AMA

PCM Exam

Professional Certified Marketer

Version: 7.0

Question: 1

LockIt, a manufacturer of electronic safes, accounts for 5% of the safes sold in the U.S. LockIt's current business strategy is aimed at selling better-quality products at higher prices than competitors. The higher prices make LockIt one of the leaders in terms of revenue earned. Having satisfied initial objectives of earning a certain ROI, LockIt sets a target of accounting for 25% of the units sold during the next financial year. To further this goal, LockIt introduces a line of lower-priced safes that are priced below similar competing products. LockIt's new pricing strategy is _____.

A. sales oriented
B. profit oriented
C. customer oriented
D. supplier oriented
E. competitor oriented

Answer: A

Question: 2

Port, an OEM of computer hardware, accounts for 6% of the computer hardware sold in the U.S. Retailers uses hardware from OEMs like Port to assemble personal computers. Owing to the competitive nature of the industry, Port's pricing is uniform with offerings from other manufacturers. The rise and fall in pricing is dictated more by the rise and fall in prices of raw material, labor, and utilities across the industry. Port's pricing strategy is focused on _____.

A. competitive parity
B. target profits
C. maximizing profits
D. target returns
E. market shares

Answer: A

Question: 3

Which of the following pricing strategies is oriented toward customers?

A. A strategy that prices products above that of competitors' offerings
B. A strategy that is primarily aimed at adding value to a company's products or services
C. A strategy that emulates competitors' pricing strategies
D. A strategy that delivers quality products at lower prices and helps capture market share
E. A strategy that focuses on producing a specific return on investment

Answer: B

Question: 4

When firms collude to set prices for products, it is referred to as _____.

A. price discrimination
B. price fixing
C. predatory pricing
D. tying arrangements
E. exclusive dealing

Answer: B

Question: 5

The Better Business Bureau suggests that at least _____ of the sales should occur at a price for it to be used as a reference price.

A. 20 percent
B. 30 percent
C. 40 percent
D. 50 percent
E. 60 percent

Answer: D

Question: 6

In the early 1980s, typical round-trip coach air fares from the East Coast to London were over $500. Then Freddie Laker introduced the
People's Express, a competing service into Newark at $350. Major airlines matched his price—and continued to do so until they drove
People's Express out of business. Then prices shot back up to over $500. A lawsuit filed under the Sherman Act resulted in the judgment that the major airlines had explicitly tried to destroy a competitor. The experience of People's Express is an example of __________ on the part of the major airlines.

A. price fixing.
B. price discrimination.
C. deceptive pricing.
D. predatory pricing.
E. pricing constraints.

Answer: D

Question: 7

In Ravonia, the telecom sector is dominated by four major service providers: Flank, Zelno, Tuhaz, and Klock. The service providers determine call rates and broadband rates using a collective strategy. They maintain uniform pricing and compete mainly on quality and service. Flank, Zelno, Tuhaz, and Klock are using a _____ strategy.

A. deceptive reference pricing
B. bait-and-switch
C. horizontal price fixing
D. manufacturer ’s suggested retail pricing
E. price discrimination

Answer: C

Question: 8

Pluto, a footwear company, designs and creates sports shoes for children. Since most of Pluto's target market consists of children who are in school, Pluto's retailers agree to sell its shoes for a certain amount below the actual price on the products. The price that Pluto and its retailer agree to sell the sports shoes for is known as _____.

A. the value-based price
B. the loss leader price
C. the everyday low price
D. the manufacturer’s suggested retail price
E. the reference price

Answer: D

Question: 9

Carnival Cruise Lines increased the price of its seven-day cruise package by 20 percent recently. If demand for its cruises is negatively elastic, which of the following is the likely outcome of the increase in price?

A. The company will see an increase in customer bookings.
B. The company's profit will decrease though its revenue will increase.
C. The company will see a decrease in total revenue.
D. There will be no change in the number of cruises booked.
E. The company's total revenue will increase.

Answer: C

Question: 10

Cinfy, an electronic appliances manufacturer, sells 30 pizza ovens, 60 coffee makers, and 90 sandwich toasters per day. Despite warnings from analysts, Cinfy hikes prices of its toasters from $150 to $180, and toaster sales fall by 40%. After this pricing strategy backfires, Cinfy decides that a 10% drop in demand is acceptable, but not more. Assuming that the elasticity of demand for the toasters remains constant, what is the maximum price hike that Cinfy can afford without letting the sales drop by more than 10%?

A. $2.50
B. $5
C. $7.50
D. $9
E. $15

Answer: C

Question: 11

Which of the following is true of price elasticity?

A. The lower the number of substitute products, the higher the price elasticity of demand for a given product.
B. Rises in income can lead to drops in price elasticity even though product prices are constant.
C. Products for which demand is highly inelastic are susceptible to minor changes in price.
D. Generally, if demand for a product is inelastic, lowering the price will appreciably increase demand.
E. Consumers are generally more sensitive to price decreases than to price increases.

Answer: B

Question: 12

EZ, a manufacturer of electronic appliances, manufactures sandwich toasters, waffle makers, and sandwich-waffle makers. Recently, EZ reduced the price of sandwich-waffle makers by 20%. This increased the sales of sandwich-waffle makers by 20% and reduced the sale of sandwich toasters by 30% and waffle makers by 25%. Which of the following is true of this scenario?

A. The price elasticity of sandwich-waffle makers is -2.
B. The cross-price elasticity of sandwich-waffle makers and sandwich toasters is -1.
C. The cross-price elasticity of sandwich-waffle makers and waffle makers is -2.
D. Sandwich-waffle makers and sandwich toasters are likely to be substitute products.
E. Sandwich-waffle makers and waffle makers are complementary products.

Answer: D

Question: 13

Telcon, a mobile phone manufacturer, sells its flagship product, Pute, at $250 per unit. The fixed cost incurred by the company is $500,000, and the variable cost per unit is $150. What is the profit earned by Telcon if it sells 100,000 units of Pute?

A. $100,000
B. $500,000
C. $20,000,000
D. $9,500,000
E. $7,500,000

Answer: D

Question: 14

A firm sells 20,000 units of a particular product at a price of $50 per unit. The company spends $30 per unit in raw materials and labor charges. What are company's fixed costs if it made a profit of $100,000?

A. $100,000
B. $200,000
C. $300,000
D. $400,000
E. $500,000

Answer: C

Question: 15

What does the break-even point refer to in a break-even analysis?

A. It refers to the number of product units sold at which point both loss and profit are zero.
B. It refers to the point at which the fixed costs curve intersects the variable costs curve.
C. It refers to the required number of products that should sell for the profit to equal the fixed costs.
D. It refers to the point at which the variable costs start increasing over fixed costs.
E. It refers to the point at which the total costs are equal to the profit generated.

Answer: A

Question: 16

In Travnia, an industrial country, the government controls most of the utilities, including power and water supply. The bottled-water market, however, has four major players: Balk, Pentl, Valr, and Tidum. Each of the companies markets its product using a distinct branding strategy. In an attempt to gain a larger market share, Pentl reduces the price of its products by 10%. It expects to make up for the lost revenue from an increase in sales. Which of the following is true of this scenario?

A. The government's control of most of the utilities including power and water supply represents monopolistic competition.
B. The power supply industry in Travnia is oligopolistic in nature.
C. The competition in the bottled-water industry represents pure competition.
D. Pentl's current pricing strategy can be termed as predatory pricing.
E. A price war would erupt if the other firms reduced prices, too, and forced Pentl to reduce prices further.

Answer: E

Question: 17

Pop-Mart, a chain of discount stores in the U.S., procures its products from many suppliers. Indigo is one among hundreds of other suppliers who supply poultry products to Pop-Mart and other retailers. The price of the products is often dictated by the demand from consumers. Which of the following is true of this scenario?

A. Pop-Mart's competition with other retailers represents pure competition.
B. Indigo is competing in an oligopolistic market and depends on competitors to increase product prices.
C. Indigo can carve an identity for itself and move into a monopolistically competitive market by branding its poultry products.
D. Pop-Mart's suppliers cannot decommoditize their products in order to make more money.
E. The large number of suppliers indicates that the poultry industry indicates monopolistic competition.

Answer: C

Question: 18

A seller's costs are usually determined during or after a product is made, with a specified percentage or dollar amount added to the cost to establish a price. In this case, the organization is using _____ pricing.

A. skimming
B. demand-based
C. differential
D. cost-plus
E. expense-based

Answer: D

Question: 19

Fin, an online clothes retailer, sells products from multiple brands. Some of the brands are expensive. Clling, a brand of t-shirts, usually sells products at more than $50 a piece. During Christmas, however, Fin offers a 25% discount on Clling that entices non-regular customers of Clling to pick up its products. The increase in sales volume offsets the discount offered. In this case, Fin is using a ____ pricing strategy.

A. status quo
B. target return
C. everyday low
D. high/low
E. predatory

Answer: D

Question: 20

A Macy's manager designs the casual clothing department such that one of Macy's private label pairs of jeans, priced at $24.99, is positioned next to a national brand of jeans, such as Levis, priced at $39.99. What is the manager attempting to accomplish?

A. Everyday low prices strategy
B. Odd-even pricing strategy
C. Prestige pricing strategy
D. Special-event pricing strategy
E. Reference pricing strategy

Answer: E

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