



National Certificate of Educational Achievement  
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

## **Exemplar for Internal Achievement Standard Commerce Level 1**

This exemplar supports assessment against:

**Achievement Standard 92029**

**Demonstrate understanding of price determination for an organisation**

An annotated exemplar is a sample of student evidence, with a commentary, to explain key aspects of the standard. It assists teachers to make assessment judgements at the grade.

New Zealand Qualifications Authority

To support internal assessment

Grade: Achieved

For Achieved, the student needs to demonstrate understanding of price determination for an organisation.

This involves using financial or non-financial information to determine a price, supported by a model or concept.

The student has used financial information (competitors' prices and costing, plus markup) to support their price of \$10 for a pewter jewellery item. The price was also informed by non-financial information (market research). Income statements show the projected profit at varying levels of sales. One income statement would have been sufficient to model the price determination.

For Merit, in responding to the external factor of a trestle tax, costs in the break-even table and income statement should be consistent. The income statement evidence to support the price reduction should be explained, particularly as all sales scenarios would result in a loss.

# Sovereign Jewellery

## All That Glitters Is Not Gold

### Introduction

The product that we are making is jewellery. Our product will be of the highest quality and best design. Our jewellery will be made of pewter which will be melted down and poured into moulds which we will make ourselves. These moulds will be made from MDF. Our pūtake as a company is to break-even and to generate a sustainable flow of revenue and profit so our business can continue.

### Kaitiakitanga

Pewter is a malleable, easy to work with metal that we can buy in bulk and at a reasonable price, for our product. We have chosen to use MDF wood for our moulds, as it is cheap, easy to cut, and we already have some. The wood is made from the pulp of leftover wood at mills, which is better for the environment, one of our main concerns. Offcuts from the pewter will be poured back into moulds, which can be reused multiple times. Our wood moulds are reusable as well.

### Whanaungatanga

Our partnership consists of three people. AAA will be our CEO and deal with the financial parts of our business. TTT oversees the production of our jewellery. Finally, KKK will be head of marketing, creating posters and advertising our business. The entire group will contribute to the selling of our product and the assessment itself.

### Target Market

Our target market is students at XYZ College and others outside of school. The age target will be teenagers to adult range of both genders but mostly males since XYZ is a male school. Our target market is interested in style and fashion. Our product will cater to these needs. To make our product even more appealing, we will use modern and fashionable designs in our products

16. Would you pay \$10 for a pewter pendant necklace? (4-5cm x 2-3cm)

[More Details](#)

● Yes	29
● No	16



## Similar

1. What is your role at ?

[More Details](#)

● Junior	16
● Senior	21
● Staff	10



## Businesses

The price range between most pewter jewellery is \$13-\$120. The more detailed, heavy, and larger the piece is the more expensive. This is found on Etsy where lighter less detailed pewter jewellery is cheaper. There are several similar businesses online like:

- Rivendell world - \$15-100
- Creative treasure - \$16
- Ariki New Zealand jewellery - \$36

## Marketing Mix

**Price:** for our pricing strategy, we used a cost-plus method – adding a fixed mark-up for profit to the cost of making a unit.

To make one item we will need around 50cm of cord. Each medallion will be around 20g in weight which means 5 per \$18.11. This totals 250cm of cord which is a cost of \$7 for cord. This is a cost of \$25.11 per 5 and around \$5 per medallion.

To make a healthy profit, we will mark-up our \$5 production cost to \$10. This is a 100% increase. This way we make back twice what we earn, and our price is low and affordable for our consumers. We will be making a \$5 profit per unit.

A unit costs \$5 and we marked it up by 100%, making the price \$10. We believe that this is good value to our buyers, \$10 is cheaper than other products on the market, and we believe it is value for our product. \$10 is also a round number, and so people will be more likely to purchase something with a round number as it is appealing and easy with cash, this makes \$10 a stable price. Our market research also told us that the majority of people who answered would pay \$10.

**Product:** We will be making pewter jewellery using nylon cord as the chain. Our company's name is Sovereign Jewellery. Our designs are simple but effective. All our members have had experience in making pewter jewellery, this will ensure our product is of a high quality.

**Place:** We will be selling our product both inside and outside of school. For example, AAA will sell some at his bible study group. We do not have access to an Eftpos machine, so we will only be using notes and coins for transactions. We will also sell it to close friends and relatives outside of school.

**Promotion:** Our message of our service is that our products are cheap, aesthetic, and good looking. Our method of delivering this message is through ads, posters, and an Instagram account. We will also advertise to our close relations. Customers can contact us through our Instagram account.

**Breakeven:**

<b>BUSINESS NAME</b>			
Sales Price	10		
Variable Cost (per unit sold)	0		
Fixed Cost (total)	114.07		
Output	Revenue	Total Cost	
0	0	114.07	
1	10	114.07	
2	20	114.07	
3	30	114.07	
4	40	114.07	
5	50	114.07	
6	60	114.07	
7	70	114.07	
8	80	114.07	
9	90	114.07	
10	100	114.07	
11	110	114.07	
12	120	114.07	
13	130	114.07	
14	140	114.07	
15	150	114.07	
16	160	114.07	
17	170	114.07	
18	180	114.07	
19	190	114.07	
20	200	114.07	

Optimistic Budgeted Profit Statement for (your co. name) for 28th May	Amount
<b>INCOME</b>	
Sales	<b>150</b>
<b>EXPENSES</b>	
Pewter	54
Filing Equipment	35
Other	15
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
<b>TOTAL EXPENSES</b>	104
<b>Total Profit (Sales less Total Expenses)</b>	<b>46</b>

Realistic Budgeted Profit Statement for (your co. name) for 28th May	Amount
<b>INCOME</b>	
Sales	<b>120</b>
<b>EXPENSES</b>	
Pewter	54
Filing Equipment	35
Other	15
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
<b>TOTAL EXPENSES</b>	104
<b>Total Profit (Sales less Total Expenses)</b>	<b>16</b>

Pessimistic Budgeted Profit Statement for (your co. name) for 28th May	Amount
<b>INCOME</b>	
Sales	<b>80</b>
<b>EXPENSES</b>	
Pewter	54
Filing Equipment	35
Other	15
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
Expense name	
<b>TOTAL EXPENSES</b>	104
<b>Total Profit (Sales less Total Expenses)</b>	<b>-24</b>

**Justification**

We have decided to sell our product at \$10. This is justified by our cost-plus pricing strategy and our market research. Our price is also justified by our competitors’ prices, we chose a price that is similar but slightly below theirs. This will mean our product is more likely to sell. 64% of our replies in our survey said that they would pay the \$10 for our product.

16. Would you pay \$10 for a pewter pendant necklace? (4-5cm x 2-3cm)

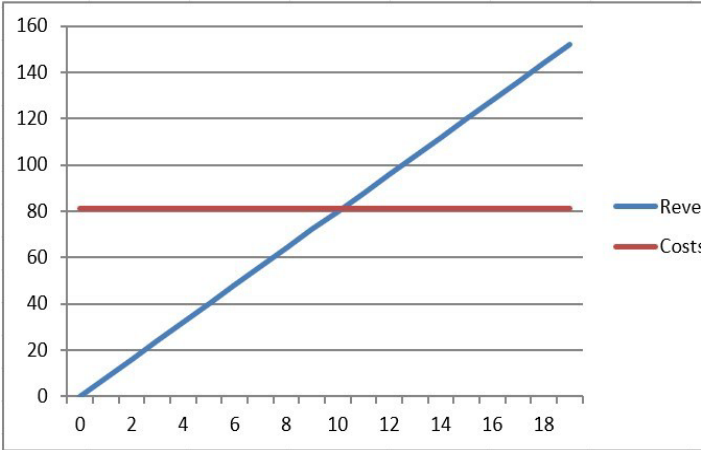
[More Details](#)

- Yes 29
- No 16



Our mark-up was 100%, this means we can lower the price as needed and still maintain a substantial profit. These factors resulted in our price which we believe is sustainable and satisfactory.

Following Market Day 1, our teacher told us that a \$10 trestle tax would apply for Market Day 2.

Question	Your Answer																																	
<p>1 Did you change your price for Market Day 2?</p>	<p>Yes, we changed it from \$10 to \$8.</p>																																	
<p>2 If yes, what was the price change? <i>(Give MD1 and MD2 prices). MD = market day.</i></p>	<p>The price change was from \$10-\$8. This was because we think the price was too high before and if we lowered it, it would attract more customers. This price allowed a cheaper price while still making profit if we hit break even.</p>																																	
<p>3 What were the options you had for setting your MD2 price? What information did you use to help you decide on these options? <i>Note: you must give evidence that you considered at least two options</i></p>	<p>We had two options to choose from, we could either lower the price or keep it the same. From these two options we chose to lower the price from \$10 to \$8 after the comments from MD1.</p>																																	
<p>4 Justify the reason for your decision above. <i>Note: You should put screen shots/snips of relevant financial data in this answer - do not use links</i></p>	<p>Our decision to lower the price to \$8 to \$10 was because from the comments from MD1. We lowered our price so it is cheaper however still keeping it so we made profit. Our breakeven point is 10 sold so we needed to have 10 sold to hit breakeven. We did not make any profit in MD2 or MD2 for profit/loss. We made 2 sales in MD1. We got our material from Crafts runner. Our trestle tax was \$10.</p>  <table border="1"> <caption>Graph Data: Revenue vs. Costs</caption> <thead> <tr> <th>Quantity</th> <th>Revenue</th> <th>Costs</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>0</td> <td>80</td> </tr> <tr> <td>2</td> <td>20</td> <td>80</td> </tr> <tr> <td>4</td> <td>40</td> <td>80</td> </tr> <tr> <td>6</td> <td>60</td> <td>80</td> </tr> <tr> <td>8</td> <td>80</td> <td>80</td> </tr> <tr> <td>10</td> <td>100</td> <td>80</td> </tr> <tr> <td>12</td> <td>120</td> <td>80</td> </tr> <tr> <td>14</td> <td>140</td> <td>80</td> </tr> <tr> <td>16</td> <td>160</td> <td>80</td> </tr> <tr> <td>18</td> <td>180</td> <td>80</td> </tr> </tbody> </table>	Quantity	Revenue	Costs	0	0	80	2	20	80	4	40	80	6	60	80	8	80	80	10	100	80	12	120	80	14	140	80	16	160	80	18	180	80
Quantity	Revenue	Costs																																
0	0	80																																
2	20	80																																
4	40	80																																
6	60	80																																
8	80	80																																
10	100	80																																
12	120	80																																
14	140	80																																
16	160	80																																
18	180	80																																



Optimistic Budgeted Profit Statement for (your co. name) for 28th May		Amount	
<b>INCOME</b>			
Sales		72	Price Units sold
<b>EXPENSES</b>			
production cost		71	
trestle fee		10	
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
<b>TOTAL EXPENSES</b>		81	
<b>Total Profit (Sales less Total Expenses)</b>		<b>-9</b>	

Pessimistic Budgeted Profit Statement for (your co. name) for 28th May		Amount	
<b>INCOME</b>			
Sales		0	Price Units sold
<b>EXPENSES</b>			
Expense name		71	
Expense name		10	
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
Expense name			
<b>TOTAL EXPENSES</b>		81	
<b>Total Profit (Sales less Total Expenses)</b>		<b>-81</b>	

	<table border="1"> <thead> <tr> <th data-bbox="647 188 1137 248">Realistic Budgeted Profit Statement for (your co. name) for 28th May</th> <th data-bbox="1137 188 1236 248">Amount</th> <th data-bbox="1236 188 1299 248"></th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="647 248 1236 275"><b>INCOME</b></td> </tr> <tr> <td data-bbox="647 275 1137 309">Sales</td> <td data-bbox="1137 275 1236 309">32</td> <td data-bbox="1236 275 1299 309">Price</td> </tr> <tr> <td data-bbox="647 309 1137 342"></td> <td data-bbox="1137 309 1236 342"></td> <td data-bbox="1236 309 1299 342">Units sold</td> </tr> <tr> <td colspan="3" data-bbox="647 342 1236 369"><b>EXPENSES</b></td> </tr> <tr> <td data-bbox="647 369 1137 403">Expense name</td> <td data-bbox="1137 369 1236 403">71</td> <td data-bbox="1236 369 1299 403"></td> </tr> <tr> <td data-bbox="647 403 1137 436">Expense name</td> <td data-bbox="1137 403 1236 436">10</td> <td data-bbox="1236 403 1299 436"></td> </tr> <tr> <td data-bbox="647 436 1137 470">Expense name</td> <td data-bbox="1137 436 1236 470"></td> <td data-bbox="1236 436 1299 470"></td> </tr> <tr> <td data-bbox="647 470 1137 504">Expense name</td> <td data-bbox="1137 470 1236 504"></td> <td data-bbox="1236 470 1299 504"></td> </tr> <tr> <td data-bbox="647 504 1137 537">Expense name</td> <td data-bbox="1137 504 1236 537"></td> <td data-bbox="1236 504 1299 537"></td> </tr> <tr> <td data-bbox="647 537 1137 571">Expense name</td> <td data-bbox="1137 537 1236 571"></td> <td data-bbox="1236 537 1299 571"></td> </tr> <tr> <td data-bbox="647 571 1137 604">Expense name</td> <td data-bbox="1137 571 1236 604"></td> <td data-bbox="1236 571 1299 604"></td> </tr> <tr> <td data-bbox="647 604 1137 638">Expense name</td> <td data-bbox="1137 604 1236 638"></td> <td data-bbox="1236 604 1299 638"></td> </tr> <tr> <td data-bbox="647 638 1137 672">Expense name</td> <td data-bbox="1137 638 1236 672"></td> <td data-bbox="1236 638 1299 672"></td> </tr> <tr> <td data-bbox="647 672 1137 705">Expense name</td> <td data-bbox="1137 672 1236 705"></td> <td data-bbox="1236 672 1299 705"></td> </tr> <tr> <td data-bbox="647 705 1137 739">Expense name</td> <td data-bbox="1137 705 1236 739"></td> <td data-bbox="1236 705 1299 739"></td> </tr> <tr> <td data-bbox="647 739 1137 772"><b>TOTAL EXPENSES</b></td> <td data-bbox="1137 739 1236 772">81</td> <td data-bbox="1236 739 1299 772"></td> </tr> <tr> <td data-bbox="647 772 1137 848"><b>Total Profit (Sales less Total Expenses)</b></td> <td data-bbox="1137 772 1236 848"><b>-49</b></td> <td data-bbox="1236 772 1299 848"></td> </tr> </tbody> </table>	Realistic Budgeted Profit Statement for (your co. name) for 28th May	Amount		<b>INCOME</b>			Sales	32	Price			Units sold	<b>EXPENSES</b>			Expense name	71		Expense name	10		Expense name			Expense name			Expense name			Expense name			Expense name			Expense name			Expense name			Expense name			Expense name			<b>TOTAL EXPENSES</b>	81		<b>Total Profit (Sales less Total Expenses)</b>	<b>-49</b>	
Realistic Budgeted Profit Statement for (your co. name) for 28th May	Amount																																																						
<b>INCOME</b>																																																							
Sales	32	Price																																																					
		Units sold																																																					
<b>EXPENSES</b>																																																							
Expense name	71																																																						
Expense name	10																																																						
Expense name																																																							
Expense name																																																							
Expense name																																																							
Expense name																																																							
Expense name																																																							
Expense name																																																							
Expense name																																																							
Expense name																																																							
Expense name																																																							
<b>TOTAL EXPENSES</b>	81																																																						
<b>Total Profit (Sales less Total Expenses)</b>	<b>-49</b>																																																						
<p>5 Explain in detail the impacts on your business and other stakeholders of your pricing decision from MD1 to MD2. <i>Stakeholders are anyone who has an interest in the running of the business</i></p>	<p>The factors that impacted our business was our quality, price, competition. Our stakeholders are us and our customers that were interested. We had 2 sales on MD1 leading to \$18 in sales and lost \$71. Looking at the results we found that our price was too high, and the quality was not good enough for high amounts of sales and for profits so we lowered the price while still making it, so we make profit. However, we did not make any sales in MD2 so after the final decision we came to that the product was not attractive enough.</p>																																																						

Grade: Merit

For Merit, the student needs to examine price determination for an organisation.

This involves:

- explaining how the determination of price could be affected by a change in an internal or external factor
- explaining options for changing or not changing the price, supported by financial or non-financial information and a model or concept.

The student has considered three pricing options in response to the imposition of a 20% tax on profit, and decided to retain the original price of \$2 for a sausage-in-bread.

The price determination was informed by non-financial information (the pūtake of the business). The student also used financial information, survey results, and secondary research (prices at previous market days). The original projected income statement model was reworked to reflect the tax and its impact on profit.

For Excellence, the student could include a justification of retaining the original price in advance of the second selling phase, rather than in a post-selling reflection. There should also be further detail in the explanation of how stakeholders would be impacted.

# Business Activity

## COMMERCE 1.2



## Part 1- Our Business

Our business is a sausage sizzle, Sizzlers. Four year 11 students will set up a stall on market day at XYZ College in ODO3 and will sell our product, sausages-in-bread, with the choice of onions, tomato-sauce, and mustard, served in a napkin.

Pūtake was the principle to how we approached market day. We wanted our customers to be provided with a quick affordable delicious lunch option.

We have a strong team that demonstrates whānautanga as we communicate and work well together. We will ensure kaitiakitanga by cleaning our equipment, cleaning up after ourselves, asking our customers to put napkins in the bin, and putting our oil in the bin rather than down the waterways.

### Our Target market and stakeholders

- XYZ College's staff and students
- People who like sausages-in-bread
- People who have the money to spend

...will have expectations for our business. These being our well-cooked heated sausages, a stock of toppings, a clean hygienic stand and BBQ, and quick, excellent, customer service, all of which meets the pūtake of our group. Our other stakeholders are the suppliers of our ingredients, the school property team for providing the barbecue and our teachers from Commerce and Food Technology for funding the business and helping us along the way.

## Relevant information in determining price

### Non - Financial

- We put out a survey to our target market market for their opinion on how our product should appear and a lot of the respondents told us that they were just looking for a well-cooked sausage in fresh bread with sauce and onions .
- Ensuring we held true to our pūtake, providing a quick affordable delicious lunch option. Meaning whatever our price was, we had to agree it was reasonable and affordable for our target market and met what our target customers wanted.

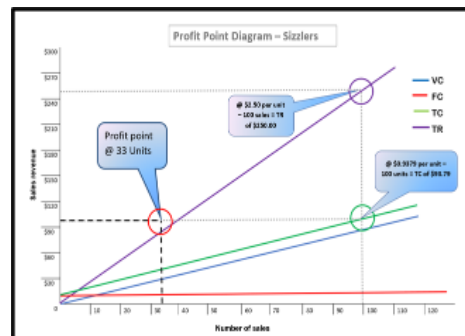
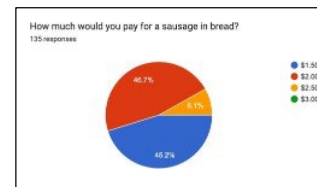
### Financial

- Using the 2022 sausage-sizzle business’s model, as well as past sausage-sizzles at XYZ College, to help us determine the price of our product .
- We looked into how much sausage-sizzles around Wellington price their sausage-in-bread.
- For the viability of our business, we had to make sure that the price we charged was much higher than our cost per unit (\$0.70), to turn a profit so that we could maintain a steady cash flow.

## Our Model/Concept

We originally wanted to use the cost-plus model to help us determine our price, as it’s quick and efficient . Our cost estimate was around 70 cents per unit, so we had flexibility in our price. Once we had done our market research, showing that few respondents would pay \$2.50, we decided that a market - based pricing strategy would be best for determining our price, even though it would increase the number of sales needed to make a profit.

We used information from our survey as well as our secondary research which showed that the 2022 market-day sausage- sizzle business sold each unit for \$2.00 and we found sausage-sizzles around the Wellington region charging \$2-\$2.50 per unit. Sausage-sizzles at XYZ College over the past years have been priced at \$2. In our original discussions,we felt that \$2.50 was the best price to achieve our required profit, as costs had increased from last year, but after conducting our research and on further reflection \$2.50 was too much for a sausage-in-bread and might decrease our demand. As sausages-in-bread were priced \$2.00 last year at market day, we agreed it would be unfair if we upped that price this year .



## Projected Profit Point and Revenue

**Price-sensitivity:** We asked ourselves, is it worth risking selling at a lower price of \$2.00? It's more affordable, meaning a likely increase in demand, or at a greater price of \$2.50 risking less demand, and people not buying from our business, which in return would minimise our revenue and profits. As the diagram (right) shows, our estimated profit at \$2.50 per unit would be over \$205.00.

Using all that information, and that our pūtake is an affordable lunch option, we decided on selling more at a lower price so it's more affordable, likely increasing our demand. The price is \$2.00.



Sizzlers - Projected Income Statement	
Market Day - 2023	
Revenue (Income from Sales @ \$2.50)	\$ 300.00
Assuming sales of 120	
Less Expenses (Cost of components)	
Sausages	\$60.00
Bread	\$9.52
Onions	\$2.20
Tomato Sauce	\$2.99
Mustard	\$6.58
Napkins	\$2.50
Hire of Space/Staff	\$10.00
<b>Total Expenses</b>	<b>\$93.79</b>
Total revenue (TR) - Total costs (TC)	<b>\$206.21</b>
<b>Total Profit</b>	<b>\$ 206.21</b>

As the diagram (left) shows, at the price of \$2.00, by selling our projected 120 sausages we would only gain revenues of \$240.00 but would only need to sell 14 more units to reach our profit point.

## The Determined Price = \$2 .00

### Financial Information

Our financial information is discussed above, but to sum up, we used a market-based-pricing strategy, using our survey, comparing and using prices of previous market day, sausage-sizzles at XYZ College, around the Wellington region, as well as considering price sensitivity, to determine a reasonable affordable price for our product.

Our cost per unit is \$0.70 creating a profit margin of \$1.30, therefore we will break even at 47 units sold (\$94 in revenue), and from this point we will start making a profit, making our business viable.

### Non-Financial Information

Pūtake - The price, \$2.00, we agreed was affordable, reasonable and was suitable for our pūtake, which is to provide a quick affordable delicious lunch option.

\$2.00 is also a very convenient price. It's a whole number, it's common to carry around \$2.00 coins, enhancing quick service, and we believed that we would receive more customers. It's a very affordable price for our target-market

To promote we advertised using posters, highlighting our price of \$2.00 so customers were aware of such an affordable option on this day.

## Part 2 - The Change

Just before going to market our teacher told us of a change, 20% tax on our profits.

We calculated we will lose \$35.00 of profit, which is shown projected Income Statement.

This affected our price because we needed to work out what price to sell our product for. The change also affects our profit because it would reduce the amount of money we could donate.

[Your Business] - Income Statement		
Market Day - 2023		
	\$	\$
Revenue (Income from Sales)		268.8
<b>Less Expenses (Cost of components)</b>		
Sausages	\$60.00	
Bread	\$9.52	
Onions	\$2.20	
Tomato sauce	\$2.99	
Mustard	\$6.58	
Napkins	\$2.50	
Hire of Space/Stall	\$10.00	
<b>Total Expenses</b>	<b>\$93.79</b>	
Net Profit Before Tax		\$ 175.01
Tax @ 20% of profit		\$ 35.00
<b>Total Profit/Loss</b>		<b>\$ 140.01</b>

### We had a big decision to make, we had some options that we could do

**Option 1:** Increase our price to something like \$2.40 to retain the old profit margin meaning we could make the same amount of profit with the same units sold, but that would go against what we had advertised. It would also look less clean and round as a price, and by responding to a rise in cost by increasing the price, it might undermine our pūtake.

**Option 2:** Decrease product. We could also have adopted the strategy of shrinkflation, where we reduce our quality (cheaper bread) or the quantity of onions or sauce on the sausages-in-bread. This would mean that we could keep our price but as we would have lower expenses, we would still make a profit. The problem is that customers are sure to notice, and we didn't think that they would be happy, they might think that they were ripped off.

**Option 3:** Do nothing.

**In the end we decided that the best path was the one of least resistance. We decided to keep to the advertised price of \$2.00. We would sink the extra costs and make a bit less profit.** This meant that we could continue to honour our pūtake, while still looking to make a reasonable profit for the day.

However, although this was a negative consequence, we were still able to donate profits to these extracurricular groups as well as sell affordable sausages to our customers for \$2.00 each, which fulfills both aspects of our pūtake. This means that although problems arose, we found a way to stay afloat as a business while still maintaining and fulfilling our values of our pūtake, and so at the end of the day everyone is happy.

## Consequences of chosen price

A consequence to this decision was that we made less profit overall. Because we decided to keep our price at \$2.00, this decreased our profit by 20% from \$175.00 to \$140.00 in profit, and our profit margin decreased from \$1.30 profit per unit, to \$1.04 profit per unit. But regardless of this decrease, this is still a significant amount of profit made being \$140.00, a reduction on our original estimated profit of about \$35. The most important part of keeping our price at \$2.00, is that we held true to our pūtake, which was to provide a quick affordable delicious lunch option. We agreed \$2.00 was cheap, affordable, reasonable and was suitable for our pūtake.

Some of the negatives that found because we kept our price at \$2.00 with the 20% tax was because we lost even more of the profit, but if we had put the price up to \$2.50 then we may not have made as many sales. But some of the positives were that we kept to pūtake, cheap and affordable, It was the best price decision, Our research shows that we would sell more with our price, The amount that we sold justified our decision on keeping the price at \$2.00, We sold a lot of sausages, We kept the price at \$2.00 because we thought that people are most likely to have \$2.00 in their bag instead of \$2.50 and we also thought that it would be easier for the finance officer to handle the money. Because of these reasons that I have listed above this justified why we kept our price at \$2.00 instead of changing the price to be cheaper or more expensive. So, we have learned that most of our stakeholders were not affected by the addition of the tax – except the school charity groups, that will get less money donated to them.



Grade: Excellence

For Excellence, the student needs to evaluate price determination for an organisation.

This involves:

- justifying the determined price, supported by financial or non-financial information and a model or concept
- discussing consequences of the determined price with reference to impacts on the organisation and stakeholders.

The student has used financial information and a cost and profit calculation to determine a \$49.99 price for a reusable cup. They have also used non-financial information, such as consumer preferences.

The student has responded to the external factor of an extremely cold winter that could drive up demand for a reusable cup for hot drinks.

They considered strengths and weaknesses of changing or retaining the original price, and used a demand curve to explain in detail the impact of a colder winter on demand (D shifts right to D1). They also explained how a shortage would support a price increase to \$51.99, and the impact this would have on production.

The student also identified potential consequences on the business: the ability to employ a staff member, and to increase profit and grow the business. The impact of a price increase on customers was explained, as was the potential for charities to benefit from the business increasing its donations to them.



## PŪTAKE

Helping Papatūānuku one sip at a time.

- Keeping our environment clean.
- Reducing plastic waste.
- Ensuring our customers stay hydrated and happy.
- 50% of the profit goes to organisations that help clean the environment.

- BPA FREE
- 100% LEAK PROOF
- KEEPS CONTENTS WARM OR COLD 24 H
- STYLISH SLEEK FINISH
- FITS INTO MOST CUP HOLDERS



## ABOUT OUR

## PRODUCT

Our reusable cup is the perfect way to hold a hot or cold drink of your choice.

They keep your drink to the perfect temperature and is 100% leak proof. This means you can tip and drop our cup without losing your favourite beverage.

Our cups help the environment by reducing single used plastic. Over the lifetime of a reusable cup 10.3kg of CO<sub>2</sub>e could be saved compared to using single-use cups instead.

Zero waste Scotland

<p><b>STAKEHOLDERS</b></p> <ul style="list-style-type: none"> <li>• Manufacturers</li> <li>• Packaging suppliers</li> <li>• Transportation</li> <li>• Customers</li> <li>• Environment organisations</li> </ul>	<p><b>WHANAUNGATANGA</b></p> <p>In our business, we strive to be socially and environmentally responsible. We value family and the importance of beneficial partnerships. This means we care about our customers and suppliers. Our product is made with love and care. This ensures our customers enjoy high-quality, well-made products that will reduce landfill waste.</p>	<p><b>STAKEHOLDER + WHANAUNGATANGA</b></p> <p>It is crucial that we keep healthy relationships and connections with all our stakeholders. We demonstrate this by ensuring our payments are on time and we stick to our promises. For example, we make sure 50% of our profits go towards organisations that remove plastic waste from our environment, including coastlines and waterways. We also support organisations that are actively replanting our native bush, such as Tāne's Tree Trust. Maintaining these healthy relationships is crucial for our business because it strengthens trust and credibility within our business community.</p>

# SETTING A PRICE

**FINANCIAL**

**Shipping**  
The cost of shipping is a cost I will need to allow while calculating the price of my product. I will need to consider if the shipping cost changes how much the price will be. Because it will need to be accounted for in the production cost.

**Production cost**  
The production cost is the amount that is spent manufacturing your product. The production cost will be important to ensure you are gaining a profit because your cost will have to pay for that cost and more to make a profit.

**Packaging**  
The packaging of the product is important to attract customers. Packing will need to be accounted for when considering the production cost.

**Price of Competitors**  
The price of other online competitors is important. If I want to attract more customers, the price should be similar to my competitors. This will ensure good customer demand.

**NON-FINANCIAL**

**Demand**  
The demand is important because it will help me to determine the quantity of products to make available to sell. It will also help me determine the equilibrium price, which my product will sell for.

**Shortages**  
Identifying possible shortages from my suppliers will help me determine how many cups I will be able to start selling. This will then guide me to the appropriate price of my product.

**Natural Disaster**  
A natural disaster could affect the decision of my price. I would need to watch the market and see notice changes in demand.

**Substitute and Complementary**  
The pricing of substitute goods will be helpful to consider because I will want my product to be of good value in comparison to other similar products. I will also review complementary goods because their pricing could either attract or repel my consumers.

# CALCULATING SELLING PRICE

MANUFACTURING = \$4,723.50 FOR 150 CUPS

WITHOUT BUYING IN BULK DISCOUNT \$34.99 PER CUP  
 $34.99 \times 0.10 = 3.50$   
 $34.99 - 3.50 = 31.49$  PER CUP  
 $31.49 \times 150 = 4,723.50$  TOTAL CUPS COST

PACKAGING = \$305.43 FOR 150  
 $\$2.04$  PER CUP

SHIPPING = \$375  
 $\$2.5 \times 150 = \$375$

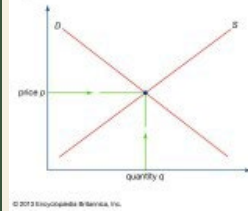
## COSTS AND PROFIT CALCULATION

	A	B	C
1		Per Cup	Total x150cups
2	\$ 31.49	Cost of cup	\$ 4,723.50
3	\$ 2.04	Packaging	\$ 306.00
4	\$ 2.00	Shipping	\$ 300.00
5	\$ 0.50	Advertising	\$ 75.00
6	\$ 36.03	Total cost	\$ 5,404.50
7			
8	\$ 49.99	Selling price	\$ 7,498.50
9			
10	\$ 13.96	Profit	\$ 2,094.00

### WHY THIS PRICE?

While deciding my price I considered my packaging, manufacturing and shipping costs. These three things helped me to ensure I was making a profit. I also considered a number of external factors. These included the climate, competitor products, and consumer preferences. I reviewed how I would create demand for my product. For example, if I am promoting it online, how big my online audience will be. Competitors were an external factor I considered. I researched the pricing of their product and the difference between my product. For example, Frank Green sells reusable cups, the price is also \$49.99. However, their cups only hold 295ml whereas my cups can contain 350ml.

Supply and demand



© 2013 Encyclopædia Britannica, Inc.

This supply and demand graph shows that the price and quantity should be where the supply and demand intersect. This is called equilibrium. I will use this when deciding on my price to ensure my pricing is perfect for the amount of demand and supply happening within the market.



Packaging website

<https://www.earthfriendly.com.au/>  
<https://www.eco-friendly.com.au/>  
<https://www.greenchoice.com.au/>  
<https://www.reusable.com.au/>  
<https://www.sustainable.com.au/>  
<https://www.ecofriendly.com.au/>  
<https://www.greenchoice.com.au/>  
<https://www.reusable.com.au/>  
<https://www.sustainable.com.au/>

Product website

<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>  
<https://www.frankgreen.com.au/>



# INTERNAL & EXTERNAL FACTORS

INTERNAL EXTERNAL

<p><b>Staffing</b></p> <p>If my business increased in size, and I needed to employ a staff member. My product price would need to increase to accommodate for the cost of staff. For example, to cover the cost of a staff wage I would increase my selling price from 49.99 to 59.99.</p>	<p><b>Legislation changes</b></p> <p>A legislative change is important to keep in mind, as it can affect my product price. For example, a change in Government could result in new legislation being implemented. These could affect my online business. Such as a change in tax rates or the NZ Fair Trading Act.</p>
<p><b>Pūtake</b></p> <p>The pūtake is an important factor of a business. If something changes and it contradicts my pūtake I would need to reconsider my selling price accordingly. For example, if my packaging supplier changed their product to plastic, I would need to find another company that has biodegradable packaging. This could affect my total costs because my packaging price could alter.</p>	<p><b>Transport delays</b></p> <p>Transport delays would negatively affect my online business. This could make it longer for my supply, or increase the time it would take for my product to reach the customers. This could result in unhappy customers. For example, I may consider reducing my price to compensate my customers for a longer wait.</p>
<p><b>Technology changes</b></p> <p>Technology changes could either increase the speed of manufacturing my product or for a short term while adjusting to new tech noldy it could decrease the speed of delivering my product to customers. For example, if I needed to change my computer system or my website it could increase the time taken for my product in the short term, while I learnt the new technology. I could consider changing my pricing; however, I doubt I would make a change in this scenario.</p>	<p><b>Changing Consumer Preferences</b></p> <p>If I notice there is a change in consumer preferences, this will change the demand for my product. For example, if there was a new study about the harmful effects of drinking from metal, this could decrease the demand for my product. There are many options I could consider. I could decrease my price, increase advertising and promotion or change cup suppliers. Any of these changes could affect the pricing of my product.</p>
<p><b>Policies and procedures</b></p> <p>If a new policy was introduced, costs might change to enforce it. If there was a change to my health and safety policy, for example, it could result in additional costs. Purchasing additional first aid kits, fire exits or a fire extinguisher are examples of costs I may need to allow for. I would need to consider increasing my price to allow for these additional costs.</p>	<p><b>Natural environment</b></p> <p>If there was an extremely cold winter it may increase the demand for customers wanting hot drinks to stay warm. Because an attribute of my product is that it keeps the contents inside warm, this could increase my demand. I would need to increase my product price because my costs may increase as I will have to supply more.</p>



# CHANGING MY PRICE

Identify the internal or external factor you are going to consider	What are the strengths and weaknesses if changing the product price because of this factor?	What are the strengths and weaknesses of keeping the product price the same?	What pricing decision have you made?
<p>The external factor of natural environment - A significant decrease in temperature</p>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>I would take advantage of the situation.</li> <li>If I decrease my price I could increase my demand further.</li> <li>If I increase my price I could increase my profit. Therefore I could have more money to increase my supply to meet the demand.</li> </ul> <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>I don't predict the demand accurately and my business runs at a loss.</li> <li>People won't be able to afford my product if I increase the price.</li> <li>Increasing the price could repel some customers and decrease the demand.</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>I don't risk repelling my consumers.</li> <li>Less possible change in the demand for my product.</li> <li>No need to change prices on my online website.</li> </ul> <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Won't make the most out of the opportunity.</li> <li>Less opportunity to increase my profit.</li> <li>There could be a shortage due to more demand and not enough supply.</li> </ul>	<p>I have made the decision to change my price from \$49.99 to \$51.99.</p>

**The impact of not changing my price**

- I might gain more customers by keeping my price the same.
- Less distribution for my existing customers.
- It could decrease my profit.
- My demand could be more stable.

**The impact of changing my price**

- Takes advantage of the external factor of the decrease in temperature, which increases the demand for hot drinks to stay hot for longer.
- It is more likely to increase my profit.
- Eventually it could change the demand for my product.
- I would need to update the selling prices on my website.

# SUPPLY AND DEMAND MODEL

**The Normal Market of Reusable Cups**



© 2012 Encyclopædia Britannica, Inc.

Due to a colder winter than average, the demand for my travel cups has increased. This is because my cups keep the liquid inside warmer for longer which is appealing for customers in the cold weather. As the demand for hot drinks increases, so does the demand for my cups as they are a complementary good.

The increased demand for reusable cups is shown as a shift of the demand curve to the right (on the right graph). This graph shows the increase in demand from D to D1. This shift increases the equilibrium price from \$49.99 to \$51.99 per reusable cup (as shown by P to P1). This means the equilibrium quantity has also increased from Q to Q1.

If the price remained at \$49.99 after demand shifted from D to D1, there would be a shortage. This is because the supply would not be met and the cups would sell out. I would not be able to meet the demand. This would result in a loss of sales and profit.

If the temperature increases and the demand decreased due to hot drinks being less appealing, it would decrease the demand shown as a shift of the demand curve to the left. I would need to change my supply, to ensure I didn't have a surplus of stock.

**The Market of Reusable Cups After Decrease in Temperature**





# CONCLUSION

**WHY DID I CHANGE MY PRICE?**

I changed my price because the demand had increased due to the external factor of decreased temperatures over the winter months. Due to the increase in demand for hot drinks (which is a complementary good for my cup), the demand for my cups also increased. I increased the price from \$49.99 to \$51.99 so I could have more profit. This profit would then allow me to supply more and perhaps employ a staff member to help manage my sales. While deciding on the change in price I considered both the weaknesses and the strengths of both options. The strengths of changing the price outweighed the strengths of not changing. Increasing the price will be the most beneficial for my business, and my stakeholders because I will be able to build my business and the profit.

**HOW DOES IT AFFECT MY STAKEHOLDERS?**

Because this is an online business I don't need to allow costs for a store location. This keeps my costs minimal, which allows me to donate more profit towards the charities I support. Those charities improve the health of waterways, coastal beaches and Aoteroa's native bush, this would follow my values and Pūtake. The increase in my price means that I could have more profit to donate to these charities and reinforce my Pūtake and values. This change would affect my customers as they would have to pay more for their product. My manufacturing and transportation suppliers may be affected by a change in demand for my cups. If my price did not increase, my demand might increase more than my suppliers could manufacture. This could result in them increasing their price and I wouldn't be able to afford. That is another reason as to why I chose to increase my selling price for my product.