# Lesson Element

# Unit R065: Design a business proposal

# Pricing strategies

## Instructions and answers for teachers

These instructions cover the learner activity section which can be found on [page 4](#_Unit_R064:_Enterprise). This Lesson Element supports Cambridge Nationals Level 1/2 in Enterprise and Marketing.

**When distributing the activity section to the learners either as a printed copy or as a Word file you will need to remove the teacher instructions section.**

### The activity

Learners will learn by completing individual research into the different methods of pricing strategies that we, as customers, are exposed to when we shop in supermarkets. Supermarkets are famous for having many different enticing offers and learners will see this in practice when completing a number of different activities.

### Suggested timings

| * Activity 1: 15 minutes
* Activity 2: 30 minutes
* Activity 3: 15 minutes

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Activity **1**

**Research the definitions of different pricing strategies used in business**

Learners should research the different types of pricing strategies that are used in business to try and persuade customers to buy certain products or services. Learners should ensure that they have a good understanding of each of the following main pricing strategies used by businesses:

* Competitive pricing
* Psychological pricing
* Price skimming
* Price penetration.

After they have researched the different pricing strategies, you could ask specific individuals within the group to explain what is meant by each pricing strategy and ask other members of the group for an example of each method. This will enhance the learner understanding so that they can continue to complete the other activities relating to pricing strategies.

Activity 2

**Revealed: the truth about supermarket ‘bargains’**

Learners should read the document entitled ‘The Truth about Supermarket Bargains’ which details an investigation that the BBC Panorama programme undertook to expose the different ‘bargains’ that often occur in supermarkets.

<http://news.bbc.co.uk/panorama/hi/front_page/newsid_9652000/9652944.stm>

Learners should be asked the following questions:

* What do they think about the article?
* What are the main points that this article highlights?
* What was the most recent item that you have purchased because you thought it was a good deal or bargain?
* Does the article make you think about potential future deals that you may see? Why?

Learners could also view the media clip that is on the webpage.

Once learners have read the document and maybe viewed the media clip, they could then have a group discussion about the main findings from their research which could also focus on their own customer experiences.

Activity 3

**Supermarket research**

Using the knowledge learnt from pricing strategies, learners should use the flash card activity which details a number of different offers that may appear in various high street shops. Learners must individually identify which method of pricing strategy the business is using from the 18 different flash cards. The answers could then be discussed as a group.

This activity will enable learners to use their knowledge of the topic to ensure that they can see how businesses use the different forms of pricing strategy to persuade us to purchase specific items.

As an extension or homework task, ask your learners to go onto the internet and find 20 different products that are currently on offer in a variety of different supermarkets and ask them to categorise each product into one of the four main different methods of pricing strategy that they have investigated:

* Competitive pricing
* Psychological pricing
* Price skimming
* Price penetration.

The findings could then be discussed as a group.

**Answers**

1. Psychological pricing
2. Price skimming
3. Competitive pricing
4. Price penetration
5. Price penetration
6. Psychological pricing
7. Psychological pricing
8. Price penetration
9. Psychological pricing
10. Price skimming
11. Price skimming
12. Competitive pricing
13. Price penetration
14. Psychological pricing
15. Competitive pricing
16. Price penetration
17. Psychological pricing
18. Price penetration.

# Lesson Element

# Unit R065: Design a business proposal

# Pricing strategies

## Learner Activity

In this lesson element you will research different types of pricing strategies that businesses use (in particular supermarkets) in order to try and get customers to purchase certain products. You will have the opportunity to investigate the most current offers that supermarkets are offering and report your findings to the rest of your group.

Activity **1**

**Research the definitions of different pricing strategies used in business**

Firstly you should research the definitions of the following pricing strategies used in business:

* Competitive pricing
* Psychological pricing
* Price skimming
* Price penetration.

Next, explain the strategies using a specific example.

Your teacher may ask you to share your findings with your class.

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### Activity 2

**Revealed: the truth about supermarket ‘bargains’**

Your teacher will give you a document called ‘The Truth about Supermarket Bargains’. The article details an investigation that the BBC Panorama programme undertook to expose the different ‘bargains’ that often appear in supermarkets. You should read the article and then answer the following questions:

* What do you think about the article?
* What are the main points that this article highlights?
* What was the most recent item that you purchased because you thought it was a good deal or bargain?
* Does the article make you think about potential future deals that you may see? Why?

Your answers could be shared with your class.

If you have access to the internet, you could view the media clip from the BBC Panorama programme:

<http://news.bbc.co.uk/panorama/hi/front_page/newsid_9652000/9652944.stm>

### Activity 3

**Supermarket research**

Look at the flash cards overleaf showing pricing offers that are often used by businesses to try and persuade us to buy particular products. Your task is to put the flash cards into four different piles with each pile representing one of the following pricing strategies that you researched on previous tasks:

* Competitive pricing
* Psychological pricing
* Price skimming
* Price penetration.

You will then discuss your suggestions with your class.

| **1**Flash Sale£1 | **2**New PlayStation here – own one of the first and play away! £399 |
| --- | --- |
| **3**94p5p cheaper than anyone else | **4**Store closing down – All items reduced by at least 50%  |
| **5**Buy the latest Beckham fragrance here £10 off!£39.99 | **6**For one day only£49.79 |
| **7**Black Friday deals£10-£40 | **8**Student deals!£100 off all Windows laptops |
| **9**Cyber Monday Deals – for one day only£39.99 | **10**Get the latest Smart watch here£149.99 |
| **11**Be the first to book your summer holiday for just a£50 deposit | **12**£10.99Never knowing undersold John Lewis |

| **13**New – David Walliams book£5 RRP £9.99 | **14**Limited Offer£99.99 |
| --- | --- |
| **15**99pPrice match with Asda | **16**Get ready for the summer!Patio sets £80 off the RRP |
| **17**Come and bag a bargain TODAY only£9.99 | **18**Outdoor Christmas decorations£10 off all RRP |