

Part I:

- Open *Virtual Business* (Start, Programs, Knowledge Matters, Virtual Business).
- Select Open an Activity.
- Select Pricing.

Using the information on your screen, answer the following question:

1. What is the purpose of this activity?
- Click OK.

Part II:

In this activity, one of the characteristics of your customers is that they're *very* price conscious. They will only shop at the store based on how good the prices they are.

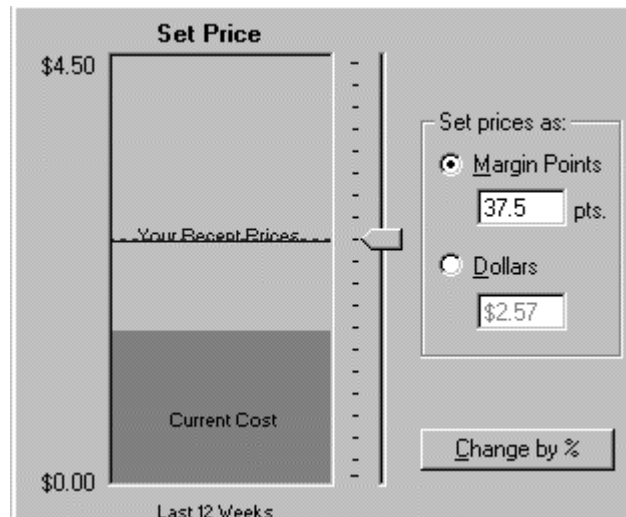
Your challenge is to set prices that will bring in customers, but still allow you to maximize your gross margin. Keep in mind that while customers may be flocking to your store because you have the lowest prices, you still have to cover your costs and make a profit to stay in business.

- Start off this activity by checking to see what the average price is currently at your store.

From the Actions menu, select Pricing and record the average price in dollars. **Do not** click the option button to the left of the word "Dollars" since this will change the prices of all your products to \$2.57.

- Write the average price (the grayed-out number under the word "Dollars") in Table 1 where the * is located.

Reminder: "Margin Points" means you'll earn a 37.5 margin on each product you sell. (Example: If you sell a product for \$1.00, you would earn 37.5 cents.)



Activity: Changing Prices

Change your view to either Store View or Shelf View to see whether your products are selling better or worse while you complete this activity.

1. Select Pricing from the Action menu. Using the Slider, change your price so that the margin is now 40. Let your activity run two (2) weeks. At the end of the time period, use Product Reporting to determine your Unit Sales and Gross Margin (refer to your “How To” Sheet for directions). Write the information in Table 1 below. Also write in the Average Price of your products.
2. Try another price. Change the margin to 3.4 and run for two (2) weeks. Again, at the end of the time period, use Product Reporting to determine your Unit Sales and Gross Margin. Also write in the Average Price of your product.
3. Look at the information you put in your table.
 - What happened to your Unit Sales?
 - What happened to your Gross Margin?

Table 1

Date	Margin	Price	Gross Margin in \$	Unit Sales
April 1, 200x	37.5	*	\$5,486	6,820
	40			
	3.4			

4. See if you can set a Margin that will allow you to maximize your Gross Margin (a price that allows you to cover your costs, yet still make a pretty good Gross Margin). Run each margin for two (2) weeks and record the information in Table 2 below. Stop when your teacher instructs you to do so.

Table 2

Date	Margin	Price	Unit Sales	Gross Margin in \$

Interpreting Your Data

- Based on this activity and your results, what can be said about the relationship between Price, Sales, and Gross Margin? Write your answer below. You can also use the back of the page.

“How To” Sheet

To obtain Unit Sales: Select the Product Reporting icon. On the Product Reporting screen, make sure only “Sales” is checked, “Units” are displayed under Units, “{Total}” is displayed under Category, and “{Total}” is displayed under Brand. Click the Table icon so that numbers are showing (not a chart). See the example below:

The screenshot shows the 'Product Reporting' window with the following settings: Units set to 'Units', Category and Brand both set to '{Total}', and 'Sales' checked in the left-hand menu. The main display area shows a table titled 'Product Report for Yours!, Inc.' with columns for dates: 25 Feb 01, 04 Mar 01, 11 Mar 01, 18 Mar 01, 25 Mar 01, and 01 Apr 01. The 'Sales' row contains the following values: 7,020, 6,640, 6,260, 6,940, 6,520, and 6,820.

<i>Product Report for Yours!, Inc.</i>						
	25 Feb 01	04 Mar 01	11 Mar 01	18 Mar 01	25 Mar 01	01 Apr 01
Sales	7,020	6,640	6,260	6,940	6,520	6,820

To obtain Gross Margin figures: Select the Product Reporting icon. On the Product Reporting screen, make sure only “Gross Margin” is checked, “Dollars” is displayed under Units, “{Total}” is displayed under Category, and “{Total}” is displayed under Brand. See the example below:

The screenshot shows the 'Product Reporting' window with the following settings: Units set to 'Dollars', Category and Brand both set to '{Total}', and 'Gross Margin' checked in the left-hand menu. The main display area shows a table titled 'Product Report for Yours!, Inc.' with columns for dates: 25 Feb 01, 04 Mar 01, 11 Mar 01, 18 Mar 01, 25 Mar 01, and 01 Apr 01. The 'Gross Margin' row contains the following values: \$5,667, \$5,479, \$5,392, \$5,777, \$5,274, and \$5,486.

<i>Product Report for Yours!, Inc.</i>						
	25 Feb 01	04 Mar 01	11 Mar 01	18 Mar 01	25 Mar 01	01 Apr 01
Gross Margin	\$5,667	\$5,479	\$5,392	\$5,777	\$5,274	\$5,486