The next set of questions relates to the car buying situation explained in the next situation. For each question, please **show calculations clearly** and state **upfront any assumptions that are made**.

Imagine your friend is considering buying a new car. She is indifferent between American and foreign brands and after an initial search (based on friends’ recommendations, general word-of-mouth, and Consumer Reports’ evaluations), she has narrowed her choices to Buick Regal, Ford Taurus, Honda Accord, and Toyota Camry. She plans to keep the car for 5 years. She looks for four things in a car: overall quality, roominess, standard options that the car comes equipped with, and resale value after 5 years. Further, the importance weights of these attributes for her are 0.3, 0.2, 0.1, and 0.4 respectively. On a scale of 1 to 9 (9 being the best), she rates the brands in her consideration set as follows:

**Overall Roominess Standard Resale value**

**Quality Options after 5 years**

Buick 6 7 7 3

Regal

Ford 5 6 7 4

Taurus

Honda 8 5 6 7

Accord

Toyota 8 7 6 6

Camry

1. All else being equal, predict the car she is most likely to buy and the one she is least

likely to buy. **Show computations clearly** based on how you arrive at your predictions.

\*\*Suggest three distinct, non-overlapping, and mutually exclusive ways that will help the least likely brand to become her choice**.**

2. State 3 limitations of the model you used in question 1 above.

3. Assume that your friend is willing to pay $ 19,000 for an average car (a score of 5 on the 9 point scale is considered average). Using perceived value pricing, how much should each brand charge? Clearly show **computations**.

4 If each brand was to charge based on its perceived utility, which brand is your friend most likely to choose?

Why?