

Business

Hints Sheet

Cost Plus – When you price something more than it costs

Competitive Pricing – Pricing below your competitors

Loss-leaders – Pricing below your cost price

Skimming – Pricing high to begin with and then lowering the price

Penetration – Pricing low to begin with and then increasing the price when you have market share or brand loyalty.

Price discrimination – Pricing according to who you are.

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Select the Pricing Strategies

	Pricing Strategy
 <p>ASDA launches a new range of own-label soups.</p>	
 <p>DFDS Seaways launches two new cruise ships.</p>	
 <p>Virgin Media Cable television moves into a new area and needs to achieve a market share.</p>	
 <p>Sunderland Marriot try to fill their hotel during winter weekends.</p>	
 <p>Burger King introduces a new range of value meals.</p>	
 <p>Nokia launches a new super cool videophone.</p>	

Exam Style Question

John and Mavis have started a small shop and have a contract with a Chinese manufacturer of digital video players. Explain what pricing options might be effective. Justify your choices.

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Teacher's Notes

The answers to the first question are as follows:

- A. Cost Plus Pricing
- B. Loss Leader (Pricing below your cost)
- C. Competitor pricing (Pricing below your competitor)
- D. Skimming
- E. Penetration
- F. Discriminatory pricing

Also note that there is premium pricing (Or sometimes called prestige pricing) where you price above your competitors, but this is not included in all curricula.

The Hints Sheets

The hints sheets can be cut into three to save photocopying.

Select the Pricing Strategy

Other answers are possible, so listen to students' arguments carefully.

- ASDA – Competitive pricing / Loss leader for a value product
- DFDS – Skimming for a new product. Also discriminatory based on cabins.
- VIRGIN MEDIA – Penetration
- Sunderland Marriot – Discriminatory will try to sell cheaper rooms, but not to business customers.
- Burger King – Penetration (Will not use loss leader, because customers are unlikely to buy anything else)
- Nokia - Skimming

Exam Question

For this question the student should look out for the following keywords:

- Explain – Must tell the examiner about all available options
- Justify your choices – You may choose more than one, but must argue why that is the correct choice.

For top marks the student would use the correct pricing strategies and effectively apply it to the business.