

Module 4.1 Enquiry 3: Who sets the price?


Learning outcomes	
1	Development of understanding of pricing strategies and the situations in which businesses can carry them out.
2	Understanding of relative power of consumer and businesses.

Resources	Student sheets.
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Time	30 minutes.
Running the activity	The activity can be carried out in pairs or individually. The debriefing should look at scenarios and relate them to the pricing strategies in the <i>Students' Book</i> . Students should be encouraged to explain each of the pricing strategies in the book the same way.

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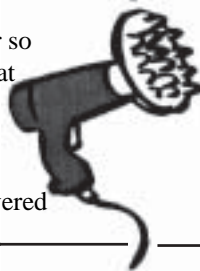
The car needed a service. As it was still under guarantee, it needed to be serviced at the dealer's garage. Gareth's garage round the corner would have been a lot cheaper.




The latest integrated computer software package had just hit the market and Jim's system really did need updating. He was a bit shocked when he saw the price at the superstore. Perhaps he should wait a few weeks and keep an eye on the price.




Tamsin had decided that her friend deserved a special present for her birthday because she had given her so much help recently. She noticed that Michael Harrop had become Hairdresser of the Year and rang to make an appointment. She quickly changed her mind when she discovered that a cut would cost £175.




The washing machine broke down again. It had already been mended several times and doing it again seemed like throwing good money after bad. It would have to be replaced. After a series of phone calls, a machine was ordered for delivery the next day. Andy reckoned he had got the best price going.



The new low cost airline was determined to make its mark. Sacha could not believe his eyes when the internet booking system told him the fare to Rome was only £29.



The supermarket filled every spare corner with the new orange drink product. The introductory offer was two for the price of one and it was being whisked off the shelves as fast as they could be filled.



Where on the spectrum?

Mark where each scenario sits on the arrow. Explain the strategy being used for setting each price. What is the business trying to achieve?



One year later

One year later many things may have changed.

Carry out the same activity and explain any changes of position.



Draw up a table to show the factors which give businesses more power than consumers and those which give consumers more power than businesses.

Can price be used by businesses to gain an advantage? Can it last? Think of some situations in which it might or might not. Explain each one.

*This document has been downloaded from the Nuffield Economics and Business website
www.necb.org*