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4.5 THE 4Ps - PRICE: ACTIVITY F

Read the case study information below and answer the questions that follow.

PRICES RISE BUT FOR DIFFERENT REASONS



Hang on tight!

Case 1: Florida's theme parks increase prices

Universal Orlando is raising its one-day, one-park ticket prices from \$63 to \$67 just days after Disney World also raised its prices. A Universal spokeswoman refused to comment on whether the price rise was in response to Disney's announcement. Disney has raised its prices twice this year. The latest increase takes an adult ticket to \$67 – Universal has exactly the same price.

Case 2: Carib Cement price adjustment

Carib Cement Company Ltd has announced that from July the price of cement products would be adjusted by an average of 15%. The company blamed significant increases in input costs, such as electricity and oil prices. A spokeswoman said, "The price rises were inevitable as when costs rise, our profits will decline unless prices are increased too." The company claims that its prices are still amongst the lowest in the region.

Case 3: No need for loss leader pricing! The iPhone 6 breaks all sales records

Apple Inc. released the iPhone 6 in late 2014 and it quickly became not just the firm's top selling product, but it's most profitable too. The company invested heavily in a range of new technologies but was able to easily recoup investment costs through charging a premium price. As competitors released updated new products with advanced technology, Apple gradually lowered the price of the iPhone 6 to remain competitive in the market.

Source: www.BusinessManagementIB.com

QUESTIONS: 25 MARKS, 45 MINUTES

1. Identify the different pricing methods used in Case 1 and Case 2. **[2 marks]**
2. Define **loss leader** pricing **[2 marks]**
3. In Case 1, explain **two** potential benefits to Universal of the company **not** increasing its prices following the decision by Disney World to increase its entry fee. **[6 marks]**
4. Under what circumstances might you recommend to the managing director of Carib Cement that the company should not increase its prices, despite higher costs? Explain your answer. **[5 marks]**
5. Evaluate pricing strategies for products in the **launch** and **maturity** phases of the product lifecycle. **[10 marks]**