TOEFL Speaking Practice Test 20

Integrated Speaking Practice (Academic): Lecture and Question

Directions: Read the transcript.

Narrator Now listen to part of a lecture in a business class.

Professor Today, we'll talk about how companies determine the initial price for their products, by that I mean, when they first introduce a product in the market. There are different approaches, and today we'll discuss two of them. They are quite different … each with their own advantages.

One approach or strategy sets the initial price of the product high, followed by a lower price at a later stage. Why? Well, … when introducing a new product, companies want to build a high-quality image for it. Products that cost more are believed to be of higher quality. So, during the early stages of the product life cycle, companies can make very high profits from consumers willing to pay more for a high quality product, and although consumers know that prices will eventually go down, they're also willing to pay more to get the product sooner. This approach works very well with … oh … innovative, high-tech products, for example. Now just think about when video recorders, or … video cameras … or even cell phones … first came out.

They were very expensive, but then they became much more accessible.

Another very common strategy sets an initial price low. Now this happens when the market is already saturated with the product and the strategy is to undercut its competitors. Say, there's a newly starting computer maker trying to gain market share. So what do they do? Well, they offer a computer at an affordable price, lower than existing brands. By doing this, the company appeals to new consumers who weren't probably even interested in getting a computer and … well, of course … to existing consumers who might now be tempted to switch brands. Now, how does this company make profits with its low-priced computer? Well, one thing that's often done is to encourage their customers to buy accessories also manufactured by them, like printers, or software, for example.

Directions: Give yourself 20 seconds to prepare your response to the following question. Then record yourself speaking for 60 seconds.

Using the points and examples from the lecture, explain the two pricing strategies described by the professor.

Preparation Time: 20 seconds
Response Time: 60 seconds