

# Sample essay on marketing

[Business](#), [Company](#)



## **Question 1**

Profit maximization by a firm is a process to determine the best possible output and the pricing levels so as to maximize its return. As a step in that direction, companies adjust factors that are influential, such as; projection costs; sale prices, and output levels as a way of attaining its profit goal. The two main profit maximization methods used are: Marginal Revenue Method and Total Cost-Total Revenue Method.

## **Question 2**

Say if the price elasticity of demand for a given product is inelastic, then in that case a price increase will also increase the total revenue. Therefore, the executive implies that a price increase will result in increase in total revenue.

## **Question 3**

Skimming, above-market pricing, and prestige pricing all are concerned with setting of a premium price for products in the hope that consumers will associate their high quality with the commensurate high price. In general, these three pricing approaches are most effective when product demand is inelastic. The price skimming approach is used when there are no competitively positioned similar products, and so, prices, to use as a benchmark. Whereas an above-market price strategy necessitates a competitive reference price or point. On the other hand, prestige pricing requires a greater subjective component compared to the other two methods.

Price elasticity of demand measures how sensitive consumer demand and the firm's revenues are to changes in the product's price. Explain the

difference between a product with elastic demand and a product with inelastic demand.

Inelastic demand exists when a small percentage reduction in price produces a smaller percentage increase in quantity demanded. A good example would be that gasoline has no substitutes, and is price inelastic. Whereas, the price elasticity is a measure of the relationship between the change in the quantity demanded of a particular good and the change in its price.

### **What is a break-even point? How do you calculate it?**

Break-even point is the point of zero profit or loss. At break-even point, the revenues of the are equal its total costs and its contribution margin equals its total fixed costs. Its formula is  $\text{Fixed Costs} / (\text{Price} - \text{Variable Costs})$

### **What is the profit equation?**

The equations include ' Total Revenue Total Cost' and ' Total Revenue Total Variable Cost Total Fixed Cost'.

Question 7: Touché Toiletries

### **How many bottles must be sold to break even?**

$$\text{BEQ} = 110000 / (6.5 - .45) = 181818.18 \text{ bottles}$$

### **What dollar profit level would Ode d'Toade achieve if 200,000 bottles were sold?**

$$\begin{aligned} \text{Profit} &= \text{Total Revenue} - \text{Total Cost} = (P \times Q) - [\text{FC} + (\text{UVC} \times Q)] \\ &= (\$6.50 \times 200,000) - [\$1,100,000 + (\$.45 \times \$200,000)] = \$1,300,000 \\ &\quad - (\$1,100,000 + \$90,000) \\ &= \$110,000 \end{aligned}$$

## Fill in the gaps below

Price elasticity of demand

- When a bottle of wine costs \$15 each, Jolly Topsy is willing to buy 1 bottle, when they reduce the price to \$1 each, Jolly is willing to buy 20 bottles.
- In contrast, when a bottle of wine costs \$15 each, Billy Bling is willing to buy 40 bottles, when they lower the price and they cost \$1 each, Billy is willing to buy 1 bottle.

## Calculate the price elasticity of demand for Jolly Topsy & Billy Bling

Price elasticity of demand for Jolly Topsy = % age change in quantity demanded/ % age change in price. % age change in quantity demanded is = 19 , and % age change in price =  $\frac{1-15}{15} = -0.93$ . So, the price elasticity is = -20.357

For Billy Bling =  $\frac{[(1-40)40]}{[(1-15)/15]} = -1.905$

## Multiple Choice Questions

- Peak
- Buy cheaper raw material
- Product size
- Identify a brand
- Cannot be protected
- Customer loyalty
- Family branding
- E
- B
- C