

Excellence through Ethics™

Session 7

Reasonable and Fair Pricing



Elementary School



Junior Achievement®



Excellence through Ethics
Elementary School
Session 7

Reasonable and Fair Pricing

Content: Ethics and Profit

Methods: Discussion and Team Presentations

JA Foundational Pillars: Ethics, Entrepreneurship, and Financial Literacy

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Reasonable and Fair Pricing

Overview

What is a fair price, and how is it determined? How do companies price their products? Students examine the dual role of competition and consumers in pricing products. Through a pricing game, students discover that competition helps keep prices low.

Objectives

Students will be able to:

- Define competition, income, expenses, and profit.
- Explain why profit is necessary for businesses.
- Describe the factors that make a price “reasonable and fair.” (Consumers are willing to pay the price based upon their knowledge and the choices available to them.)

Preparation

Review the activity. Prepare the necessary copies and session materials.

Group work is incorporated into this session. You may consult with the teacher to determine how best to form the groups.

Post Key Terms and definitions in a visible place.

- **Ethics:** The standards that help determine what is good, right, and proper.
- **Expenses:** Money spent to buy resources.
- **Income:** Money earned from selling a profit.
- **Profit:** The excess of the selling of goods and services over their cost.

Post game instructions in a visible place.

The materials suggest the use of three e-Racers from JA’s program *Our Region*. If these are unavailable, bring three pencil erasers.

The terms income, expenses, and profit are used in this session. Discuss with the teacher whether these terms need to be introduced beforehand.

Recommended Time

This session typically takes 45 minutes to complete. Ask the teacher to help you keep track of time.

Materials

- e-Racers from JA’s program *Our Region* or pencil erasers (3)
- Price Cards (6 copies)
- Sales Presentation Cards (6 copies)

Presentation

Introduction (5 minutes)

Greet the students.

Tell the students that today they will learn about how companies price their products and how competition helps keep prices low.

Activity

Understanding Expenses, Income, and Profit (15 minutes)

Show students an e-Racer or a pencil eraser. Ask them the following questions about a fictional product, a car-shaped eraser, called the e-Racer. Provide the answers found below and discuss each term.

- What would you guess was the total expense of making a car-shaped “e-Racer” from a regular pencil eraser?

Answer: \$5.00

- What do we call the money spent to buy resources for the e-Racer?

Answer: Expenses

- What do we call the money earned from selling the e-Racers?

Answer: Income

- If we earn more money in income than we pay in expenses, what is the extra money called?

Answer: Profit

- Why is profit important?

Answer: Profit can be narrowly defined as income less expenses; however, profit is more broadly based on building a reputation for excellent products, services, and business practices. Businesses need profits to provide owners with a return on their investment, to increase workers’ pay, to buy additional resources, to research new products or services, and to support their communities.

Emphasize that an e-Racer company must sell the e-Racer for more than \$5 to earn a profit. You may want to show the math on the board. Tell students that if a company sells an e-Racer for \$6 and it costs \$5 to make, the company will earn a profit of \$1.

$\$6 \text{ income} - \$5 \text{ expenses} = \$1 \text{ profit}$

Tell students to imagine that you are the only company that sells e-Racers, so they have to buy them from you. It costs you only \$5 to make one e-Racer, but you have decided to sell it for \$25. Ask students how much profit you are making on each e-Racer you sell. (**Answer: \$20**)

Ask students, “Is my \$25 price fair? Would you buy my e-Racers? Why or why not?” Accept all answers, but encourage students to explain their logic. Most students will say that the price is too high, but some may say they are willing to pay the price if you are the only source for e-Racers. Either way, tell students that sometimes businesses set their prices very high and consumers complain that the prices are unfair.

Next, ask students if they can define the word “competition”. Explain that competition is a contest, like sports. Among businesses, competition is a contest among companies that buy or sell products.

Businesses with products that are alike often compete against one another to sell the most products. For example, describe competition using examples like Coke® and Pepsi®, McDonalds and Burger King, and Wal-Mart and K-Mart.

Now, ask students to imagine that three different stores in their area sell e-Racers, and each one sells them at a different price. Name three toy or discount stores where students might shop. Ask students how the stores might compete against one another to sell the most e-Racers. After a few answers, explain that students are going to play a game to find out the stores' strategies.

Tell students they are going to play a game called "Which Price Is Right?" to determine a fair selling price for the e-Racer.

Activity

Which Price is Right? (20 minutes)

Ask the teacher to help you choose three students with good reading skills, and work with them to prepare their presentations. Have these students come to the front of the class. Give each student one of the e-Racer Sales Presentation Cards and its accompanying Price Card. Give each of the three students the following instructions:

1. You work for a store that sells e-Racers, but two other stores also sell them. Decide how you are going to sell more e-Racers than your competition.
2. First, you can tell the class that your e-Racers are the best, and they should buy from you. Read your sales presentation silently to yourself. Remember, you are competing against each other, so you don't want to share information. Think about how you want to read your sales presentation to the class. Ask the teacher for help, if you need it.
3. Next, decide on a price for your e-Racer. Remember, the price must be higher than \$5 to make a profit, but if it's too high, or the class won't want to buy it. You also have to guess the price other stores will set for their e-Racers. If you price your e-Racer higher than theirs, the class might not buy it. Don't share the price you choose with the other stores.

Give the three students a few minutes to get ready. Make sure each student has chosen a different price, higher than \$5, for the e-Racer.

Next, divide the class into groups of three or four students. Explain that the class will listen to three different salespeople who will try to sell them an e-Racer. Give the following instructions to the class. Write the instructions on the board.

- Listen to each presentation.
- Based on what you learned, which e-Racer would you buy?
- Why did you choose that e-Racer?
- Did the price seem fair and reasonable? Why? Why not?

Have the three students stand at the front of the class and take turns giving their presentations for e-Racer A, e-Racer B, and e-Racer C. When the three students are finished, have them hold their Price Cards so everyone in the class can clearly see them. While the three students remain standing, give the groups two or three minutes to answer the four questions noted above. Then call time.

Draw a chart on the board, and label the columns A, B, and C. Ask each group which e-Racer it would buy, and write the group's vote on the chart. Most likely, not all groups will vote for the same e-Racer. Your chart might look something like this:

| A | B | C |
|---|---|---|
| | | |

After tabulating the votes, thank the three students and have them return to their seats. Ask some of the groups to explain their answers: Why did they choose A, B, or C? Did the price seem fair? Why or why not? After they answer, emphasize the following:

People buy a product for different reasons. They might like the company that sells it. They might like the way the company sells it. Or, they might choose it because the price is lower. Competition helps keep prices low. Point to the three students who gave presentations. Explain that to compete with other businesses that sold e-Racers, they each carefully chose prices they thought consumers would pay.

Finally, emphasize that sometimes businesses do not have competition to keep their prices low. If a business is the only supplier of a needed product, consumers may have to purchase it because no other choices are available. When this occurs, businesses may set prices that are very unfair. The U.S. government has passed anti-trust and monopoly laws to help protect consumers from such unfair business practices.

Summary and Review (5 minutes)

Briefly review the vocabulary introduced in the session.

Ask students, "How can competition help make prices fair?"

Businesses will keep their prices as low as they can to sell more than the competition.

Ask students, "What will happen to a business if consumers think its prices are unfair?"

In most cases, people will stop buying its products. Eventually, the business must lower its prices, somehow convince people that its prices are fair, or go out of business.

Ask students, "How do you help businesses set fair prices?"

Businesses know their prices are fair if consumers are willing and able to pay them. Ask students, "Who helps protect consumers from businesses if their prices really are unfair? The government.

Ask students if they have ever taken cough medicine. What if there was only one kind of cough medicine, and it cost \$25.00? Do you think the manufacturer is taking advantage of people by charging that much? Do you think it's unethical to charge a high price for medicine even if the manufacturer reinvests profits to make a better product, that tastes better, smells better, and works more quickly to soothe your cough? The cost of products includes many business expenses, including research, salaries, rent, and marketing. Some companies try to keep the product sales price low but sell more of the product to cover costs while others price the product higher but sell less.

Session Outline

Introduction

- Greet the students.
- Introduce the terms expenses, income, and profit. Ask students why profit is important.
- Tell students you are the only maker of e-Racers, so you set your price really high and earn a \$20 profit on each one. Ask students if your price is fair. Suggest that sometimes consumers complain that businesses set their prices too high.
- Introduce competition. Define it as a contest, like sports, among buyers and sellers of products. Tell students they are going to play “Which Price Is Right?” to determine how competition affects price.

Activity




- Have three students act as salespeople for different companies that sell the e-Racer. Give each student a Sales Presentation Card and its matching Price Card. Have them decide separately on a fair price. Give the students a few minutes to prepare their presentations.
- Separate the class into groups of three or four. Have the groups listen to the presentations, then decide which e-Racer to buy. Post their answers on a chart on the board.
- Discuss how competition keeps prices low. Businesses that sell similar products compete for buyers. One way they compete is with price.

Summary and Review

- Briefly review the vocabulary introduced in the session.
- Businesses must set prices high enough to make a profit, but not too high, or consumers may think the price is unfair.
- Thank the students for their participation.

Which Price Is Right?

Directions: Separate the cards. Give both A cards to the first student, both B cards to the second student, and both C cards to the third student for their presentations. Give the students two or three minutes to prepare a presentation while you discuss the activity with the rest of the class.

| Presentation Card | Price Card |
|--|--|
| <p>e-Racer A</p> <p>Your job is to sell the e-Racer to the class. In your best sales voice, say,</p> <p>“I am selling e-Racers, little car erasers. They are fun to play with, and they sell for \$ _____ each.”</p> | <p>e-Racer A</p> <p>e-Racers</p>  <p>\$ _____</p> |
| <p>e-Racer B</p> <p>Your job is to sell the e-Racer to the class. In your best sales voice, say,</p> <p>“This e-Racer erases better than any other eraser you can buy. We use the best materials. They sell for \$ _____ each.”</p> | <p>e-Racer B</p> <p>e-Racers</p>  <p>\$ _____</p> |
| <p>e-Racer C</p> <p>Your job is to sell the e-Racer to the class. In your best sales voice, say,</p> <p>“Students who use our e-Racer get better grades on their homework. If you want to do well in school, you’ll want to own an e-Racer. At a price of just \$ _____, this e-Racer is a good deal .”</p> | <p>e-Racer C</p> <p>e-Racers</p>  <p>\$ _____</p> |

Appendix

Welcome to Junior Achievement's

Excellence through Ethics

As a Junior Achievement (JA) volunteer or teacher, you are joining other teachers and volunteers from across the United States in providing students with a unique educational experience. Junior Achievement's *Excellence through Ethics* offers students learning opportunities to share knowledge and information regarding ethics in business. JA strives to show students how business works, and to better evaluate organizations that conduct their operations in the right way.

Excellence through Ethics is designed to equip volunteers and teachers with supplemental, ethics-based activities for use with JA in-class programs for grades four through twelve. All these activities provide students with current and essential information about business ethics.

These activities are designed to reinforce students' knowledge and skills, teach them how to make ethical decisions, assist them in learning to think critically, and help them to be better problem-solvers. All the activities are hands-on, interactive, and group-focused to present the material to students with the best instructional methods.

Within these supplements, you will find sections to help you effectively implement the activities in your volunteer experience. Materials include: (a) an introductory discussion of business ethics, marketplace integrity, and the growing capacity of students for ethical decision-making; (b) activities and student materials that connect to and expand current classroom-based Junior Achievement programs; and (c) a functional glossary of terms relating to a wide spectrum of ethics, quality, service, and social responsibility considerations in business.

JA greatly appreciates your support of these important and exciting activities. If you have comments about the *Excellence through Ethics* program content, curriculum, and/or instruction, please access <http://studentcenter.ja.org.aspx/LearnEthics/> and choose the “*Excellence through Ethics* Survey” link located in the middle of the page.

Appendix

Introduction and Overview

- *How do I do the right thing in this situation?*
- *Should I be completely honest, even if it puts others in jeopardy?*
- *What kind of community do we want to be?*
- *How do we do what's best for the long term?*
- *Who should cover the cost of "doing the right thing"?*

These are all questions having to do with business ethics. They are valid and necessary questions, and good business people have asked them for generations. They form the backdrop of vital discussions as business, community, and political leaders grapple with significant issues. Many students would ask these questions, even if Junior Achievement hadn't developed this ethics curriculum.

Business Ethics Discussions Are Here To Stay

Business ethics has been in the spotlight for much of the past decade, especially as examples of wrongdoing come to light in the media. New technologies and international competitive pressures cause a steady focus on the question, "Is it possible to be competitively successful in business today and still operate in an honest and ethical manner?" The past decade has seen individuals search for deeper personal meaning in the workplace, which has contributed to lively ethics discussions in the business realm. For these reasons, the discussion of business ethics is not a passing fad; it's here to stay.

Many graduate schools of business have either required ethics coursework or integrated ethics principles throughout all areas of study. That is commendable. We believe this vital area of exposure and instruction also should happen at earlier ages and continue throughout the students' educational journey. Many of today's students haven't had access to a well-rounded education in economics and free enterprise or have come to see these in a very negative light. They have limited awareness of the extent to which good business leaders engage in the challenging exercises of ethical decision-making amid heavy competitive pressures. As students learn the general principles of economics and business, it's critical that these be underpinned with a strong foundation in ethics. This will accentuate the best in American business traditions, while laying the groundwork for students' continued evolution into future generations of leaders.

Integrity in the Marketplace?

Many adults and young people choose to believe that the marketplace is driven only by greed. They view it as bringing out only the worst in human behavior, demoralizing the human spirit, and driving out any sense of idealism. While elements of greed and extreme self-interest among some individuals cannot be denied, solid research has shown time and again that companies with a long-term focus on ethics and a broad consideration of stakeholders' interests are much more profitable than those lacking such a focus.

James A. Autry, in his book *Love and Profit: The Art of Caring Leadership*, said it well: "I do not doubt the presence of greed in the marketplace because I do not doubt the presence of greed in people. But, I also do not doubt the ennobling aspects of work, of the workplace, of the community, of endeavor, of

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the marketplace. So I choose to believe that most of the marketplace is driven by people who want to do good work for others and for themselves.”

Excellence through Ethics accepts the challenge of educating youth in the basics of economics and business while establishing a positive balance on the side of well-informed, ethical business practice. This may appear to place a heavy burden on Junior Achievement volunteers, who are not trained ethics experts. The following informational pages will not turn you into an ethics expert. That’s not what we’re striving for here. What students need most is meaningful interaction with people who are willing to engage in a discussion of these vital issues.

Lively Practitioners Rather Than Dry Theorists

This program is more about day-to-day ethics practice than the nuances of ethics theory. Some believe that working in business requires a disconnect from one’s personal ethics. We do not believe this is the case. Students need to know that what they learn about fairness and honesty in general also applies to business. While business ethics may address some specific areas of business practice, it’s not a separate and distinct specialty to be set apart from the general ethical principles that apply in other areas of life. Young people need to encounter the wisdom of age and experience that volunteers bring to the classroom.

Students’ Growing Capacity for Ethical Decision-Making

Excellence through Ethics is designed to foster discussions at the appropriate level for each age group. The curriculum developers have designed the ethics activities with sensitivity to student’s mental maturity. At the late elementary and middle-grades levels, students’ capacities for ethical reasoning tend toward good personal behavior as determined by adult rules and authority. In relationships, personal trust, loyalty, and respect are of paramount importance. For these students, corporate ethical behavior is viewed in much the same light as their own personal behavior: it’s governed by rules.

As students advance into high school, their ethical decision-making moves into the larger arena of social contracts and systems that guide and govern societal and group behavior. Here the rationality and utility of laws are scrutinized, as students become more capable of higher-ordered, principled thinking. Students are increasingly aware of the diversity of values among different cultures and communities. At this level, students’ capacities for processing the complex, ethical dilemmas that may be encountered in business are greatly enhanced.

You will gain confidence as you come to realize that conducting a robust, provocative discussion with students is more important than “having the right answer.” The activities have been designed to leave room for lively discussion and multiple points of view. Having the courage to share your own experiences is very valuable to students.

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You don't have to apologize for the excesses students may see in business. Don't assume responsibility for actions that are not your own, and do not try to defend the indefensible. While accentuating the fact that most businesses operate ethically, it's okay to scrutinize the unethical players in the marketplace who give business in general a bad name.

Continuing Education

Teaching this material to students will no doubt strengthen and enhance your own ethics awareness and continuing education. Some students will challenge your best reasoning capacities. Having your own support network of professional colleagues with whom you can share and discuss some of these issues is very valuable. It's also helpful to seek out colleagues with philosophical views that differ from your own. This serves as a valuable "cross-pollination" function because you will be able to understand and discuss a variety of views with students, as well as share students' perspectives with your colleagues. In this way, everyone learns.

Finally, please be assured that your contributions here have tremendous value to students and will serve to upgrade business ethics in the future. We're dealing with the future generation of leaders in their formative years. We can take pride in the fact that we've had a hand in shaping the very people who will be responsible for business ethics and social responsibility in the future.

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Harold Tinkler, Chief Ethics Officer, Deloitte & Touche LLP

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Excellence through Ethics Writers and Consultants

Ron Ausmus, Integrity Associates

Susan Dilloway

Karen D. Harvey, Ed.D., Educational Writer and Diversity Curriculum Consultant

Insight Education Group

Motion Picture Association of America Public Relations Council

Dave Somers, Owner of Brevity; Adjunct Professor, DeVry University

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Appendix

Excellence through Ethics Evaluation

Junior Achievement has discontinued all paper versions of program surveys. However, we greatly appreciate your comments and feedback about *Excellence through Ethics*. Please help us improve the quality of *Excellence through Ethics* by sharing your comments through our new online survey process. The online survey should take less than 10 minutes to complete.

If you have comments about the *Excellence through Ethics* program content, curriculum, and/or instruction, please access <http://studentcenter.ja.org/asp/LearnEthics/> and choose the *Excellence through Ethics* Survey link located in the middle of the page.

Thank you for participating in JA!



Excellence through Ethics Volunteer Survey

1. Including this session, how many individual sessions of Excellence through Ethics have you presented? _____
2. Do you feel that the students were engaged through this session?
 - A. Not at all
 - B. Somewhat engaged
 - C. Engaged
 - D. Very Engaged
 - E. Unsure
3. Do you feel the session was relevant to students?
 - A. Not relevant
 - B. Somewhat relevant
 - C. Relevant
 - D. Very relevant
 - E. Unsure
4. Do you feel students are more prepared to make ethical decisions after participating in this session?
 - A. Significantly more prepared
 - B. Somewhat more prepared
 - C. Somewhat less prepared
 - D. Significantly less prepared
 - E. Unsure
5. On a scale of 1 to 10 (10 being excellent), how would you rate the overall quality of the Excellence through Ethics session? _____
6. After this JA experience, how likely are you to volunteer for JA again?
 - A. More likely to volunteer
 - B. Less likely to volunteer
 - C. No more or less likely to volunteer
 - D. Unsure
7. What comments or suggestions do you have regarding the overall session (including format, content, etc.)?

Optional: City _____

State _____ Country _____

Email _____

Excellence through Ethics Student Survey

1. What grade are you in? _____

2. Please fill in the circle that best describes how you feel about the following statements.
There is no right or wrong answer.

| | Strongly Disagree | Disagree | Neither agree or disagree | Agree | Strongly Agree |
|---|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------|
| This topic is very important. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I am able to apply what I learned in this session to the real world. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The activities were interesting. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I learned something about ethics from this session. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

3. Do you feel more prepared to make ethical decisions after participating in this session?

- A. Significantly more prepared
- B. Somewhat more prepared
- C. Somewhat less prepared
- D. Significantly less prepared
- E. Unsure

4. I saw someone at my job taking money from the cash register, I would:

- A. Ask someone I trust what I should
- B. Tell a supervisor
- C. Talk to the person taking the money
- D. Do nothing
- E. Not sure

5. To help us better understand who you are, please answer the following questions: How do you describe your ethnicity (family background)? (Fill in all that apply)

- A. African American
- B. Asian American
- C. Latino (a) or Chicano (a)
- D. European American (white)
- E. Native American
- F. Other – how do you identify yourself? _____

6. Do you have any additional comments regarding this session?

Optional: City _____ State _____ Country _____