



## CLASSROOM ACTIVITY

# Put a Price on It

## OBJECTIVES

Students will be able to:

- Identify factors businesses consider when setting prices
- Define and give examples of common pricing strategies
- Provide a recommendation for how much a business should charge for a given product or service

## GRADE RANGE

6–12

## DURATION

60–90 minutes

## OVERVIEW

In this activity, students explore the factors businesses consider when making pricing decisions and discover strategies that can be used. The activity begins with students competing in groups to identify as many items and prices as they can. The game is scored based on the number of unique products or services they identify, and groups are allowed to challenge the prices offered by others. Next, students consider factors an entrepreneur or business might consider when setting prices. After sharing and exchanging ideas, students work again in small groups to come up with examples of twelve pricing strategies. Using what they learned, students work together to develop recommendations for how to price self-selected products or services and share their rationale with the class.

## STANDARDS CORRELATION

### National Standards for Business Education

- Entrepreneurship (Levels 1, 2, and 3)
  - Define what is meant by the price of a good or service
  - Describe the interrelationship between cost and price
  - Discuss the importance of pricing
  - Compare and contrast pricing approaches for an entrepreneurial venture
- Marketing (Levels 1, 2, and 3)
  - Describe the relationship between brand and price
  - Explain how price influences consumer purchase decisions

- Identify the factors that contribute to a product's price (e.g., cost, quality, competition, and brand loyalty)
- Explain the relationship between price and perceived quality (the price–value relationship)
- Calculate a product's price using different pricing methods (e.g., cost-plus, competitive, value-based, price skimming, and penetration)
- Derive pricing strategies based on corporate objectives (e.g., positioning, product line, loss leader, psychological, penetration, and skimming)

## MATERIALS

- **Name That Price** Student Capture Sheet—one per small group
- **Challenge Card** Student Resource—cut into cards, one card per group
- **Give One Get One** Student Capture Sheet—one per student
- **A Dozen Strategies** Student Capture Sheet—one per student
- **Venture Valley Connect: Pricing for Profit**—one copy per student (optional)

## ESSENTIAL QUESTION

How do businesses price their goods and services?

## TEACHER PREPARATION

In this activity, learning is scaffolded by drawing on students' prior knowledge. They begin by naming the prices of products and/or services with which they are familiar. If any students struggle with this introductory activity, consider offering them some prompts, such as: What items are available in the school cafeteria? Do you know the price of an item your family buys at the grocery store? What items have you seen advertised recently and what was the price?

The introductory activity is presented as a game. Review the directions in advance and consider how close your students' prices will need to be in order to be considered correct. It can help to set a percentage amount, such as within ten percent of the actual price. Also, the winning team is the one that accumulates the most points. Consider offering a prize to the winning team. For example, they might win bonus points on an upcoming assignment, a free homework pass, etc.

This classroom activity can be used as a standalone activity or in conjunction with the game, *Venture Valley*. Playing the game is not a prerequisite for the implementation of the activity; however, it can be used to drive home key points and offer additional extension opportunities. In particular, this activity provides an opportunity for students to reflect on the pricing decisions they make in the game. Be sure to play the game ahead of your students so that you can provide prompting and support for students who may need extra help in making these connections.

## PROCEDURE

### Engage

- Inform students that you want them to work in small groups or teams to come up with a list of products and/or services and the price you would expect to pay for them. Provide them with an example you think they will recognize such as a menu item at a nearby fast-food restaurant, a drink they might purchase at a convenience store, a loaf of bread at the grocery store, or a popular style of shoes.
- Share the rules of the game:
  - There will be a time limit of two minutes.
  - Once time is called, teams will take turns reading off their answers.
  - A point is earned for each unique answer (one that is not mentioned by another group). If students have ever played word games, this is similar to how these games are scored.
  - Prices should be as accurate as possible.
  - Students are not allowed to use devices to look up prices during the game or while judging takes place.
  - Each team will be given one Challenge Card.
  - If a team believes that an opponent's answer is inaccurate, they can turn in their Challenge Card. The price of the product or service will be looked up.
  - If the challenging team is correct (i.e., the price of the product or service was wrong), they get an extra point and the incorrect team loses one. If the price given was correct, the team that played the Challenge Card loses a point and the other team gains two.
  - The teacher serves as the judge ruling on the price's accuracy.
  - The decisions of the judge/teacher are final.
  - The team with the most points at the end wins.
- Distribute a copy of the **Name That Price Student** Capture Sheet and one **Challenge Card** to each group. Direct students to leave the sheet turned over until time begins. Urge students to select a recorder who can write both quickly and legibly.
- Set a timer for two minutes. When time is done, declare that students must set down their pens and pencils.
- Take turns calling on teams until all answers have been shared and the scoring process described above has been completed.
- Acknowledge the team with the most points. Consider offering a small prize such as bonus points, a homework pass, etc.

### Explore

- Add up the scores accumulated by all of the teams and congratulate the class on coming up with so many products and services and their prices.
- Challenge students to think for a moment about what factors a business owner or entrepreneur considers when setting the price of an item.

- Distribute a copy of the **Give One Get One Student** Capture Sheet to each student. Direct them to use the left-hand column to make a bulleted list of factors they think could influence the price of a product or service.
- Explain that they will be participating in a Give One Get One exercise.
  - When you tell them, they should get out of their seats and find a partner.
  - One partner (Student A) will share ideas from their “Give One” list until the other partner (Student B) hears something they did not write down. Student B will record the new idea they heard from Student A in the right hand “Get One” column.
  - They will repeat the exercise with Student B reading ideas until Student A hears a new one and records it.
  - Students should continue finding pairs and looking for new ideas until time is called.
- Announce the beginning of the exercise. Allow students to continue exchanging ideas until you feel that they are having a hard time coming up with new ones.
- Invite students to share some of the unique ideas they received from classmates. Discuss student responses. If not mentioned, be sure to highlight the following factors that can influence pricing decisions:
  - Being able to cover the **cost of goods sold** (COGS)
  - Making a **profit** (revenue is greater than expenses)
  - Using prices to increase sales **volume** (number of products or services sold)
  - Charging more for a better-**quality** item, something that takes a lot of **research and development** to create, and/or that has a recognized brand
- Let students know that businesses use many different strategies when setting prices. Distribute a copy of the **A Dozen Strategies Student** Capture Sheet to each student.
- Divide students into small groups and assign one or more of the pricing strategies to each. Challenge them to think of an example of a business that uses the assigned strategy(ies) and/or a business they might establish that would use this strategy. Encourage them to think about both familiar businesses and ones they might reasonably start. Invite students to share the examples they identified. Use the **A Dozen Strategies Debriefing Guide** to elaborate and/or offer additional examples.
- Conclude by challenging groups to develop one or more scenarios for a product or service they could offer; the price(s) they would charge; explain the pricing strategies they used; and, factors they considered.
- Allow time for each group to share and/or present to the class.

### VENTURE VALLEY CONNECT

In *Venture Valley* students set the prices they will charge for various products and services. They are provided with estimates and projections of how a price increase or decrease might impact sales. If your students are able to play *Venture Valley*—either in the classroom or on their own time—use the **Venture Valley Connect: Pricing for Profit Student Capture Sheet** as a way for students to consider the decisions they made in the game and to describe the impacts. Consider opportunities for students to share their reflections and discuss how they might approach similar choices in future gameplay and/or in the real world.



### Extend

- **Venture Valley:** The game, [Venture Valley](#), allows students to simulate decisions made by real-world entrepreneurs. After playing several rounds of the game, invite students to share some of the pricing decisions they made. Did they raise or lower prices? What led them to make a change? Did their decisions lead to greater profits?
- **Pricing in Action:** Challenge students to track items they see for sale and their associated prices for a set period of time (for example, one week). Or, provide students with sales circulars from a newspaper or grocery store. They can often be found online. Stores might also be willing to share out-of-date copies with you for educational purposes. Ask what they notice about the prices they see. Do any of them use pricing strategies addressed in the lesson?
- **Ask Around:** Direct students to conduct pricing research for a business they might consider. They should ask people what they charge and/or pay for a comparable product or service. Prices might also be found online. Examples include one hour of babysitting; house sitting for a day; mowing a lawn once a week; providing help with weeding; washing a car; walking or caring for a pet; and, selling a handmade item. What is the range of prices? What is the average? What would they recommend as a starting price? How and why might that price change over time?
- **Local Entrepreneur:** Contact a local business and ask if someone would be willing to speak to your class about how prices are set. Ask them to share what they consider when setting initial prices and/or changing prices over time. If possible, provide a copy of the **A Dozen Strategies Student** Capture Sheet to the speaker in advance and ask them to discuss how one or more of the pricing strategies is put into action in their business.

# Name That Price

**Directions:** Work together to name as many products and/or services and their prices as you can before time is up.

#	Product or Service	Price	#	Product or Service	Price
1			16		
2			17		
3			18		
4			19		
5			20		
6			21		
7			22		
8			23		
9			24		
10			25		
11			26		
12			27		
13			28		
14			29		
15			30		

**Directions:** Cut apart and provide one card to each team.

**Name That Price**  
**CHALLENGE CARD**

This card entitles your team to challenge the price of one product or service given by another team. If research proves you right, they lose a point and you gain one. If you are wrong, you lose a point and they gain two.

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# Give One Get One

**Directions:** What do you think entrepreneurs or business owners think about when trying to decide how to price their products and/or services? Write your ideas on the left side of the table. During the activity, gather new ideas from classmates and add them to the right.

Give One: Your Ideas	Get One: Ideas from Classmates



# A Dozen Strategies

Strategies	Examples
<p><b>Cost-Oriented Pricing:</b> Taking the cost of making a product or offering a service then adding a markup amount, or how much is desired in profit, to arrive at a price.</p>	
<p><b>Competition-Based Pricing:</b> Using the prices charged by competitors as a guide when setting prices and setting your price the same, a little more, or a little less.</p>	
<p><b>Economy Pricing:</b> Setting a low price in the hope of selling a large volume of the product or service.</p>	
<p><b>Price Skimming:</b> Selling a good product at a substantially higher price than the competition to maximize profit. This strategy usually acknowledges that the number of sales will be lower. Sometimes prices are lowered later as the market evolves.</p>	
<p><b>Penetration Pricing:</b> Pricing items low in order to enter a competitive market, usually followed by raising the price later as the product or service gains popularity.</p>	
<p><b>Value-Based Pricing:</b> Basing the price on how much the customer believes the product or service is worth to them.</p>	
<p><b>Premium or Prestige Pricing:</b> Charging a higher price in order to make the customer think they are offering a higher-quality product or service.</p>	
<p><b>Bundle Pricing:</b> Offering several products or services together for a single price.</p>	
<p><b>Psychological Pricing:</b> Taking advantage of how people think to price items, such as charging \$99 rather than \$100 or offering a buy-one-get-one deal.</p>	
<p><b>Dynamic Pricing:</b> Adjusting prices based on a customer's willingness to pay.</p>	
<p><b>Loss Leader Pricing:</b> Pricing one or a few items at a very low price to draw customers to your store or business in the hope that they will buy other items or services once they are there.</p>	
<p><b>Premium Decoy Pricing:</b> Offering one product or service at a higher price in order to boost sales of a lower-priced product or service.</p>	

Strategies	Examples
<p><b>Cost-Oriented Pricing:</b> Taking the cost of making a product or offering a service then adding a markup amount, or how much is desired in profit, to arrive at a price.</p>	<p>A retail shop might take the cost of an item from a wholesaler and add a particular markup (i.e., \$2 per item or 20%).</p>
<p><b>Competition-Based Pricing:</b> Using the prices charged by competitors as a guide when setting prices and setting your price the same, a little more, or a little less.</p>	<p>A teen with a babysitting or lawn-mowing business might find out what competitors charge and decide to charge the same, a little more, or a little less. Experience might play a factor in deciding to price above or below the “going rate.”</p>
<p><b>Economy Pricing:</b> Setting a low price in the hope of selling a large volume of the product or service.</p>	<p>Stores such as Walmart, Dollar General, and Dollar Tree often employ this pricing strategy. Generic items at a grocery store and high-volume, fast-food restaurants are also examples.</p>
<p><b>Price Skimming:</b> Selling a good product at a substantially higher price than the competition to maximize profit. This strategy usually acknowledges that the number of sales will be lower. Sometimes prices are lowered later as the market evolves.</p>	<p>Electronics are often priced this way, especially when they are launched. Consider the price of the newest iPhone, for example, and what happens to its price over time as newer models are introduced.</p>
<p><b>Penetration Pricing:</b> Pricing items low in order to enter a competitive market, usually followed by raising the price later as the product or service gains popularity.</p>	<p>Subscription services often start out low and slowly raise their prices. Sometimes new or seasonal items may cost a little less to encourage purchases. Students might also be able to think of video games that initially sell at a reduced price and then at an increase for additional features, like downloadable content.</p>
<p><b>Value-Based Pricing:</b> Basing the price on how much the customer believes the product or service is worth to them.</p>	<p>Starbucks, Apple, and Louis Vuitton are examples of brands that capitalize on their reputations. As such, they can charge higher prices.</p>
<p><b>Premium or Prestige Pricing:</b> Charging a higher price in order to make the customer think they are offering a higher-quality product or service.</p>	<p>Name brand grocery items like cereal, salad dressing, and lunch meat take advantage of premium or prestige pricing to charge more.</p>
<p><b>Bundle Pricing:</b> Offering several products or services together for a single price.</p>	<p>Internet, cable, and phone services are often bundled into one monthly package for a price. A graphic designer might create a bundle offering to design a logo, social media profile images in various sizes, and a business card.</p>
<p><b>Psychological Pricing:</b> Taking advantage of how people think to price items, such as charging \$99 rather than \$100 or offering a buy-one-get-one deal.</p>	<p>Prices of things like grocery or fast-food items to new phones to monthly streaming subscriptions often use this technique.</p>
<p><b>Dynamic Pricing:</b> Adjusting prices based on a customer’s willingness to pay.</p>	<p>The price of flights and hotels are often dynamic based on how many people are traveling. More people (higher demand) leads to higher prices.</p>
<p><b>Loss Leader Pricing:</b> Pricing one or a few items at a very low price to draw customers to your store or business in the hope that they will buy other items or services once they are there.</p>	<p>Black Friday Sales or Amazon’s Prime Day Deals are examples of loss leader pricing. Once in the store or on their website, they hope consumers will buy more than just the item(s) that are on sale.</p>
<p><b>Premium Decoy Pricing:</b> Offering one product or service at a higher price in order to boost sales of a lower-priced product or service.</p>	<p>Restaurants will often have a higher-priced decoy item that makes the less expensive item seem more reasonably priced.</p>

# Venture Valley Connect: Pricing for Profit

You've played the game, now make the connections!

In *Venture Valley* and the real world, the price at which a business sells its products and/or services can be key to its ability to thrive, or (in some cases) survive. Charge too little and you risk not covering your costs. Set prices too high, and you might lose customers.

**Coffee Shop** ★★☆☆ Cash: \$1,082

One Month Forecasts:

**Summary**  
Revenue: \$31.68k

**Overhead**  
Expenses: \$29.48k

**Products**  
Sales: 10560

**Market**  
Customer Base: 590

	Coffee	Espresso Drinks	Small Bites
Sales per Day	325	-	-
Revenue Generated	\$975	-	-
Gross Profit after COGs	\$325	-	-

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**Exotic Pet Spa** ★★☆☆ Cash: \$1,567

One Month Forecasts:

**Summary**  
Revenue: \$58.12k

**Overhead**  
Expenses: \$40.99k

**Products**  
Sales: 2768

**Market**  
Customer Base: 1258

	Sun Lamps	Massage	Hot Tubs
Sales per Day	78	-	-
Revenue Generated	\$1,552	-	-
Gross Profit after COGs	\$776	-	-

  

**Exotic Pet Spa** ★★☆☆ Cash: \$1,787

One Month Forecasts:

**Summary**  
Revenue: \$21.71k

**Overhead**  
Expenses: \$37.45k

**Products**  
Sales: 2413

**Market**  
Customer Base: 1038

	Sun Lamps	Massage	Hot Tubs
Sales per Day	67	-	-
Revenue Generated	\$940	-	-
Gross Profit after COGs	\$268	-	-

Respond to the following prompts and demonstrate your understanding of how pricing works and how you can use pricing strategies to make decisions.

1. Think back to the businesses you established in *Venture Valley*. Did you ever change the price you were charging for a product and/or service? Why or why not?

2. What factors influenced your decision to raise, lower, or maintain prices when playing *Venture Valley*?

3. Fill in the table below with a few benefits and risks of each pricing decision.

	Benefits	Risks
Low Prices		
High Prices		