

# ASSESSMENT QUESTIONS

## Chapter 6: Target Market and Private-Label Pricing

### True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. A formula to find your first cost from the intended wholesale price and intended markup how would be **W/S price x (100% - MU%) = First Cost (FC)**
- T F 2. Value-based pricing is when the desired retail price is first identified, and then one works backward from that price to determine what the product should cost
- T F 3. Brands do not need to factor in their direct and indirect expenses or overhead costs when creating their target selling pricing strategies
- T F 4. In order to plan a pricing strategy, your brand must examine your target customers demographics, geographical location, and purchasing behaviors.
- T F 5. In terms of value, customers generally are willing to accept the low quality of a fast fashion item because the price is also low.

### Multiple Choice

Select the best response.

1. Cost-based costing, where one starts with the
- a. Retail price and works backwards to figure out the target cost price.

- b. Cost of the product and works forward from the costs. They then add the markups to arrive at a retail price.
  - c. Wholesale price and then moves forward with adding markups to find the retail price.
  - d. None of the above
- 2. In order to come up with a pricing strategy, merchandisers and designers must
  - a. Review their past pricing strategies
  - b. Evaluate target market of their brand
  - c. Analyze the competition and their pricing
  - d. All of the above
- 3. Status pricing or premium pricing is used to target
  - a. Customers that have been conditioned to purchase on sale
  - b. Affluent or aspirational customers.
  - c. Customers that are making purchases based on value and everyday low pricing.
  - d. All of the above
- 4. When a brand sets the price lower than the competitor with the hopes it will make up the price difference with a high sales volume, this is an example of
  - a. Value-based pricing strategy
  - b. High-low pricing strategy
  - c. Penetration pricing strategy

- d. Premium pricing strategy
5. Private-label retailers are able to achieve a higher markup strategy because they
- a. Implement a wholesale pricing strategy of selling to a department store at a wholesale price
  - b. Implement a pricing strategy that sells directly to the consumer within their own stores
  - c. Both a and b are true
  - d. Both a and b are false

## **Key for Chapter 6 Assessment Questions**

### **True-False**

- 1. T**
- 2. T**
- 3. F**
- 4. T**
- 5. T**

### **Multiple Choice**

- 1. b**
- 2. d**
- 3. b**
- 4. c**
- 5. b**