**10. Pricing strategies Mark: /14**

1. Jiro runs a popular Bubble tea shop in Birmingham. The price of a tea is £3.50. Demand is high and the business sells up to 1 000 teas per day?

* 1. A new pop up competitor enters the market charging just £3. By what percentage would Jiro have to cut his prices to match this? /2 marks

Original price – new price/original price x 100

£3.50 - £3.00 = £0.50

£0.50/£3.50 x 100 = 14.28%

**14.3%**

* 1. Jiro lowers his price by just 10% but demand falls by 8%. What is his new sales revenue? /3 marks

Sales Revenue = Selling Price x Quantity Sold
10% of Selling Price = 10 x 3.50/100 = 0.35
£3.50 - 0.35 = £3.15
8% fall in demand = 8 x 1 000/100 = 80
1 000 – 80 = 920
£3.15 X 920 = **£2 898**

Or:

Or: (0.9 X £3.50) X (0.92 X 1 000) = **£2 898**

2. Joe manufactures olive oil. Each 250ml jar costs £3.80 to produce. He adds a 40% mark-up. What is the selling price per jar? /2 marks

Cost + mark-up = selling price

£3.80 x 1.40 = **£5.32**

3. Pritti buys 10 000 beach bags. She sells 80% of these bags receiving £120 000 from sales after adding a 20% mark-up. What was the cost per bag to Pritti? /3 marks

Sales = 80% of 10 000

= 10 000 x 0.8 = 8 000 bags

Selling price per bag = Sales revenue/quantity

= £120 000/8 000 = £15.00 per bag

£15.00 = 120% of cost

£15.00/120 x 100 = **£12.50**

4. Francis bought 2 500 greetings cards. He paid £2 000 and raised £3 750 from selling all of the cards.

What is the unit cost per card? /1 mark

Total cost / number of units = unit cost

£2 000/2 500 = **80p**

What is the selling price per card? /1 mark

Sales revenue / number of units = selling price

£3 750/2 500 = **£1.50**

What is the percentage mark-up per card? /2 marks

Percentage mark-up = mark-up/initial cost x 100

(£1.50-£0.80)/£0.80 x 100

= **87.5%**

Or

(£3750-£2000)/£2000 x 100

Why might a branded good be able to add a high mark-up?

=**87.5%**