PRICING

DESCRIPTION OF SESSION
In this session, participants will learn about pricing. Pricing involves more than just putting a sticker or tag on an item. It entails determining the point at which both buyer and seller perceive the best value.

CATEGORY
• Business
• College and Career Prep

OBJECTIVES
By the end of this session, participants will be able to:
• Explain different pricing strategies and functions.
• Describe the role of pricing in marketing.

SUPPLIES
None

ADVISOR NOTE: Text in italics should be read aloud to participants. As you engage your post in activities each week, please include comments, discussions, and feedback to the group relating to Character, Leadership, and Ethics. These are important attributes that make a difference in the success of youth in the workplace and in life.

ACTIVITIES
Opening Activity
Word Association
With the Explorers standing in a circle, have an adult leader start this icebreaker by saying any noun—a person, place, or thing. Explorers take turns saying words associated with the leader’s word. Any word association is OK to say, but if the association is not obvious, the Explorer will be asked to explain. If the Explorer cannot answer within five seconds or if the association is invalid, he or she must sit down. The last person remaining standing is the winner.

For example:
Leader—“hotel”/Explorer A—“bed”/Explorer B—“room”/Explorer C—“service”/Explorer D—“food”/Explorer E—“restaurant”

Activity 1
Pricing Concepts
Share with the participants the following information about pricing methods and price adjustment tactics.

A company can use a variety of methods or even a combination of methods in pricing its products, including:

• Cost-based pricing—setting prices based on production and marketing costs, rather than conditions in the marketplace
• Value-based pricing—setting prices based on customer perceptions of value
• Optimal pricing—a computer-based pricing method that creates a demand curve for every product to help managers select a price that meets specific marketing objectives
• Skim pricing—charging a high price for a new product during the introductory stage and lowering the price later
• Penetration pricing—introducing a new product at a low price in order to build sales volume
quickly

- **Loss-leader pricing**—setting a price on one product at a loss as a way to entice customers to consider other products
- **Auction pricing**—buyers competitively bid on products being sold
- **Participative pricing**—allowing customers to pay the amount they think a product is worth
- **Free and freemium pricing**—offering some products for free while charging for others

After a company has established its initial price, it can also use a number of price adjustment tactics to adjust the prices up or down over time, including:

- **Discounts**—temporary price reductions to stimulate sales or lower prices to encourage certain behaviors (e.g., paying cash)
- **Bundling**—offering several products for a single price that is presumably lower than the total of the products’ individual prices (e.g., Microsoft Office)
- **Dynamic pricing**—continually adjusting prices to reflect changes in supply and demand (e.g., airline seats)

**Ask:** How can patterns of temporary price discounts “train” consumers to stop buying at full price?

Responses should include the following: Such patterns will lead consumers to expect price discounts periodically and stop buying at full price altogether in anticipation of discounted prices. It is particularly true with the “high-low” pricing model, in which products are priced high most of the year and then discounted occasionally, particularly during the end-of-the-year holiday shopping season.

Then ask: Given the weaknesses of cost-based pricing, why would any company use this method?

Cost-based pricing is risky because it does not take into consideration any external factors such as customer demand or willingness to pay, as well as the prices of competitors. However, some companies may use it because it greatly simplifies the pricing task.

(Activity 1 content taken from *Business in Action*, 8th ed., by Courtland L. Bovee, ©2017 by Pearson Education. Used with permission.)

**Activity 2**

**Setting Prices**

Divide the group into teams of two or three and tell them the following:

*Imagine that you work for the Dynamic Food Products Co. The company has just developed a new type of cookie that is approximately 4 inches in diameter and comes two to a package. The company is targeting the teen market. Each team will need to work together to determine the flavor of the new product. Then each team member should figure out INDIVIDUALLY how much he or she would charge for the new cookie. Team members are to share this with the rest of their group, which will need to agree on a price. A member of each team will then share their agreed-upon price with the larger group as well as their reasoning for why the price they set is right for this product.*

Allow time for teams to work together and then have each team present its price and reasoning for that price.

**Activity 3**

**Concert Tickets**

Read the following ethical dilemma to the group and then ask the questions that follow to initiate a discussion:

*Jamie has four tickets to next weekend’s concert. She is taking her friend Isaac and planning to sell the other two*
tickets. The concert is sold out, and lots of students at Jamie’s school are desperate to attend. Jamie paid $50 each for the tickets, but she thinks she can sell them for $100 each, or maybe even more. When one classmate offers her $75 each for the tickets, she tells him that another classmate has promised $85 each. The price continues to climb. Some people might think that Jamie is treating her peers unfairly by asking for more money than she originally paid for the tickets. Others would say that she is just getting market price—and if someone is willing to pay that much for the tickets, then it’s a fair deal.

Ask:
• What do you think?
• Are Jamie’s actions ethical or unethical? Why or why not?

REFLECTION
Some sample questions are below. They are designed to help the participants apply what they have learned to their own interests. You are welcome to use these questions or develop your own questions that relate to your post or specific focus area.

• How does pricing affect marketing decisions?
• How does one compete when there is no price competition?
• How can this information be applied in your daily lives?
• Is there anything that you need more information on or were unclear about?
• Why is this topic important?

ADVISOR AND OFFICER REVIEW
After the meeting, address the following:
• Identify what was successful about the meeting.
• Identify what needed improvement.
• Schedule an officer and Advisor planning meeting to prepare for the next post meeting or activity.