Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.3.3 Pricing strategies**

1. Match each pricing strategy to the correct definition.

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| Pricing Strategy | Definition |
| Cost plus | Setting a low initial price for a new product in order to get a foothold in the market. |
| Psychological | A percentage is added to the total cost of production. |
| Skimming | A tactic designed to make the consumer think a product is cheaper than it is. |
| Penetration | Setting a high initial price when a product is launched to attract early adopters. |

1. A tie manufacturer produces 10 000 ties per month. Its overhead costs are £50 000 per month. Each tie costs £3.85 to manufacture. The firm uses cost plus pricing adding a 30% mark-up. What is the selling price of each tie?

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1. A textile company has invented a new light-weight, breathable and flexible fabric. It sells to manufacturers of quality outdoor clothing. Which one of the following pricing strategies is likely to be most appropriate?
   1. Psychological
   2. Inelastic
   3. Price skimming
   4. Price penetration

Explanation:

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