# Student Guide

# Unit 4

# What's the Business?

Directions: Consider each company listed and write 1-2 sentences that describe what the business is all about.

1. Target

2. McDonald's

3. Home Depot

4. PetSmart

5. Denny's

6. Office Depot

7. Chipotle

8. Sports Authority

# What's the Business Definition?

Directions: Read each example and complete the Business Definition Questionnaire for each example.

**Chocolate Bites** is Tiffany's first business venture. She loves making chocolate-covered marshmallow bites, chocolate-covered peanut butter balls, chocolate brownie bites and chocolate cheesecake bites. She decided to put her chocolates on Popsicle sticks so they would be easy to serve and you could eat them without a fork. She thinks that parents would be interested in buying her products because they don't leave a mess. She is also considering talking to a few small restaurants in town that might be looking for something different for desserts. She works out of an industrial kitchen where she rents space so she can comply with the city's health code.

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

**It's All in the Details** is Juan's business that he owns along with his brother, Gabe. The brothers started their business because they liked working on cars but couldn't afford the equipment to set up a repair shop. They realized that with a smaller budget they could set up a detailing operation in their uncle's garage. They offer fast and friendly service and they set their prices a little bit lower than their competitors. They also offer to detail the car at the owner's house if that's more convenient for the customer. They offer five different car fresheners to match the taste of their male and female customers.

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

# Competitive Advantage Analysis

What is the business you will be running at school?

What is the **business definition** for your business?

1. ***The Offer***: What products and services will be offered by the business?

2. ***The Target***: Which segment of the consumer market will the business focus on?

3. ***The Delivery***: How will the offer be produced and delivered to the target?

Consider your **competitors**. Conduct your own research and complete the table below:

| Competitor | Price | Location | Strength | Weakness |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Describe your business's unique selling proposition:

# Mission Statement Match

Directions: Read each mission statement and place the number of the statement in the space next to the name of the company that matches the mission statement.

| Mission | | Company |
|---|---|---|
| 1. To be the world's best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness and value, so that we make every customer in every restaurant smile. | ____ | Dow Chemical Company |
| 2. To enable and inspire customers to enjoy the daily pleasure of _____ by providing a distinctive, superior product, superior coffee and tea, knowledge and superior service to every customer, every day. | ____ | McDonald's |
| 3. To provide the highest level of service, the broadest selection of products and the most competitive prices. | ____ | Denny's |
| 4. To give ordinary folk the chance to buy the same thing as rich people. | ____ | Peet's Coffee & Tea |
| 5. To profitably grow the company by providing our guests with great food, service and hospitality in a clean, comfortable restaurant, 24 hours a day. | ____ | Office Depot |
| 6. To be the most successful office products company in the world. | ____ | Starbucks |
| 7. To make people happy. | ____ | Wal-Mart |
| 8. To constantly improve what is essential to human progress by mastering science and technology. | ____ | Home Depot |
| 9. To establish our company as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow. | ____ | Walt Disney |

# Writing the Mission Statement

Directions: Review the following information and answer the questions to help you write a mission statement for your business.

According to the renowned leader in management, Peter Drucker, the suggested criteria for an effective mission statement are that it:

- Is short and sharply focused
- Is clear and easily understood
- Defines why we do what we do; why the organization exists
- Is sufficiently broad
- Provides direction for doing the right things
- Addresses our opportunities
- Matches our competence
- Inspires our commitment
- Says what, in the end, we want to be remembered for

Refer back to the ***Competitive Advantage Analysis*** worksheet and review your business definition. Ask yourselves the following questions:

1. What do we do?

2. How do we do it?

3. For whom do we do it?

To create your mission statement, first identify your business's Unique Selling Proposition (USP). This is the idea or approach that will make your business stand out from its competitors, and is the reason that customers will come to you and not your competitors.

Write your mission statement below:

# Looking for Answers

Directions: Take time to think through your responses to the questions below. You may have to do some research before you can answer a question. Remember that the answers will help you develop an actual business plan and will guide you as you get ready to open your business. Note: You may need to use additional paper.

1. What is your business definition?

2. What is your mission statement?

3. What is your product or service?

4. Where will you locate the business?

5. Who are your potential customers?

6. How can you attract customers?

7. What and where is your competition?

8. What is your unique selling proposition (USP)?

9. How much should you charge for the products or services?

10. How much does it cost to make the products or provide the services?

# Looking for Answers, cont.

11. How many customers will you have per week and per month? How much will they buy per week and per month?

12. How will you staff the business?

13. What hours/days will you operate the business?

14. What are your operating costs?

15. How much money will your business earn each month by selling your product or service?

16. What will you do with the profits?

17. What advice do you need and where will you get it?

# Business Definitions

Directions: Select five local businesses and complete the Business Definition Questionnaire for each one.

Business name: _____

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

Business name: _____

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

# Business Definitions, cont.

Business name: _____

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

Business name: _____

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

Business name: _____

| ***Business Definition Question*** | ***Response*** |
|---|---|
| 1. ***The Offer***: What products and services will be offered by the business? | 1. |
| 2. ***The Target***: Which segment of the consumer market will the business focus on? | 2. |
| 3. ***The Delivery***: How will the offer be produced and delivered to the target? | 3. |

# My Personal Mission Statement

Directions: Review the following to help you write a personal mission statement.

According to Michon D. Rogers, Rochester Public Schools, "A meaningful personal mission statement contains two basic elements. The first is what you want to do—what you want to accomplish, what contributions you want to make. The second is what you want to be—what character strengths you want to have, what qualities you want to develop."

Steven Covey (in First Things First) refers to developing a mission statement as "connecting with your own unique purpose and the profound satisfaction that comes from fulfilling it."

Dr. Linda Philips-Jones sates, "In a nutshell, your personal mission statement is what you want to be, do, feel, think, own, associate with and impact by some date in the future."

To help you determine the focus of your personal mission statement, complete the following statements:

I am at my best when…

I am at my worst when…

I am really happy when…

I want to be a person who…

Someday I would like to…

My greatest talents and best gifts are…

When all is said and done, the most important things in life are…

**This is my personal mission statement for myself (in 50 words or less):**

# Developing a Marketing Plan
# Steps 1 and 2

Directions: Take time to think through the answers to the questions below and on the following page. Remember that consumer analysis and market analysis are the first 2 important steps in developing a marketing plan for the business you are going to operate in your school.

## Step 1: Consumer Analysis

Creating a customer profile will help you determine what you need to do to meet customer demand.

1. Who are your customers: individuals or companies?

2. If your customers are individuals, how old are they?

   How much money do they have to spend?

   Where do they live?

   How do they spend their time and money?

3. What needs or wants will your product or service satisfy?

4. How many potential customers live in the area in which you want to operate your business?

5. Where do these potential customers currently buy the products or services you want to sell them?

6. What price are they willing to pay for your products or services?

7. What can you do for your customers that other companies are not already doing for them?

# Developing a Marketing Plan
# Steps 1 and 2

## Step 2: Market Analysis

Segmenting, or dividing your target market into several smaller groups, can help you develop a product or service that meets your customers' needs and wants. Read through the segments listed below and analyze your market.

There are 5 basic ways to analyze a market:

**BY LOCATION**: Since your business is located on the school grounds, you could decide that your target market is everyone who lives or works within 4 miles of the school.

**BY POPULATION**: You could decide to limit your marketing efforts to students, or you could decide to include teachers and parents. The key is to think carefully about the populations that will most benefit from your product or service.

**BY PERSONALITY**: You need to consider the personality of your "best" customer. Take time to describe the likes and dislikes of your target.

**BY BEHAVIOR**: Think about marketing to people who buy similar products or services – are they potential markets for your product or service?

**BY INCOME:** Even students have varying amounts of disposable income. Consider how much students usually spend a week on products or services that are similar to those your business provides.

# Developing a Marketing Plan
# Step 3a

Directions: Take time to think through the answers to the questions below. Remember that identifying the products or services that most appeal to your target market is the first element of the marketing mix of the 4 Ps.

## Product

1. What products or services are you going to sell?

2. Describe the features of each product or service. Remember to consider color, size, quality, hours, delivery and return policy.

3. How are you going to package your products? Do you have any ideas for branding your products?

4. How will you position your products or services?

# Developing a Marketing Plan
# Step 3b

Directions: Take time to think through the answers to the questions below. Consider where you are going to place your product so your customers can access your products or services. Think about the distribution channels that you can take advantage of. Remember that Place/Distribution is the second element of the marketing mix of the 4 Ps.

## Place/Distribution

1. Where will you place your products or services?

2. What channels of distribution will you use to sell your products?

3. What hours will you be open?

4. Can you use already established channels of distribution, such as athletic events, theater productions or back-to-school nights? Make a list of potential distribution channels and make sure you know whom to contact to set up these channels.

# Price Match

Directions: Review the descriptions below and match them to the correct pricing strategy term. Place the letter of the description that best matches the pricing strategy on the line next to the strategy.

| Description | Pricing Strategy |
|---|---|
| A. This approach is used when the company wants the customer to respond on an emotional basis. For example, "price point perspective" uses prices like $9.99, not $10.00. | ____ Skimming |
| B. The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased. The Japanese used this method to dominate the VCR market. | ____ Promotional |
| C. Potential customers are surveyed to discover what they would be willing to pay for the product. The highest price identified is the highest price that can be charged. | ____ Competition-based |
| D. Approaches such as "Buy One Get One Free" | ____ Keystoning |
| E. Finding the balance between quality and price that will give customers the value they seek. This pricing approach is not the same as setting the cheapest price. | ____ Psychological |
| F. This approach either meets or beats the competition. | ____ Value |
| G. Doubling the wholesale price to arrive at a retail price. | ____ Cost-based |
| H. This approach seeks to charge a high price during a product's introductory stage, when it's new and there is little or no competition. | ____ Demand-based |
| I. Price is determined by using the wholesale cost of an item as the basis for the price charged. Choices are a markup price or a markdown price. Businesses usually use a set percentage to determine the markup or markdown price. | ____ Penetration |

# Developing a Marketing Plan
# Step 3c

Directions: Check off the price objectives that your class agreed upon for your in-school business. Next, select the pricing strategy that will help you meet your price objectives.

**Price Objective**

- ❑ Attract customers
- ❑ Discourage competition
- ❑ Increase profits
- ❑ Maximize sales
- ❑ Maintain an image
- ❑ Return on investment
- ❑ Obtain market share

**Pricing Strategy**

- ❑ Value
- ❑ Demand-based
- ❑ Cost-based
- ❑ Keystoning
- ❑ Penetration
- ❑ Skimming
- ❑ Competition-based
- ❑ Psychological
- ❑ Promotional
- ❑ Time-based
- ❑ Bundling

Finally, with the price objectives in mind, determine the possible prices for your products or services:

## Prices

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

Product: _____ Price:_____

# Promotion Commotion

Directions: You are the marketing director for a company that just produced an amazing new multi-purpose electronic device that plays music, surfs the web, takes pictures and records videos. You must develop the promotion commotion to market this product. Start by making a list of all of the ways that you are going to promote this product.

# Mystery Shopper

Directions: You will be assigned one of the following groups of businesses to visit. Complete this worksheet and prepare a 5-minute presentation to share your findings with the class. Your presentation must include a graph or table comparing the 3 businesses. Be creative in the delivery of your information!

Group A: McDonald's, Burger King, Sonic
Group B: Qdoba, Chipotle, Taco Bell
Group C: Starbucks, Peet's Coffee and Tea, Dazbog
Group D: Office Depot, Office Max, Target
Group E: Good Times, Sonic, McDonald's
Group F: TJ Maxx, Ross, Marshalls
Group G: Einstein Bros Bagels, Starbucks, Peaberry Coffee

I have been assigned Group ___.
I visited _____ on _____.
I visited _____ on _____.
I visited _____ on _____.

1. What is the competitive advantage of each of the 3 businesses you visited?

2. Did you observe any differences in the way employees treated customers? Describe them.

3. Describe what you think is the pricing objective of each business.

4. Describe what you think is the pricing strategy of each business.

# Choose Me!

Directions: Choose a product you recently purchased. Write a 5-paragraph essay describing the product's features, packaging, pricing and place.

# TV, Radio, Newspaper, Magazine Ads: Pros and Cons

Directions: Consider what you believe or know for certain about using television, radio, newspaper or magazine advertising to promote products or services. Complete the table below.

| Medium | Description | Pros | Cons |
|---|---|---|---|
| ***Television*** | • **Commercials** are usually less than 60 seconds in length and are aired during breaks in television programming.<br>• **Infomercials** can last 30+ minutes and go into great detail about the product. | | |
| ***Radio*** | • Radio spots usually last less than 60 seconds in length and are aired during breaks in the programming. | | |
| ***Newspaper*** | • Ads can be printed in a variety of sizes from full page to 1/32 of a page. | | |
| ***Magazine*** | • Ads can be printed in a variety of sizes from full page to a business card size. | | |

# Which Media?

Directions: Review the list of media opportunities. Consider the potential costs of each medium. Think about your target market. Select 5 to 8 media opportunities that you feel will be the best advertising for your in-school business.

- ❑ Banner ads
- ❑ Billboards
- ❑ Brochures
- ❑ Bus stops
- ❑ Business cards
- ❑ Direct mail
- ❑ Directories
- ❑ Discount coupons
- ❑ Flyers
- ❑ Freebies
- ❑ Newspaper ads
- ❑ Promotional clothing
- ❑ Promotional items
- ❑ Radio ads
- ❑ Samples or demonstrations
- ❑ Special events
- ❑ Special offers
- ❑ Team sponsorship
- ❑ Television ads
- ❑ Transit ads
- ❑ Website
- ❑ Other _____
- ❑ Other _____
- ❑ Other _____

Now, place your selected media in rank order with 1 being your top choice, and so on:

1. _____ 2. _____

3. _____ 4. _____

5. _____ 6. _____

7. _____ 8. _____

# How to Write a Press Release

(Reprinted from eHow.com)

## *Instructions*

**STEP 1:** Decide why you are writing a press release (also called a media release) and determine your focus.

**STEP 2:** Keep it short and to the point. Usually, press releases are no more than one page.

**STEP 3:** Print the words "FOR IMMEDIATE RELEASE" in the top left-hand margin in all caps. Follow this line with relevant contact information: name, title, address, phone number and e-mail address.

**STEP 4:** Create a headline and center it in bold type just above the first line of the body of the press release. Headlines typically highlight the most important, significant or shocking fact in the release.

**STEP 5:** Create a dateline - the first line of the body of your press release - that includes the city where the release is generated and the date (i.e., LOS ANGELES, CALIF. - January 1, 2007).

**STEP 6:** Make certain the first paragraph includes all the vital information: the where, when, why, what and who.

**STEP 7:** Include some tantalizing peripheral details or facts to spark curiosity in the following paragraphs. A good press release not only informs but also teases.

**STEP 8:** Wrap up the last paragraph with a "for additional information" line, a place to find more details. An annual report or a website can be great sources of information.

**STEP 9:** Center these marks, "# # #" or "-30-", at the bottom of the page to indicate the end of your release.

**STEP 10:** Print your release on high quality paper using a good laser or inkjet printer. You only get one chance to make a solid first impression.

## *Tips & Warnings*

- Press releases are written in block style, so no paragraph indentation is necessary.
- Have an objective person read your press release and tell you whether he or she would be interested enough to read a newspaper story about it. If not, consider going back to the drawing board for a rewrite.
- Hire a professional photographer to cover your event so you can include relevant photos with your release. Many newspapers and local magazines appreciate not having to send out a photographer.
- Send your press release to the reporter that covers the area you are targeting instead of a managing or senior editor. Often, this will turn into a story much faster.
- Keep the tone of your release all business. Don't go into too much personal or non-business related detail or your press release will likely end up in the editor's circular file.

# Sample Press Release

Young Americans
CENTER FOR FINANCIAL EDUCATION

For Immediate Release
April 25, 2006

Contact: Debbie Pierce, 303-888-9824
Vice President of Communications

## Teens Teach Kids The Importance of Saving Money

### Youth Advisory Board members from Young Americans Bank Make Presentation at McKinley-Thatcher Elementary School

Denver, CO—**Today, April 25**, in observation of **Teach Children To Save Day**, Youth Advisory Board members from **Young Americans Bank** will be teaching 4- to 11-year-old students at **McKinley-Thatcher Elementary School**, 1230 South Grant in Denver, why it is important to save money. Teach Children To Save Day is a nationally designated day for banks to reach out to the children in their communities and help them understand the importance of saving.

Activities will begin at 2:15 p.m. with an all-school assembly led by Youth Board Co-Chair Kristine Zeschin and Young Americans Bank President Barbara Danbom. Students will participate in an interactive presentation about saving money—why it is important to save money, where to safely save money and how to get started. To conclude the assembly, Principal Vicki Cyr will present one student from each classroom a Young Americans piggy bank with $5 in coins—a result of the "What I Am Saving For" activity, which involved students drawing pictures or writing stories of what they are saving for on paper imprinted with a piggy bank.

After the 25-minute assembly, students will adjourn to their classrooms for money-oriented games led by Youth Advisory Board members. From first to sixth grade, students of all ages will enjoy learning money and banking terms while playing Banking Bingo for fun and prizes. The events will conclude at 3:30

Young Americans Bank—the only bank in the world specifically designed for young people—is located at Young Americans Center for Financial Education, 3550 E. First Ave. More than 54,500 young people from across the United States have banked at Young Americans Bank during its 18 years in business. It has nearly 15,000 accounts holders of which 83% have savings accounts. The Center also offers a variety of nonprofit programs that share the financial mission of the bank.

The Youth Advisory Board is a 15-member board of 12- to 20-year olds from Young Americans Bank and Center. These youth meet monthly for a one-year term to learn about banking and financial education and to provide a youth perspective to the adult board and management.

For more about Young Americans Bank, visit www.yacenter.org or call 303-321-BANK.

###

# Have I Got News!

Directions: **Dogs on the Go**, a new dog day care center in your neighborhood is scheduled to open next month. Working with a partner, write a press release to inform the local media of the opening. You can be creative in developing the details of the opening event and the business definition. Use the space below to create your draft. You will need to type your final press release. Remember to review the ***How to Write a Press Release*** page!

# Developing a Marketing Plan
# Step 3d

Directions: Consider the advertising media that your class selected and think through specific actions that you need to take to promote your in-school business. Remember that Promotion is the fourth element of the marketing mix of the 4 Ps.

A. Write the top 5 advertising media your class selected in the space below:

1. _____
2. _____
3. _____
4. _____
5. _____

B. Describe the next steps you will need to take to put each advertising strategy in play.

1.

2.

# Developing a Marketing Plan
# Step 3d, cont.

3.

4.

5.

C. What publicity activities would be beneficial for promoting the business?

# What's the Break-Even Point?

(Adapted from, "Proving the Price is Right," AICPA)

Directions: Using the data provided for each business, analyze each business's financial position, and enter the results in the appropriate column in the ***Break-Even Analysis*** box (you may round your numbers). Next, answer the questions stated below the box. Think through your answers. Remember the following equations:

$$\frac{\text{Total Fixed Costs}}{\text{Selling Price per Unit} - \text{Variable Cost per Unit}} = \textbf{Break-even Point}$$

$$\frac{\text{Desired Profit}}{\text{Selling Price per Unit} - \text{Variable Cost per Unit}} + \text{Break-even Point} = \textbf{\# of Units}$$

| Sam's Subs | |
|---|---|
| Selling price per sub | $3.50 |
| ***Cost Per Sub*** | |
| Turkey, Ham | .60 |
| Roll | .28 |
| Lettuce | .06 |
| Mayo & mustard | .08 |
| ***Monthly Business Expenses*** | |
| Rent | $1425 |
| Manager's salary | 900 |
| Utilities | 215 |
| Advertising | 85 |
| Maintenance | 150 |

| Willy's Wraps | |
|---|---|
| Selling price per wrap | $3.50 |
| ***Cost Per Wrap*** | |
| Ham | .34 |
| Wrap | .10 |
| Cheese | .07 |
| Mustard | .04 |
| ***Monthly Business Expenses*** | |
| Rent | $1200 |
| Manager's salary | 985 |
| Utilities | 175 |
| Advertising | 80 |
| Maintenance | 120 |

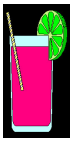
## *Break-Even Analysis*

| ***Business Data*** | ***Sam's Subs*** | ***Willy's Wraps*** |
|---|---|---|
| Selling price per unit | | |
| Variable cost per unit | | |
| Total Fixed costs | | |
| Contribution margin | | |
| Break-even point | | |
| Number of units to be sold to earn $5,000 | | |

- Explain to Sam why he has to sell more subs than Willy has to sell wraps to earn a profit of $5000, despite the fact that Sam sells his subs for the same price that Willy sells his wraps.

# What's the Break-Even Point? cont.

| Shannon's Sweets | |
|---|---|
| Selling price per brownie | $2.25 |
| ***Cost Per Brownie*** | |
| Chocolate | .42 |
| Flour | .03 |
| Sugar | .04 |
| Eggs | .10 |
| ***Monthly Business Expenses*** | |
| Rent | $ 1350 |
| Manager's salary | 1000 |
| Utilities | 350 |
| Advertising | 100 |
| Insurance | 295 |

| Sylvia's Smoothies |  |
|---|---|
| Selling price per smoothie | $3.75 |
| ***Cost Per Smoothie*** | |
| Milk | .49 |
| Fruit | .82 |
| Ice | .01 |
| Flavoring | .16 |
| ***Monthly Business Expenses*** | |
| Rent | $ 1800 |
| Manager's salary | 1000 |
| Utilities | 295 |
| Advertising | 100 |
| Insurance | 325 |

## *Break-Even Analysis*

| ***Business Data*** | ***Shannon's Sweets*** | ***Sylvia's Smoothies*** |
|---|---|---|
| Selling price per unit | | |
| Variable cost per unit | | |
| Total Fixed costs | | |
| Contribution margin | | |
| Break-even point | | |
| Number of units to be sold to earn $5,000 | | |

- Explain to Shannon why she has to sell more brownies than Sylvia has to sell smoothies to break-even, despite the fact that her variable cost per unit is less and her fixed costs are less.

# What's the Break-Even Point? cont.

| Tacos To Go | |
|---|---|
| Sales price per taco | $1.25 |
| ***Cost Per Taco*** | |
| Meat | .32 |
| Cheese | .19 |
| Lettuce | .08 |
| Sauce | .05 |
| ***Monthly Business Expenses*** | |
| Rent | $1100 |
| Manager's salary | 875 |
| Utilities | 175 |
| Advertising | 50 |
| Insurance | 250 |

| Taco Take Out | |
|---|---|
| Sales price per taco | $1.25 |
| ***Cost Per Taco*** | |
| Meat | .32 |
| Cheese | .19 |
| Lettuce | .08 |
| Sauce | .05 |
| ***Monthly Business Expenses*** | |
| Rent | $1225 |
| Manager's salary | 950 |
| Utilities | 200 |
| Advertising | 100 |
| Insurance | 250 |

## *Break-Even Analysis*

| ***Business Data*** | ***Tacos To Go*** | ***Taco Take Out*** |
|---|---|---|
| Selling price per unit | | |
| Variable cost per unit | | |
| Total Fixed costs | | |
| Contribution margin | | |
| Break-even point | | |
| Number of units to be sold to earn $5,000 | | |

- Explain to Taco Take Out why they must sell more tacos than Tacos To Go to break-even, despite the fact that they both sell tacos for the same price and the ingredients cost each company the same amount.

# Pricing Ups and Downs

Directions: With a partner, calculate the selling price, markup, markdown, percentage markup, cost and sale price, depending upon which figure is missing. Please show your calculations.

## Markup

1. It costs $1.50 to make birthday wrapping paper (paper, ink, labor). Carmen needs to charge more than $1.50 to make a profit. She decides to mark up the cost by $2. What is the selling price of the birthday wrap?

2. Nate charges $11 for one his customized CDs. His markup is $4.50. What is the cost of his CD?

3. Olivia sells her glass-beaded bracelets for $15. Her cost is $9.75. What is Olivia's markup?

4. Ben sells high school team caps. His cost is $12 and he has decided to markup his costs by $4. What is Ben's percentage markup?

## Markdown

1. Jessica has too many fancy flip-flops in inventory and it's beginning to snow. Her flip-flops sell for $12 a pair. She has decided to mark them down by 25 percent. What is the markdown Jessica should take on a pair of flip-flops?

   What is the final sale price for one pair of flip-flops?

# Is the Price Right?

Directions: Before you can begin, you will need to gather your fixed costs and your variable costs for your in-school business. Remember, you must have those figures available to calculate your break-even point. In addition, you will need your ***Developing a Marketing Plan, Step 3c*** worksheet with your price list.

***Your in-school business: _____***

| **Your fixed costs:** | | **Your variable costs:** | |
|---|---|---|---|
| **Utilities** | | | |
| **Gas** | | | |
| **Electricity** | | | |
| **Telephone** | | | |
| **Internet** | | | |
| **Salaries** | | | |
| **Advertising** | | | |
| **Insurance** | | | |
| **Interest** | | | |
| **Rent** | | | |
| **Depreciation** | | | |
| **Other** | | | |
| *Total* | | *Total* | |

**Your sales price per unit: _____**

## *Break-Even Analysis*

| ***Business Data*** | |
|---|---|
| Selling price per unit | |
| Variable cost per unit | |
| Total Fixed costs | |
| Contribution margin | |
| Break-even point | |
| Number of units to be sold to earn $5,000 | |

- Is the price right?
- Do you need to adjust your price?

# Developing a Marketing Plan, Step 4

Directions: It's time to take stock of your marketing plan up to now. You will want to refer back to the worksheets you previously completed as you developed your marketing plan for your in-school business. Read through the questions posed below and think carefully about your responses. This is an excellent time to reevaluate.

1. Review your in-school business definition and competitive analysis.
   ***What is your unique selling proposition?***

2. Review your consumer and market analyses. Are you comfortable that you have created an accurate profile of your target market?
   ***Describe your target market:***

3a. Analyze your marketing mix.
   Does your **product** match the needs of your target market?
   ***What is your competitive advantage?***

3b. Does your **place**/**distribution** put you front and center where your customers are going to be?
   ***What are your channels of distribution?***

3c. Do your **pricing** objectives match your business goal?
   ***Will your prices enable you to make a profit?***

3d. Does your **promotion** strategy utilize the most effective media and public relations?
   ***Does your promotion plan reach your target and will you get the biggest bang for your buck?***

4. Have you done a break-even analysis? Can you make a profit before you have to close the doors?
   ***Can you afford your marketing plan?***

# Let it Snow…

Directions: You have been asked to speak to a group of young entrepreneurs about pricing strategies. The young entrepreneurs have been learning about break-even analysis and are interested in what a business can do to make a profit. Some of the young entrepreneurs are convinced that you have to do whatever it takes to make a profit, even if that means taking advantage of customers. The group has come up with a scenario that they want you to read and then share your position.

Read through the scenario and then draft a 5-paragraph essay expressing your position on this issue.

***Scenario:***

It has been a very dry winter and that has meant a decline in Frank's sales of snow blowers and snow shovels. He is concerned about his fourth quarter sales projections and is pretty sure he will not meet them. As a new business owner with some high fixed costs, he is worried that he may not be able to stay in business. Today, the weather forecasters are predicting a major snowstorm that promises to drop 12–18 inches of snow in town. Frank suddenly realizes that this could save his business! He's seriously considering raising the prices on all of his snow removal related items to make a big profit. His friend thinks Frank is taking advantage of his customers and says that in the long run he'll lose business.

***Question:***

*Is it a smart business decision to raise prices during a weather-related "emergency" or is it wrong to take advantage of the situation?*

# Excuse Me, How Much?

Directions: Choose a product that you are interested in purchasing. Research at least three brands for comparative purposes. Contact manufacturers of the product and get information about pricing. Find out what the wholesale price of the product is. Find the same product/brand on the Internet and in a local store. What are the retail prices and what are the markup percentages?

**Product: _____**

| ***Brand*** | ***Wholesale Price*** | ***Internet Retail Price*** | ***Markup Percentage*** | ***Local Store Retail Price*** | ***Markup Percentage*** |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |

Based on your research, which brand will you select and where will you buy it? Please explain your reasoning: