



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES  
DEPARTMENT OF MARKETING AND LOGISTICS**

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| <b>QUALIFICATION: BACHELOR OF MARKETING</b>          |  |
| <b>QUALIFICATION CODE: 07BMAR</b>                    | <b>LEVEL: 7</b>                                |
| <b>COURSE CODE: PPM712S</b>                          | <b>COURSE NAME: PRODUCT PRICING MANAGEMENT</b> |
| <b>SESSION: JANUARY 2019</b>                         | <b>PAPER: THEORY</b>                           |
| <b>DURATION: 3 HOURS</b>                             | <b>MARKS: 100</b>                              |
| <b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b> |  |
| <b>EXAMINER(S)</b>                                   | MR. C. KAZONDOVI<br>MR. I. MUBWANDARIKWA       |
| <b>MODERATOR:</b>                                    | MR. A. M. MATONGELA                            |

**INSTRUCTIONS**

1. Answer ALL the questions.
2. Write clearly and neatly.
3. Number the answers clearly.
4. Use the tables provided on page [7] to answer Questions 6 & 7:  
Detach and insert into your answer booklet.
5. Write as legible as possible, and as precise as possible.
6. Indicate your class lecturer's name on your answer sheet.
7. Read each question carefully.
8. Use a non-programmable calculator (STRICTLY NO USE OF  
CELLPHONE/MOBILE CALCULATOR).

**THIS QUESTION PAPER CONSISTS OF 7 PAGES** (Including this front page)

**Question 1****[15 marks]**

Sales-orientated Pricing Objectives are based either on market share or on Dollar (N\$) values or unit sales Consider Table 1 below showing data on four firms.

**Table 1**

| Company | Units Sold | Unit price (R/N\$) | Total Revenue (R/N\$) | Unit market share (%) | Revenue market share (%) |
|---------|------------|--------------------|-----------------------|-----------------------|--------------------------|
| A       | 1 000 000  | 1.00               | ?                     | ?                     | ?                        |
| B       | 200 000    | 4.00               | ?                     | ?                     | ?                        |
| C       | 500 000    | 2.00               | ?                     | ?                     | ?                        |
| D       | 300 000    | 4.00               | ?                     | ?                     | ?                        |
| Total   | ?          | ?                  | ?                     | ?                     | ?                        |

You are required:

- 1.1 To complete the table by calculating the missing values. Show all workings (10 marks)  
 1.2 Comment on you findings. (5 marks)

**Question 2****[10 marks]**

You are a Marketing Manager for Victori's Cosmetics. Assume that in 2014 Victori's Cosmetics had assets of N\$ 4,5 million, net profits of N\$ 550 000, and a target ROI of 10 per cent. You are required to:

- 2.1 Calculate the actual return on investment (ROI). (5 marks)  
 2.1 Comment on the result arrived at in 2.1. (5 marks)

**Question 3****[15 marks]**

Businesses may benefit from lowering or raising prices, depending on the needs and behaviours of customers and clients in the particular market. Finding the right pricing strategy is an important element in running a successful business. A business can use a variety of pricing strategies when selling a product or service. Describe with examples the following pricing models:

- 3.1 Yield management pricing (3 marks)  
 3.2 Congestion pricing (3 marks)  
 3.3 Variable pricing (3 marks)  
 3.4 Time-based pricing (3 marks)  
 3.5 Absorption pricing (3 marks)

**Question 4****[10 marks]**

The type of market in which a firm competes constraints the setting of price. It is therefore essential for marketers to identify the different strategies in the four competitive situations. Your Chief Executive has tasked you the Marketing Manager to write a memorandum to him detailing the strategies available to you by answering the following questions:

4.1 What are the four competitive situations/markets? (2 marks)

4.2 Describe and give a Namibian example of a firm in the four competitive situations/markets (2 marks)

4.3 What is the price competition in each of the four competitive situations/markets? (2 marks)

4.4 How do you handle product differentiation under each of the four competitive situations/markets? (2 marks)

4.5 What is the extent of advertising in each of the four competitive situations/markets? (2 marks)

**Question 5****[20 marks]**

5.1 If Pumpi uses a markup of 40%, then find the cost of pen, if the selling price is N\$63.00. (2 marks)

5.2 A baseball glove is sold for N\$42, which is 140% of cost. How much is the store's cost? (2 marks)

5.3 A car part dealer pays N\$7.14 per 12 litres of windshield washer fluid and the markup is 50% on selling price. Find the selling price. (2 marks)

5.4 It's the end of the model year, and the new cars are about to arrive. The dealer decides to reduce the price of the car you want from N\$200,000 to N\$185,000 to try to sell it before the new cars arrive. What's the markdown percent? (2 marks)

5.5 Omundu's starting price for his overalls is N\$30. If he wants to decrease his prices to \$20, how much of a markdown in percentage does he need? (2 marks)

5.6 Based on Question 5.5 above, what if Omundu wanted to calculate the overalls price based on a percentage markdown? What if he wanted to only mark down his prices by 20%? How much would his overalls cost then? (2 marks)

5.7 The 30% discount on a painting amounts to N\$89.70. Compute the list/original selling price and the net price after discounts. (2 marks)

5.8 A manufacturer can cover its cost and make a reasonable profit if it sells an article for N\$63.70. At what price should the article be listed so that a discount of 30% can be allowed? (2 marks)

5.9 An item listed at N\$150.00 is subject to the discount series 20%, 10%, and 5%. Determine the net price. (2 marks)

5.10 Mengo is abit broke and has listed a pair of sunglasses for N\$136 less 30%. His friend Mapara lists the same model for N\$126 less 20%, less an additional 15%. What additional rate of discount must the Mengo give to meet Mapara's price?

(2 marks)

### Question 6

[15 marks]

#### True or False Questions

Use the table provided on [page 7] to answer these questions, detach and insert it into your answer booklet. 1.5 mark will be awarded for each correct answer.

6.1 Mark-up on cost and selling price are the same thing.

6.2 Conversion of markup percent can be calculated based on markup on cost or markup on selling price.

6.3 Psychological pricing is the practice of setting a different price for the same product in different segments to the market.

6.4 Variable pricing traditional includes auctions, stock markets, foreign exchange markets, bargaining, electricity, discounts.

6.5 Yield management is not a variable pricing strategy, based on understanding, anticipating and influencing consumer behavior in order to maximize revenue or profits from a fixed perishable resource such as airline seats or hotel room reservations or advertising inventory.

6.6 When mark-ups are based on the cost the cost is the rate.

6.7 The markdown percent is the amount of markup divided by the new sale price.

6.8 Congestion pricing is a system of surcharging users of public goods that are subject to congestion through excess demand such as higher peak charges for use at busy times.

6.9 Congestion pricing is the same as congestion charges.

6.10 When the mark-up is based on selling price the selling price is the rate.

### Question 7

[15 marks]

#### Multiple Choice Questions

Use the table provided on [page 7] to answer these questions, detach and insert it into your answer booklet. 1.5 mark will be awarded for each correct answer.

7.1 \_\_\_\_\_ is the sum of the values that consumers exchange for the benefits of having or using the product or service.

- a. Price
- b. Elasticity
- c. Demand
- d. Value estimate
- e. Price estimate

- 7.2. Throughout most of history, prices were set by \_\_\_\_\_.
- fixed-price policies constructed by sellers
  - negotiation between buyers and sellers
  - governments and regulatory agencies
  - ruling monarchs
  - the government
- 7.3. A \_\_\_\_\_ policy means that a firm sets one price for all buyers in a given product or service line.
- fixed-price
  - variable-price
  - dynamic-price
  - standard-price
  - cost-price
- 7.4. Which of the following factors is spurring a new movement in pricing toward dynamic pricing?
- the federal government
  - strong customers
  - the Internet
  - strong wholesalers
  - strong retailers
- 7.5. \_\_\_\_\_ is the practice of charging different prices depending on individual customers and situations.
- Fixed-pricing
  - Standard-pricing
  - Barter-pricing
  - Dynamic pricing
  - Limit-pricing
- 7.6. \_\_\_\_\_ is the only element of the marketing mix that produces revenue.
- Product
  - Price
  - Place (distribution)
  - Promotion
  - People
- 7.7. All of the following are among the internal factors that affect pricing EXCEPT: (Pick the LEAST LIKELY.)
- globalization
  - the company's marketing objectives
  - marketing mix strategy
  - the organization
  - Production Department
- 7.8. Before setting price, the company must first decide on its strategy for:
- distribution
  - promotion
  - the environment
  - production capacity
  - the product

- 7.9. Companies set \_\_\_\_\_ as their major objective if they are troubled by too much capacity, heavy competition, or changing consumer wants.
- a. current profit maximization
  - b. competitive pricing
  - c. market share leadership
  - d. product quality leadership
  - e. survival
- 7.10. Pricing to cover variable costs and some fixed costs, as in the case of some automobile distributorships that sell below total costs, is typical of which of the following pricing objectives?
- a. current profit maximization
  - b. product quality leadership
  - c. market share leadership
  - d. survival
  - e. Price Leadership

**THE END**

**ANSWER SHEET**

**Question 6**

[Total: 10 X 1.5 = 15 Marks]


|             | <b><u>True</u></b> | <b><u>False</u></b> |
|-------------|--------------------|---------------------|
| <b>6.1</b>  |                    |                     |
| <b>6.2</b>  |                    |                     |
| <b>6.3</b>  |                    |                     |
| <b>6.4</b>  |                    |                     |
| <b>6.5</b>  |                    |                     |
| <b>6.6</b>  |                    |                     |
| <b>6.7</b>  |                    |                     |
| <b>6.8</b>  |                    |                     |
| <b>6.9</b>  |                    |                     |
| <b>6.10</b> |                    |                     |

**Question 7**

[Total: 10 X 1.5 = 15 Marks]

|             | <b><u>A</u></b> | <b><u>B</u></b> | <b><u>C</u></b> | <b><u>D</u></b> | <b><u>E</u></b> |
|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>7.1</b>  |                 |                 |                 |                 |                 |
| <b>7.2</b>  |                 |                 |                 |                 |                 |
| <b>7.3</b>  |                 |                 |                 |                 |                 |
| <b>7.4</b>  |                 |                 |                 |                 |                 |
| <b>7.5</b>  |                 |                 |                 |                 |                 |
| <b>7.6</b>  |                 |                 |                 |                 |                 |
| <b>7.7</b>  |                 |                 |                 |                 |                 |
| <b>7.8</b>  |                 |                 |                 |                 |                 |
| <b>7.9</b>  |                 |                 |                 |                 |                 |
| <b>7.10</b> |                 |                 |                 |                 |                 |

**STUDENT NAME & STUDENT NO:** \_\_\_\_\_

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