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| About this Lesson |
| In this lesson, students learn how companies use skim and penetration pricing models to maximize sales and increase profit. |

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| **Grade Level** | **Course(s)/subject(s)** | **Learning Goal(s)** | **Suggested****Timing** |
| 9–10 | BBI1O/BBI2O – Introduction to Business Studies | At the end of this lesson, students will:* use financial terminology fluently
* identify ways to save money
* compare benefits and costs of spending decisions
* describe the business cycle
 | One class period plus one work period |

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| Curriculum Links |
| [Business Studies, grades 9 and 10 (2006)](http://www.edu.gov.on.ca/eng/curriculum/secondary/business910currb.pdf)Introduction to Business Studies (BBI1O/BBI2O)Functions of a businessMarketing (p30)* Identity the 4 Ps (Product, Price, Place and Promotion) and the 2 Cs (Competition and Consumer) of marketing and apply the concepts by developing a strategy to market a good, service or event.
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| Inquiry Question |
| How does how an item is priced affect sales and profits? |

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| Materials List |
| * A small strip of paper for each student
* Three sheets of recycled paper (from recycling bin), three markers
* Images of a variety of products (alternate, use descriptions or bring in actual products to show students)
* Marketing Mix: Price Worksheet (Appendix A)
* Business Report Assignment (Appendix B)
* Business Report Rubric (Appendix C)
* How To Structure Your Report (Appendix D)
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| **Timing**(Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| MINDS ON |
| 5–10 minutes | Arrange three desks at the front of the room facing the class. Set a sheet of recycled paper and a marker atop each desk. * When students enter the classroom, ask every person to write their name on a small strip of paper. Collect the names in a bag before introducing the game.
* Review the 4 Ps of Marketing to ensure that students recall and understand key concepts (Product, Promotion, Place, Price) from prior learning on this topic.
* Explain that today’s lesson will focus on the fourth “P” (Price), and that students will examine specific pricing strategies that companies use to market and sell products.
* Before the lesson begins, explain that students will first play the game Price It Right! to see how well they know the current price of products in the local marketplace.

Interactive game: Price It Right!* Draw three student names from the bag. Ask those students to sit at the three desks facing the class.
* Display or describe a product. Ask the three “contestants” to write down what they believe the price would be for this product.
* The “contestant” who comes closest to the price without going over wins. If all three students go over the price, the winner with the closest estimate wins. Repeat the game by drawing three new names until all of the students have been called to the front.
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| **Timing**(Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| MINDS ON (cont’d.) |
|  | Context for LearningBill Fold is a character who is constantly getting himself into financial scrapes. Use the scenario below to provide students with a context for learning.Bill Fold is trying to figure out why some technology companies rarely lower their prices on certain merchandise, while other companies that make a similar product keep their prices low and accessible. By gaining an understanding of how companies set their prices, Bill hopes to figure out at which point during a product’s life cycle he should make a purchase. |  |
| ACTION |
|  | Instruction: Skim versus penetration pricing* Distribute The Marketing Mix: Price Worksheet (Appendix A) and explain the difference between skim pricing (an approach used by companies that involves keeping the price high and targeting niche buyers) versus penetration pricing (keeping the price low and focusing on reaching the mass market). Define “price sensitivity.”

Calculating profit* Explain that, in order for companies to evaluate how much profit they need to make to cover costs, they must first understand how best to price their product. Indicate that many marketers make this decision by evaluating the differences in potential profit if they were to use the skim versus penetration approach to pricing.
* Model a sample calculation of both pricing approaches by asking students to name a technology product. Demonstrate the differences between the two models by selecting a price, production cost and sales figure. Show the results on the board. (See Appendix A.)
 | Check: Marketing Mix Worksheet (Appendix A) |

| **Timing**(Mins.) | **Lesson Sequence** | **Assessment for and as Learning Opportunities** (self/peer/teacher) |
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| ACTION (cont’d.) |
|  | **Guided practice*** Using the worksheet (Appendix A), guide students through two additional examples. Clearly demonstrate each step of the calculation to help students see the relationship between profit margin and price. Invite volunteers to the board to demonstrate the steps in the calculation.
* Determine which pricing approach is more lucrative for the company and ask students how the pricing model might change as the product ages.
* Distribute the 4 Ps report assignment (comprising Appendices B, C and D) and rubric. Introduce the project to students by explaining they will be producing a business report that compares two products.
* Explain to students the various components of the project and, using the examples on the handout, demonstrate how the comparison should be made and how the report should be structured.
 | Collect: Business Report (Appendix B) See: Rubric (Appendix C, or develop it in class) |
| CONSOLIDATION/DEBRIEF |
|  | WHOLE CLASSDiscussionEncourage students to respond to the following questions:1. How would understanding a company’s approach to pricing help you as a consumer make smarter purchasing decisions?
2. A product goes through its own lifecycle. What generally happens to the price of technology products over time?
3. What advice would you give to a company that is looking to achieve mass market sales when selecting its pricing model?

***Provide students with one additional class to complete their reports.*** |  |

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| The Marketing Mix (4 Ps): Price |
| Price sensitive productsMarketers need to know how \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_their\_\_\_\_\_\_\_\_\_\_\_\_\_is.Price sensitive: (definition)Two pricing strategies

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| Pricing Strategy: | Skim Pricing | Penetration Pricing |
| Price Level: |  |  |
| Goal: |  |  |
| Example: |  |  |

Example 1 1. You can sell 100 video games at $100 each. It costs you $25 to make each video game. Calculate the profit.
2. *Decrease price:* You can sell 1,000 video games at $50 each. (Same cost as before.) Calculate the profit.
3. Which pricing scenario would you recommend? Why?
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**APPENDIX A**

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| The 4 Ps Report |
| InstructionsCompare and contrast any product using two competitive brands.Your report should be two-three pages and divided into six parts (including a title page):

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| 1. Title Page* Title of the report
* Your name
* Course code
* Date
* Graphics of your products

2. Product* Name of products and why you chose them.
* Compare and contrast:
* *Quality* (High quality, low quality – how do you know?)
* *Design* (Packaging, product design: shape, colour, etc.; How does it look? Is it easily identifiable? Does it grab your attention? Why?)
* *Features* (Materials used, scent, size, taste, etc.)
* *Benefits*(What are the benefits of using each product? Why would consumers buy this product?)

3. Price* What is the price of each product?
* What is the difference in price?
* What is the reason (rationale) for this price difference? Why would marketers set this price?
 | 4. Place* Where are the products sold? List retail stores, online stores or other ways by which customers can obtain the products.

5. Promotion* Locate at least one advertisement for each product and examine the similarities and differences.
* What needs are being targeted by the advertisements for each product (Maslow)?
* Compare their branding (brand name, slogan, logo). Which brand has the strongest brand equity (brand recognition, brand loyalty, brand insistence)? Why?

**6. Conclusions*** Which company has more effectively addressed the 4 Ps?

Product examples* Chocolate bars
* Soft drinks
* Cars
* Makeup
* Paper towels
* Detergent
* Toothpaste
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**APPENDIX B**

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| 4 Ps Rubric |
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| Criteria | Level 4(80%–100%) | Level 3(70%–79%) | Level 2(60%–69%) | Level 1(50%–59%) |
| Knowledge and understanding |
| Knowledge of content (facts, vocabulary, terms)Understanding of content (concepts, principles, relationships)The Marketing Mix (4 Ps): Product, Place, Price, Promotion | Demonstrates high degree of knowledge of the marketing mix.Demonstrates thoughtful and insightful understanding of the marketing mix. | Demonstrates considerable knowledge of the marketing mix.Demonstrates considerable understanding of the marketing mix. | Demonstrates some knowledge of the marketing mix.Demonstrates some understanding of the marketing mix. | Demonstrates limited knowledge of the marketing mix. Demonstrates limited understanding of the marketing mix. |
| Thinking and inquiry |
| Use of planning skills (focused research, gathering information)Use of processing skills (analyzing, interpreting, reasoning, synthesizing) | Uses planning skills with a high degree of effectiveness.Uses processing skills with a high degree of effectiveness | Uses planning skills with considerable effectiveness.Uses processing skills with considerable effectiveness | Uses planning skills with some effectiveness.Uses processing skills with some effectiveness | Uses planning skills with limited effectiveness.Uses processing skills with limited effectiveness |
| Communication |
| Expression and organization of ideas and information (clear expression and structure, logical organization)Use of vocabulary and terminology of marketing and business | Expresses and organizes ideas and information with a high degree of effectiveness.Uses vocabulary and terminology of marketing and business with a high degree of effectiveness. | Expresses and organizes ideas and information with considerable effectiveness.Uses vocabulary and terminology of marketing and business with considerable effectiveness. | Expresses and organizes ideas and information with some effectiveness.Uses vocabulary and terminology of marketing and business with some effectiveness. | Expresses and organizes ideas and information with limited effectiveness.Uses vocabulary and terminology of marketing and business with limited effectiveness. |

Comments: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Student’s Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Mark: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

**APPENDIX C**

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| How to Structure Your Report |
| *Comparison points*: Discuss the similarities between the two products.*Contrast points*: Discuss the differences between the two products.Structuring your reportFor each section, write a comparison paragraph (discussing all the similarities of the two products) and a contrast paragraph (discussing all the differences between the two products).For example: Part 2 on ***Product*** should first have a paragraph discussing all the similarities (comparison) between the products’ quality, design, features and benefits. Follow this with a paragraph discussing the differences (contrast) between the products’ quality, design, features and benefits.ProductCONTRAST PARAGRAPH (DIFFERENCES)Even though…Product A and Product B are different in many ways…Another difference…They also differ in…Unlike Product A, Product B…However…In contrast…COMPARISON PARAGRAPH (SIMILARITIES)Product A and Product B have several things in common…A second way in which these products are similar is…Another way in which these products are similar is…In the same way…Likewise… |

**APPENDIX D**

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| How to Structure Your Report (cont’d.) |
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**APPENDIX D**