

Pricing strategies: how should Tidewell price its phone cases?

Teacher guidance and answers | Original TBS classroom practice

Use this lesson after learners have met the marketing mix and markup. Learners work out cost-plus prices for three phone cases, compare one with rival prices, match five situations to the five pricing strategies in pairs, test a promotional offer and recommend a launch price for a new patented case. The tasks are planned to take about 55 minutes and have not been trialled in a classroom. The minutes include brief answer checking but not handing out materials or a full plenary; allow about 65 minutes in the timetable. Suited to International GCSE Business classes taking Pearson Edexcel 4BS1.

Curriculum fit

Pearson Edexcel International GCSE in Business (4BS1) specification, Issue 2, February 2026, section 4 Marketing, 4.3 The marketing mix, section 4.3.2 Price (printed page 17): the main pricing strategies and when they might be applied: cost plus, penetration, competition, skimming and promotional. The calculations use the markup formula in Appendix 4: Formulae (printed page 30: $\text{markup} = \text{profit per item} / \text{cost per item} \times 100$), which learners are given in the examination, and Appendix 3: Quantitative skills (printed page 29): percentages and percentage changes, averages, and revenue, costs and profit. Markup is also listed in 3.5.1 (printed page 15). Pearson's published timetable for 2027 lists 4BS1 Paper 1 on 12 May 2027 and Paper 2 on 21 May 2027. Checked against the archived Issue 2 specification; please confirm with your exams officer. This is a TBS lesson, not a Pearson resource; it is not endorsed by Pearson and uses no Pearson exam questions or mark schemes.

All business details and numbers are fictional; dollars are used for an international class. The answers are indicative teaching guidance only. There is no official mark tariff, level descriptor or AO allocation for these tasks and no grade claim is made.

Lesson plan (about 55 minutes of tasks, estimated)

Stage	Minutes	What happens
Starter: name the strategy	4	Five descriptions.
Task 1: cost-plus prices	7	Cost per item and cost-plus prices; a cost rise.
Task 2: the market stall	7	Mean rival price; markup at \$7.00.
Task 3: which strategy fits?	9	Pairs match five situations and explain.
Task 4: test the opening offer	8	Revenue and profit with and without 20% off.
Task 5: three launch prices	8	Profit per month with a workshop limit.
Task 6: recommend	8	Written recommendation.
Exit ticket	4	Two quick questions.
Total	55	

45-minute version: starter 3, Task 1 6, Task 2 5, Task 3 7, Task 4 6, Task 5 7, Task 6 7, exit ticket 4 (total 45). In Task 3 pairs match all five situations but answer only b or c. Ask for about 50 words in Task 6. This timing has not been trialled. The 45 minutes are task time only, so in a real 45-minute period, with handing out and feedback, move the exit ticket to homework.

Answers: starter, Task 1 and Task 2

Indicative guidance for teachers. This is not an exam board mark scheme and carries no marks or grades.

Starter: (i) skimming; (ii) cost plus; (iii) penetration; (iv) competition; (v) promotional.

Product (\$)	Materials	Packaging	Labour	Cost per item	Profit per item (50% markup)	Cost-plus price
Everyday case	2.10	0.40	1.50	4.00	2.00	6.00
MagLock case	7.20	1.30	3.50	12.00	6.00	18.00
Stall case	2.80	0.20	2.00	5.00	2.50	7.50

Task 1a working: MagLock $7.20 + 1.30 + 3.50 = 12.00$; 50% of 12.00 = 6.00; $12.00 + 6.00 = \$18.00$. Stall case $2.80 + 0.20 + 2.00 = 5.00$; 50% of 5.00 = 2.50; $5.00 + 2.50 = \$7.50$. Check: markup = $6.00 / 12.00 \times 100 = 50\%$. Common errors: adding 50 cents instead of 50%; taking 50% of the materials only. Task 1b: $12.00 + 1.20 = \$13.20$; $50\% \times 13.20 = 6.60$; new cost-plus price $13.20 + 6.60 = \$19.80$ (or 13.20×1.5). Task 1b is a one-off what-if: Tasks 5 and 6 use the original \$12.00.

Task 1c, for example: It is simple to work out, and every case sold covers its cost and earns a set profit. Also accept: a rise in costs is passed on in the price.

Task 2a: $(6.00 + 6.50 + 7.00 + 7.00 + 7.50) / 5 = 34.00 / 5 = \$6.80$. Task 2b: four of the five rivals charge less than \$7.50 (only Stall 5 charges the same); $7.50 - 6.80 = \$0.70$ above the mean. Task 2c: $7.00 - 5.00 = \$2.00$ profit per item; markup = $2.00 / 5.00 \times 100 = 40\%$.

Task 2d, for example: It ignores rivals: at \$7.50 Tidewell is dearer than four of the five stalls, so shoppers may buy elsewhere. The Task 2b, Task 5 and Task 6 pages repeat earlier answers (\$7.50, \$12.00 and the Task 5 results) so that a learner who went wrong can carry on; tell learners to check them against their own.

Answers: Task 3, Task 4 and Task 5

Task 3a: A cost plus; B skimming; C competition; D promotional; E penetration. If a pair puts penetration for situation A or C, ask what the firm wants: a set percentage on cost (A) or a price close to rivals (C).

Task 3b, for example (B): Skimming fits: the patent stops rivals copying the MagLock, and keen fans will pay a high price to have it first. Competition pricing cannot work because no rival sells it. Or (C): Competition fits: five stalls sell very similar cases side by side, so shoppers compare prices easily. A skimming price would send them to a cheaper stall.

Task 3c, for example: No rival can copy it, so Tidewell does not need a low price to win customers; it would give up profit that keen buyers would pay.

\$	Without the offer	With the 20% offer
Price per case	7.00	5.60
Profit per item	2.00	0.60
Cases sold per day	40	100
Revenue per day	280.00	560.00
Profit per day	80.00	60.00

Task 4a working: $20\% \times 7.00 = 1.40$; $7.00 - 1.40 = 5.60$; $5.60 - 5.00 = 0.60$; revenue $5.60 \times 100 = 560.00$ and $7.00 \times 40 = 280.00$; profit $0.60 \times 100 = 60.00$ and $2.00 \times 40 = 80.00$. Teaching point: revenue doubles but profit per day falls. Task 4b: $(60 - 80) / 80 \times 100 = -25\%$, a fall of 25%. Task 4c: $80.00 / 0.60 = 133.3$, so 134 cases a day (133 cases give only \$79.80). Task 4d, for example: Shoppers who try a case at the opening may come back later and pay the normal \$7.00 price.

Option	Price	Estimated demand per month	Cases Tidewell can sell per month	Profit per item	Profit per month
Skimming	\$30.00	300	300	\$18.00	\$5,400
Cost plus (50% markup)	\$18.00	600	600	\$6.00	\$3,600
Penetration	\$15.00	900	700	\$3.00	\$2,100

Task 5a working: $30.00 - 12.00 = 18.00$ and $18.00 \times 300 = 5,400$; $18.00 - 12.00 = 6.00$ and $6.00 \times 600 = 3,600$; $15.00 - 12.00 = 3.00$ and $3.00 \times 700 = 2,100$. Common error: $3.00 \times 900 = 2,700$, which ignores the workshop limit. Task 5b, for example: Penetration: demand is 900 a month but only 700 can be made, so 200 buyers miss out.

Answers: Task 6 and exit ticket

Task 6: indicative guidance

A well supported answer gives a price and a strategy, uses at least two figures, compares the choice with at least one other option and names one risk. Example response (not a mark scheme): I recommend skimming, launching the MagLock at \$30.00. Kenji's estimates give \$5,400 profit a month, compared with \$3,600 at the cost-plus price of \$18.00 and only \$2,100 with penetration, which the 700-case limit holds back. The patent means no rival can copy the design, so keen buyers must pay Tidewell's price. The risk is that 300 sales a month is only an estimate and a rival design is expected within a year, so Tidewell should lower the price later.

Learners may recommend cost plus at \$18.00 if they argue that 600 buyers a month spread the MagLock name before the rival design arrives; penetration can be argued for winning market share, but a good answer must deal with the 700-case limit and the lower profit. Accept any choice justified with correct figures. Look for correct figures, a clear comparison and a judgement linked to Tidewell's situation. Do not award a grade or percentage from these tasks.

Answers: exit ticket

a. $10.00 - 8.00 = \$2.00$ profit per item; $\text{markup} = 2.00 / 8.00 \times 100 = 25\%$. b. Skimming.

Sources and limits

Curriculum source: Pearson Edexcel International GCSE in Business (4BS1) specification, Issue 2, February 2026, section 4.3.2 (printed page 17), Appendix 3 (printed page 29) and Appendix 4 (printed page 30). The specification verifies the topic scope only. The tasks, figures, chart, timings and guidance are original TBS teaching design.

Limits: section 4.3.2 names the five strategies and when they might be applied; it gives no definitions or set calculations, so the starter definitions are TBS teaching wording. The specification does not cover price elasticity, so the sales figures in Tasks 4 and 5 are given as Kenji's estimates. The patent is background to the case only.