

**CONFIDENTIAL**



**UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL**

**FINAL EXAMINATION  
JANUARY 2016 SEMESTER**

**SUBJECT CODE** : EEB20603 / EDB30103  
**SUBJECT TITLE** : PRICING STRATEGY & TACTICS  
**LEVEL** : BACHELOR  
**TIME / DURATION** : 9.00 AM - 12.00 P.M / 3 HOURS  
**DATE** : 28th MAY 2016

**INSTRUCTIONS TO CANDIDATES**

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **TWO (2)** sections; **Section A and section B**.
4. **Answer TWO (2) questions in Section A and THREE (3) questions ONLY in Section B.**
5. Please write your answers on the answer booklet provided.
6. Answer all questions in **English language ONLY**.
7. This question paper must not be removed from the examination hall.

**THERE ARE 4 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

SECTION A (Total: 40 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

Assume that firm produces a consumer product at a variable cost of RM7.25 and has fixed costs of RM75, 000 per month. Currently, the firm sells 14,000 units per month priced at RM14 per unit.

- a. What is the current profitability of the firm?  
(5 marks)
- b. What is the harm to profitability if variable costs rise by 10 percent, holding all else constant?  
(5 marks)
- c. What is the harm to profitability if fixed cost rise by 10 percent, holding all else constant?  
(5 marks)
- d. What is the harm to profitability if units sold decreases by 10 percent, holding all else constant?  
(5 marks)
- e. What is the harm to profitability if the price falls by 10 percent, holding all else constant?  
(5 marks)

- f. Which aspect of the firm will have the greater harm on profit – variable costs?, fixed costs?, unit sold? or unit price?

(5 marks)

(Total: 30 marks)

**Question 2**

**Benefit - Cost = Customer Value**

Explain the above statement by giving your own example based on your experience as consumer.

(10 marks)

**SECTION B (Total: 60 marks)**

**INSTRUCTION: Answer THREE (3) questions ONLY**

**Please use the answer booklet provided**

**Question 1**

Compare the advantages of implementing Cost-Plus Pricing, Competition based Pricing and Customer based Pricing. List at least 3 main advantages for each strategy.

(20 marks)

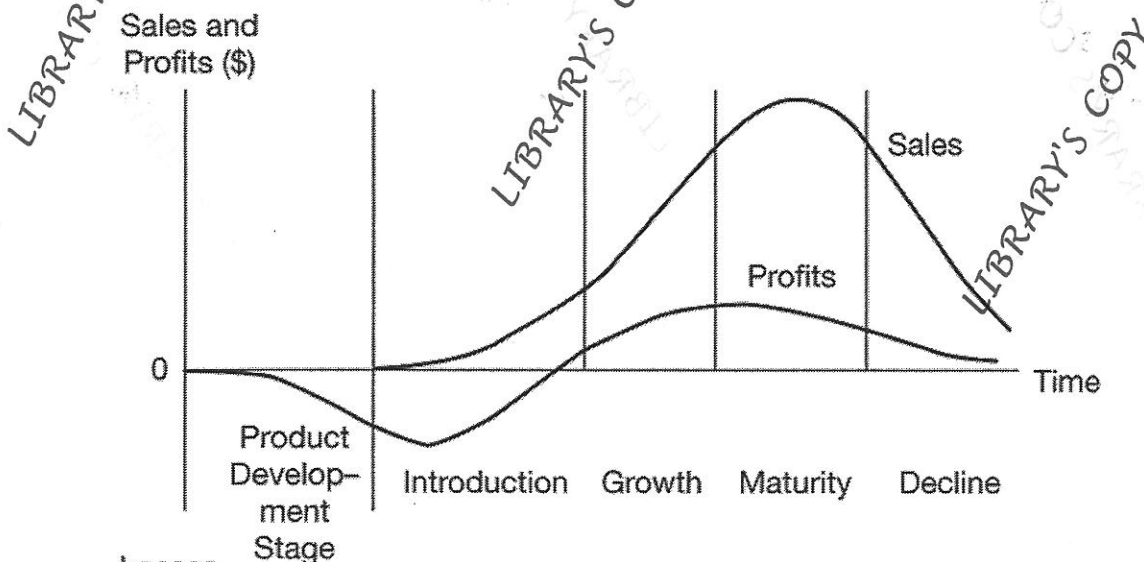
**Question 2**

A local health club offers is trying to induce new memberships in January, 2016 as people are making new resolutions to lose weight. They are considering reducing the rate to RM75/month for a three month new trial membership versus the usual RM100/month. Describe at least two alternative policies for inducing trial and explain why you believe your alternatives are more likely to maximize the club's revenue over the next year.

(20 marks)

**Question 3**

Based on the following diagram, explain how price sensitivity, costs, and competition influence pricing strategy over the product life cycle.



(20 marks)

**Question 4**

Price sensitivity of a product refers to the level of importance buyers place on price relative to other purchasing criteria. Customers looking for top quality or service, for instance, are usually less price sensitive than economical bargain hunters. The level of sensitivity for a given product is known in economics as elasticity of demand. There are nine factors leading to price sensitivity as below:

1. The product is more distinctive.
2. Buyers are less aware of substitutes.
3. Buyers cannot easily compare the quality of substitutes.
4. Expenditure is a smaller part of buyer's total income.
5. Expenditure is small compared to the total cost.
6. Part of the cost is paid by another party.
7. Product is used with previously purchased assets.
8. Product is assumed to have high quality and prestige.
9. Buyers cannot store the product.

Select any **FIVE (5)** factors from above and explain with a valid example to show your understanding of the topic.

(20 marks)

END OF QUESTION PAPER

