



THE FOLLOWING ARE A FEW SELECTED SLIDES FROM THE FULL PRESENTATION TO ACT AS A SAMPLE.

The Marketing Mix - Price

OCR A Level Business

H436 (2026 Specification)



Teaching Business

A Level and GCSE Resources



QUICK FIRE FIVE KNOWLEDGE CHECK

Retrieval Practice (**Previous Topic**)



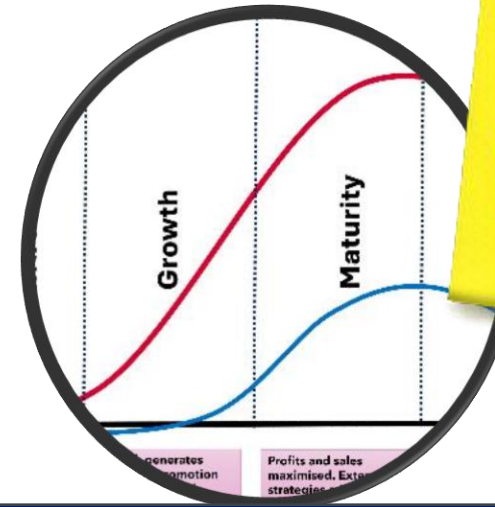
5 MINUTES

Complete the questions
from memory.

BASED ON THE PREVIOUS TOPIC:

THE MARKETING MIX - PRODUCT

Think back to what you learned in the last lesson.



1

Define the term 'product development'.

2

State the four main stages of the product life cycle model.

3

Explain one reason why a business might use an extension strategy.

4

What is the difference between a 'Star' and a 'Cash Cow' in the Boston Matrix?

5

Explain one advantage to a business from its use of the product life cycle or Boston Matrix.



EXPLAIN ONE REASON WHY A BUSINESS SHOULD NOT RELY ONLY ON MODELS SUCH AS THE PLC FOR KEY DECISIONS.



WHY THIS MATTERS: Revisiting previous topics strengthens long-term memory and supports exam success.

QUICK FIRE FIVE - SOLUTIONS

Answers might include the following areas:

Answer 1

Product development is the process of creating new products or improving existing ones through design, innovation and research to better meet customer needs.

Answer 3

An extension strategy can refresh interest in a product and increase sales, helping to lengthen the maturity stage of the product life cycle.

Answer 5

These tools help businesses monitor and assess their performance levels and support decisions about investment, extension strategies or the withdrawal of products.

Answer 2

Introduction, growth, maturity and decline.

Answer 4

A Star has high market share in a high growth market and may require high levels of cash / investment to maintain its position. A Cash Cow has high market share in a low growth market and generates strong cash flow returns.

LEARNING OBJECTIVES

By the end of this topic, you should be able to explain:

- Why price is a key element of the marketing mix and how it affects sales, revenue, profit and market positioning.
- Pricing methods including skimming, cost-plus, penetration, competitor, psychological, dynamic and freemium pricing.
- How to calculate, interpret and use price elasticity of demand (PED) and income elasticity of demand (YED).
- The impact of different pricing methods on business performance and customer demand.
- The usefulness of elasticity data when making pricing decisions in different business contexts.



STARTER ACTIVITY



ACTIVITY

In pairs, study the prices shown in the image and then discuss:

- 1 Why might similar products be sold at different prices?
- 2 What image or market position does each price suggest?
- 3 Which pricing method might each business be using?
- 4 How could a price change affect demand, revenue and profit?

Pricing Methods

Different ways businesses can set prices to suit objectives, costs and market conditions.



PRICING STRATEGY	
Cost-Plus	★ ★ ★ ★
Competitive	★ ★ ★ ★
Penetration	★ ★ ★ ★
Skimming	★ ★ ★ ★
Value-Based	★ ★ ★ ★

MARKET ANALYSIS	

Why Price Matters



1 What is price?

Price is the amount charged to customers for a product or service. It is the only element of the marketing mix that directly generates revenue.

2 Why price matters

- Affects demand and revenue
- Influences profit and cash flow
- Helps position a product as budget, mid-market or premium.
- Must reflect business aims, costs and competition.

3 If pricing is wrong...

Price too high: lower sales, lost market share, customers switch to rivals.

Price too low: lower profits, weaker brand image, risk of price wars.

4 Key point

Price decisions are interdependent with product quality, promotion, place and target market. Price needs to consider business context to ensure it satisfies customer and business needs.



THINK ABOUT IT...

Why might two businesses selling similar products chose very different prices?

Pricing Methods

A basic overview of the seven different pricing methods required for the OCR examination.

1 Skimming

A business sets an initially high price to quickly recover costs before lowering the price to attract a wider share of the market.

2 Penetration

A business sets a low starting price to attract customers and build market share before raising the price over time.

3 Cost-plus

A business adds a profit mark-up to the cost of making the product.

4 Competitor

A business sets its price based on what rival businesses are charging.

5 Psychological

A business uses prices such as £9.95 to make a product appear better value.

6 Dynamic

A business changes prices over time depending on demand and market conditions.

7 Freemium

A business offers a basic version for free and charges for premium features.

1. Price Skimming

When it is used

Commonly used for new innovative or highly differentiated products.

Often used when competition is limited or the product has a strong USP or brand identity.

Why businesses choose it

Aims to earn strong early revenue and profit from customers who are willing to pay more first.

Targets early adopters and customers who value being the first to buy.

How the price pattern often changes.

The initial high price may be reduced over time.

As more competitors enter the market and demand broadens, prices are lowered to attract more price-sensitive customers.



THINK ABOUT IT....

Why might an initial high selling price not be suitable for every type of product?

1. Price Skimming

Impact on the business and its customers.



BUSINESS IMPACT

- High early revenue and profit margins.
- Helps recover development and launch costs quickly.
- Can create a premium image,
- May limit sales volume
- Risk of lower sales if value is not clear to the customer.
- May attract competitors seeking fast returns.



CUSTOMER IMPACT

- Early adopters pay more.
- Some value exclusivity, status or being first.
- High price can signal quality.
- Many customers may be priced out at first.
- Later customers may benefit if prices fall.



It is most effective when demand is relatively inelastic and the product is new or strongly differentiated.

2. Penetration Pricing

When it is used

Often used when entering a competitive market or launching into a mass market.

Useful when customers are price-sensitive.

Why businesses choose it

Aims to attract customers quickly and encourage them to trial a product or service.

Helps build market share fast and establish the business in the market.

How the price pattern often changes.

The price starts low to attract a large number of customers.

It may stay low to defend market share.

However, it often rises later once the brand is established and customer loyalty has been established.



THINK ABOUT IT....

Why can a low initial selling price help a new business grow quickly?



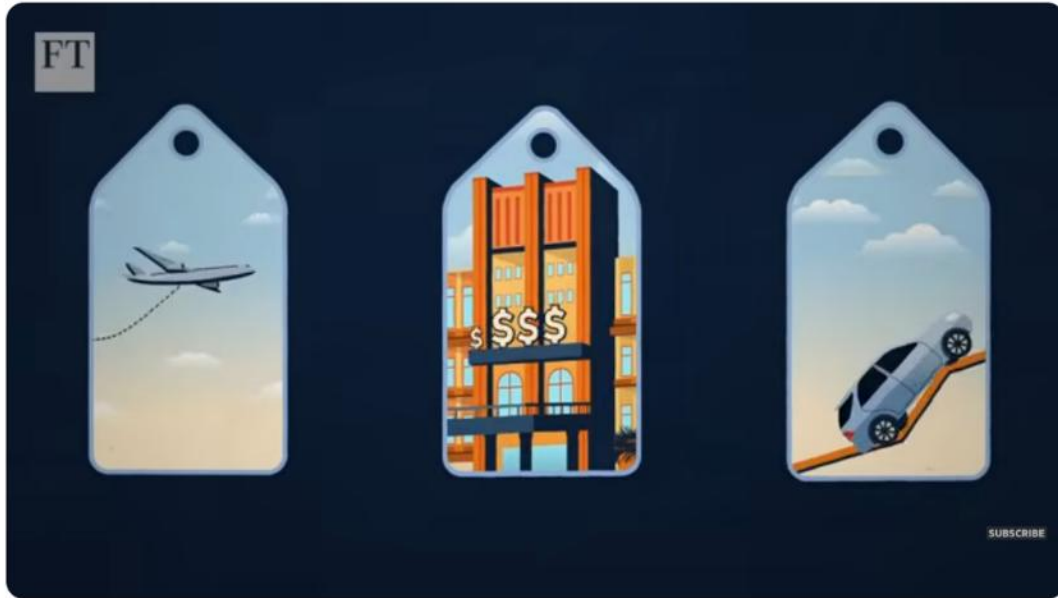
WORKSHEET ACTIVITY

Complete Worksheet Activity

Real World Insight (*Optional*)



Watch: Dynamic Pricing | Financial Times
(Approx. 3 minute)



Dynamic pricing: economic efficiency, or subtle price gouging? | FT Tech



[Click here to view on YouTube](#)



Task

1

Explain how dynamic pricing can help a business respond to changing levels of demand and capacity.

2

Analyse one possible benefit and one possible drawback of dynamic pricing for a business.

3

Evaluate whether dynamic pricing is more suitable for airlines and ride-hailing services than for concert tickets or essential groceries.



Challenge (Extension)

Should governments regulate how businesses use dynamic pricing?

evaluation



FINAL EVALUATION

What have we learnt about the marketing mix: product?



Pricing Methods

- ☐ Different methods suit different objectives.
- ☐ Price affects sales, profit and market share.
- ☐ Businesses must match price to market conditions.



Price Elasticity of Demand

- ☐ Brand loyalty and necessity are key factors in PED.
- ☐ The elasticity value of a good can change over time.
- ☐ Managers may seek to differentiate their goods to lower its elasticity.



Income Elasticity of Demand

- ☐ Inferior goods are not necessarily poor quality.
- ☐ Not every business will seek a balanced product portfolio e.g. Rolls-Royce do not make a cheap car!
- ☐ YED helps to forecast demand changes e.g. a fall in demand for luxury holidays in a recession.

Benefits

- ☐ Supports better pricing decisions.
- ☐ Helps improve accuracy of forecasts and planning.
- ☐ Allows a business to respond to changing customer needs.

Drawbacks

- ☐ Elasticity data is often an estimate or uses outdated information.
- ☐ Other factors also influence demand apart from elasticity.
- ☐ No single pricing method works every time.



EXAM GOLD

The most successful businesses choose pricing methods and use elasticity data in context. The best decisions consider objectives, competition, customer behaviour and any changes (forecast or actual) in market conditions.

TEACHING BUSINESS TV

Students will be asked 5 questions about the topic under timed conditions to assess knowledge recall.

Think fast!
You have 60
seconds a question



CLICK HERE TO START TIMER BAR



EXTENDED ANSWER PRACTICE



— A LEVEL —



OCR EXTENDED QUESTION RESPONSE

Read the case study carefully and then answer the OCR-style 14-mark question.



CASE STUDY

UrbanSip Coffee Co. sells hot drinks and snacks from five city-centre kiosks. It plans to launch a premium iced coffee range aimed at commuters and office workers. Managers believe the range could strengthen UrbanSip's brand image but are unsure how it should be priced.

UrbanSip's regular cold drinks sell for an average of **£3.20**. Research suggests that launching the premium range at **£4.50** would produce a higher profit margin per drink, although sales volume may be lower. This price may appeal to customers who value quality, convenience and brand image. However, rival coffee shops and supermarkets offer similar drinks at lower prices.

Alternatively, UrbanSip could launch at **£2.99**. Many customers are price-sensitive, so this may increase demand, awareness and market share. However, the lower price would reduce profit per drink and could weaken the product's premium image.

UrbanSip has a **£30,000 launch budget** and wants to increase revenue while building a strong long-term position in a highly competitive market.



Using the case study, analyse the two pricing options UrbanSip Coffee Co. is considering. Recommend which pricing option UrbanSip should use to launch its premium iced coffee range. Justify your answer. [14]



Use case evidence, analyse two factors, compare their importance, then justify your recommendation.

AO1 – Knowledge (2)

AO2 – Application (2)

AO3 – Analysis (4)

AO4 – Evaluation (6)

NEXT TOPIC: THE MARKETING MIX – PROMOTION



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