

GMAT Integrated Reasoning Practice Paper 12

Email 1

Sent from a coffee shop regional manager to the branch manager.

We're considering changing the prices of our lattes to compete with some of the local mom-and-pop stores. The nearby competition charges \$2.50 for their large-size lattes. That is much cheaper than I had thought, and explains why we've been losing customers since our current large latte price is \$4.00 without any additional syrups. I believe that if we change our price to \$3.00, we'll be able to lure back our old customers and prevent any more of our current regulars from leaving.

Email 2

Sent from the branch manager to the regional manager.

I agree that a price-change may be our best bet to keep our current customers happy. However, \$3.00 is a big decrease, and I'd suggest we drop the price to \$3.75. If we go below \$3.50 we will not be able to remain profitable.

Email 3

Sent from the regional manager to the branch manager.

\$3.75 still puts our coffee more than \$1 over our competitor's price. However, we offer syrups which the competition does not. If we charge \$3.50 and include one free syrup, we'll be able to lure customer's back and stay within profitability.

Question 1

If the competition also included a free syrup, then the price of \$3.50 will likely not stop the flow of customers from the coffee chain to the competition.

- ☒ A Yes
- ☐ B No

Question 2

The regional manager places a higher priority on keeping customers than on profitability.

- ☒ A Yes
- ☐ B No

Question 3

It is possible to come up with a new price that is profitable and not more or less than 20% of either the branch manager or the regional manager's initial new price suggestion.

- ☒ A Yes
- ☐ B No

Question 4

The branch manager would be willing to allow more customers to defect to other coffee houses if profitability was not affected.

- ☒ A Yes
- ☐ B No

Question 5

The branch manager will not decrease the price below \$3.50.

- ☒ A Yes
- ☐ B No

Question 6

If the cost per syrup is .50, then the final price will negatively impact the coffee store's profitability.

- ☒ A Yes
- ☐ B No

Question 7

The branch manager will personally benefit from keeping the lattes profitable.

- ☒ A Yes
- ☐ B No

Question 8

Both the regional manager and the branch manager share common ground.

- ☒ A Yes
- ☐ B No