Achieved

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This term our commerce class has been planning an Easter market day for the school to buy easter gifts for family and friends. We sold Easter bags. Our bags consist of sour lollies, mini marshmallows, mini eggs and Mentos.

The pūtake of our business is to provide our fellow students with affordable gifts for Easter without having to go to town and buy an expensive gift. We also want to make a good profit to pay back everyone who bought the ingredients to make the lolly bags and leave an amount leftover to reward us for the work involved in making up the bags and setting up a stall and running it.

Most students and staff enjoy lollies and is something most students would most want to buy. We also wanted to keep our product mostly recyclable so we used paper bags instead of plastic bags.

Our suppliers were Cracker Jack, New World and Uncle Bills. Cracker jack was our main supplier who supplied us with our lollies for our lolly bags. Uncle bills supplied the stickers to decorate the bags and the cellophane bags which we had sold for \$2.00 to our classmates because we decided to go with the paper bags instead.

Setting my price for the lolly bags:

To get the price I calculated the unit cost of producing the product of 48c then added a 300% markup to come to \$1.92.

I used the cost-plus model to get my price which is when you add a percentage onto the cost of how much is needed to make a decent profit. I tried to accurately find the cost of how much it would cost to make one bag and how much lollies each bag would consist of. I then needed to figure out how many extra costs I would need to pay. I then added 300% onto the cost of 48 cents to come to \$1.92.

This means that the cost of all the lollies, chocolate and packaging came to 48 cents. But adding the 300% markup to cover all the extra costs like decorating for the stall and advertising more made the price come to \$1.92.

Mini mini eggs	140@4.50	\$0.13	4 per bag
Mini marshmello	190@3.30	\$0.09	5 per bag
Sours	98@5.40	\$0.11	2 per bag
Mentos	133@5.00	\$0.11	3 per bag
Stickers	49 at 98c	\$0.02	1 per bag
Bags		\$0.02	
Cost of one lolly	bag	\$0.48	
300% mark-up		\$1.44	
Price starting point		\$1.92	1

300 % mark-up was used as this gave me a price of \$1.92 to work with. That was a reasonable starting point compared to similar products you could buy from the local dairy for example. Similar lolly bags in the dairy were \$2-\$2.50. Using the cost plus price of 96c (with 300% markup) I did some more work on our pricing calculations.

When my group surveyed some students in the school asking how much they were willing to pay for our product, 56% of students said they would pay \$2.00 and 41% said they would pay \$2.50.

Having my price already in that range at \$1.92 I looked at increasing it to \$2.00 to make it good for our target market. They were willing to buy the product and pay the price I had come up with considering the majority of students said they would buy our product. I thought if it was any higher than \$2.00 it would be less appealing to the target market.



These are graphs of our responses from our market research with the prices they were willing to pay and if they were willing to buy our product.

Our product is aimed towards the year 7-13 students at College so we wanted to keep the price as low as possible with a lot of students who don't have an income to afford expensive gifts. This was our pūtake and we also didn't want anyone feeling left out of the Easter market as there were no items they could afford. Our products also had to attract this age group with the type of lollies they like and packaging that would appeal to them. I am sure we can produce the lolly bags for this price of \$2.00.

No big stores were selling the equivalent gift bags that we were the closest you could buy would be a lolly bag from the local dairy for \$2.00 so that came to a factor that we didn't want to have a higher price. Although our Easter bags were designed for a gift for Easter rather than just a lolly bag. The closest product to ours at the market day would have been Mrs with her Easter baskets but they were double the cost and were larger and baskets rather than our bags, so this didn't affect our pricing decision. Another reason I rounded the lolly bag price to \$2.00 was because it was a cash only market with no EFTPOS because we didn't have the machines and weren't able to use our phones to transfer money. \$2.00 meant change giving was easy and we could quickly make sales transactions and not keep our customers waiting so increase sales volumes to the best we could.

Another factor that affected my price was the cost of production because it needed to cover what it cost and that affected my price because it had to be higher than \$1.50 to cover all costs so \$2.00 was a good round number. This price would cover the cost of the decorations and products we used to make the bags, and we would make a good profit. We also didn't want to have to deal with 50c change so we could have quick sales which would result in more sales.

The estimated income statement for sales of lolly bags (at 35 bags estimated from market research).

Sales	\$70.00
Less cost of goods sold	<u>\$16.80</u>
Gross profit	\$53.20
Less	
Marketing costs	<u>\$2.50</u>
Estimated net profit	\$50.70

This provided us the stall holders with a good profit after all the costs of the lolly bags were met and left us a good profit for our work. It also was a good buffer for any unexpected costs that could arise.

Factor that could change my pricing:

Then we had the surprise change in having 10% of each sale going towards a charity. This was added by Mrs **was** just before market day.

Expected sales of 35 lolly bags		
Income statement		
Sales	\$70.00	
Less cost of goods sold	S16.80	
Gross profit	\$53.20	
Less		
Stall costs	S2.50	

Net Profit	\$50.70
Less tax 10%	\$7.00
Net profit after tax	S43 70

This meant we made only \$43.70 profit compared to \$50.70 as before.

I could have increased our price to \$2.50 but having a higher price meant it would be less appealing to customers. So I decided to stick with \$2.00 because even with the 10% we were still making a decent profit with enough to pay off the loans and costs. Having done our market research most people were willing to pay no more than \$2.00 so I didn't want to increase the price which might have resulted in less sales and a smaller profit. But if I had gone with a higher price the charity would have got a larger donation but we may have not sold as many so they most likely got a larger donation than they would have if I increased the price because of less sales.

Having decided the price of \$2.00 it meant that we would be able to pay back the money we borrowed, and it was a price that most people were willing to pay. So it was a good decision for our customers and the members of our business.

Overall, \$2.00 was the best price for our product. It gave us a decent profit and was appealing to our target market being cheaper.

The stakeholders of our business were us the stall holders and our customers. We would be affected by keeping our price the same because we would earn 10% less profit than we originally intended on making. But if the price was increased we would make the intended profit with the 100% markup and 10% extra going towards the charity. The customers would be affected by a higher price because they would lose more money or not be able to afford our product and at the original price they would more likely be able to afford our product.