

What Affects Pricing?

Reference: PACE, Unit 10 - Pricing Strategy Activity

Materials Needed:

Three types of candy (A, B, C) with quantities for each team
3 pieces of Candy A, plus 4 to add to the game later
4 pieces of Candy B for each team
4 pieces of Candy C for each team

Bags to hold candy for each team

3x5 card to record each purchase or sale and balance inventory and money.

Packet of play money for each group with variety of small denominations totaling \$100

How to Play:

Ask the class to share their ideas about what affects pricing. List these on a transparency. They may include items such as:

- the costs to produce
- image
- competition
- supply and demand



Then ask the class to pretend they are in a world where candy is very scarce. A hurricane has wiped out all sugar cane fields and no candy can be produced at this time.

The goal of the game is for each team to end up with 3 different types of candy and as much money as possible.

Each team of 2 or 3 students takes a bag of candy containing 8 or 9 pieces of Candies A, B, and C. (Most bags will not have Candy A but the students will not know this in advance). Each team also receives a packet of bills equaling \$100 and a file card to record their inventory and purchases/sales. Note, the numbers are set up to have at least 9 groups with a total of only 7 pieces of Candy A in the game. If you have fewer groups please put in less of Candy A.

Encourage students to buy and sell freely from each other during the game period. One person serves as the accountant for each team to record transactions and inventory. Halfway through the game the instructor finds 4 more pieces of Candy A and puts it up for sale at a price to be negotiated with each of the groups.

Close the game at a pre-announced time and tally the results of each group to find the winner.

Questions for Discussion:

1. Who has the most candy? Why?
2. Who has the most money? Why?
3. What was the strategy of the winner? What affected this strategy?
4. What did we learn about price and quantity?
5. Why do people pay more for a Jaguar than a Ford?
6. How would you play the game differently if you were to do it again?