

1. What is peak-load pricing? What characteristics of market demand make a service product an appropriate candidate for this price-segmentation technique?
2. Use the concepts of VTC, costs, and price sensitivity to explain why a service product's best price is likely to be higher during periods of peak product demand.
3. Distinguish between capacity costs and operating costs. What is the argument against using off-peak sales to subsidize new-capacity expenditures?
4. What is a peak reversal?
5. Explain how high/low pricing can be an effective method to accomplish price segmentation.