyers and make their image sustainable. An example of market-penetration pricing is when IKEA used this strategy to boost its success in the Chinese market. IKEA would slash its prices on all of their products in order to attract buyers out of the Chinese market. The strategy worked because it attracted over six million buyers annually (Kotler, 2014).

3. Name and describe the various forms of discounts companies use to reward customers.

   There are four forms of discounts companies use to reward customers. A cash discount is, “a price reduction to buyers who pay their bills promptly.” A quantity discount is, “a price reduction to buyers who buy large volumes.” A functional discount is, “a trade-channel to members who perform certain functions, such as selling, storing, and record keeping.” A seasonal discount is, “a price reduction to buyers who buy merchandise or services out of season” (Kotler, 2014).

5. What is dynamic pricing? Why is it especially prevalent online? Is it legal?

   Dynamic pricing is, “adjusting prices continually to meet the characteristics and needs of individual customers and situations” (Kotler, 2014). It is especially prevalent online because the Internet is bringing back a new form of fluid pricing; the concept offers many advantages for marketers. It makes it easier for consumers to find products because the Internet search engines offer goods that fit the consumers’ desires and their behaviors. Dynamic pricing is legal as long as companies do not discriminate on sex, age, location, or any other similar characteristics towards these topics (Kotler, 2014).

**Critical Thinking Exercise Question 2**

2. One psychological pricing tactic is “just-below” pricing. It is also called “9-ending” pricing because prices usually end in the number 9 (or 99). In a small group, have each member select five different products and visit a store to learn the price of those items. Is there a variation
among the items and stores with regard to 9-ending pricing? Why do marketers use this pricing tactic?

There is a variation among item and stores with regards to 9-ending pricing. I found five products on the first page of Target.com that had prices ending with nine. All these products were in the new released book section which attracts consumers to buy these products. Marketers use this pricing strategy as an illusion towards consumers that they are buying products with just-below endings. Businesses apply this strategy because consumers can be misled to the ending of the price label that is being presented on the product (Huston, J., & Kamdar, N. n.d.).

Chapter 12 Discussion Questions 1-5

1. Describe the key functions performed by marketing channel members.

Marketing channel members add value by bridging in time, place, and possession gaps that separate goods and services from the people that use them. The key functions for these channel members are information, promotion, contact, matching, physical distribution, financing, and risk taking. Information is, “Gathering and distributing information about consumers, producers, and other actors and forces in the marketing environment needs for planning and aiding exchange.” Promotion is, “developing and spreading persuasive communications about an offer.” Contact is, “finding and communicating with prospective buyers.” Matching is “shaping offers to meet the buyer’s needs, including activities such as manufacturing, grading, assembling, and packaging.” Negotiation is, “reaching an agreement on price and other terms so that ownership or possession can be transferred.” Physical distribution is, “transporting, and storing goods.” Financing is, “acquiring and using funds to cover the costs of the channel work.” Risk taking is, “assuming the risks of carrying out the channel work” (Kotler, 2014).

2. Describe multichannel distribution systems and the advantages and disadvantages of using them.

Multichannel distribution systems are firms that set up multiple marketing channels to reach consumer segments. The advantages are that each company expands its sales and market coverage and it brings in more opportunities to tailor its products and services to the specific needs of multiple of diverse consumer segments. The disadvantages are that they hard to control and they make conflict as more of these concepts compete for customers and market sales (Kotler, 2014).

3. Compare and contrast intensive, selective, and exclusive distribution. Which channel design decision does this involve?

Intensive distribution is, “stocking the product in as many outlets as possible.” Exclusive distribution is, “giving a limited number of dealers the exclusive right to distribute the company’s products in their territories.” Selective distribution is, “The use of more than one but fewer than all of the intermediaries who are willing to carry the company’s products.” Intensive and Selective distribution have similarities in bringing out their products to multiple companies or consumers exclusive distribution gives out a limited number to their dealers. Intensive distribution is more risky than selective and exclusive distribution. The channel design that all these concepts revolve around is within the marketing channel design. The channel design
decision that involves these concepts is evaluating the major alternatives towards these topics (Kotler, 2014).

4. Discuss the complexities international marketers face when designing channels in other countries.

   The complexities international marketers face when designing channels in other countries are that each country has their own unique distribution system that has developed over time which results in slow change. This means that global marketers must adapt their channel strategies to the existing structure within each country. In some countries, their distribution systems are complex and hard to penetrate which has multiple layers and big amounts of intermediaries (Kotler, 2014).

5. Explain how information is managed in the distribution channel. What types of information are managed?

   Information is managed within a distribution channel with structure and all of the main topics are organized. All this is used for a competitive advantage towards their competitors in the market. They do not want it to be formed ineffectively because this will bring conflict and confusion to the workplace. The types of information that are managed are on billing, customer orders, inventory levels, and data based on the customer needs and wants (Kotler, 2014).

**Critical Thinking Exercise Question 3**

3. Visit www.youtube.com/watch?v=eob532lEpqk and watch “The Future Market” video. What impact will radio frequency identification (RFID) tags have on each of the major logistical functions? What are the biggest current obstacles to adopting this technology?

   The impact that radio frequency identification tags have on major logistical functions are that appeals to consumers but not to customer service. This means that there will be no customer to employee relationship because consumers can get their goods and go rather than checking out with an employee. The biggest obstacle with adopting this method is that it’s a unique method and most business owners would not approve of it. In the commercial, it made people to believe that the man was stealing the products rather than buying them. The end of the show explained how the man paid for his belongings without even swiping a card or having any involvement with an employee. To a consumer, it shows a new form of how to pay for products, while it takes away consumer to business employee relationship (IBM RFID Commercial - The Future Market. 2006, June 2).

