Unethical Pricing

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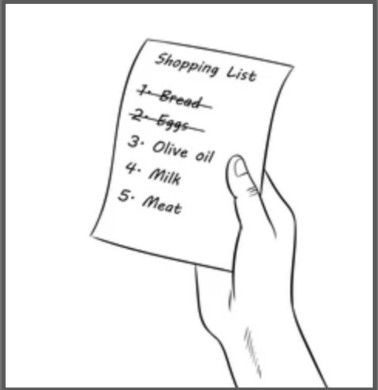
Introduction

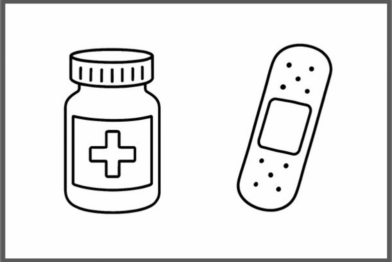
Introduction

Finances are important to understand.

Knowing how to save and budget is necessary.

We have to learn when a product is not worth what it costs.





Introduction

npr KQED

Grocery prices have jumped up, and there's no relief in sight

American Hospital Association™
Advancing Health in America

Report finds launch prices for new drugs are significantly higher, exceed inflation

FOX BUSINESS

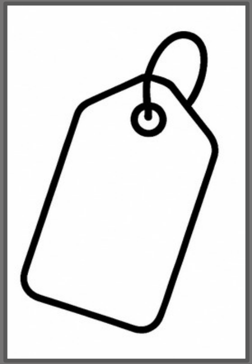
New car prices soar to historic high as buyers face mounting sticker shock

Introduction

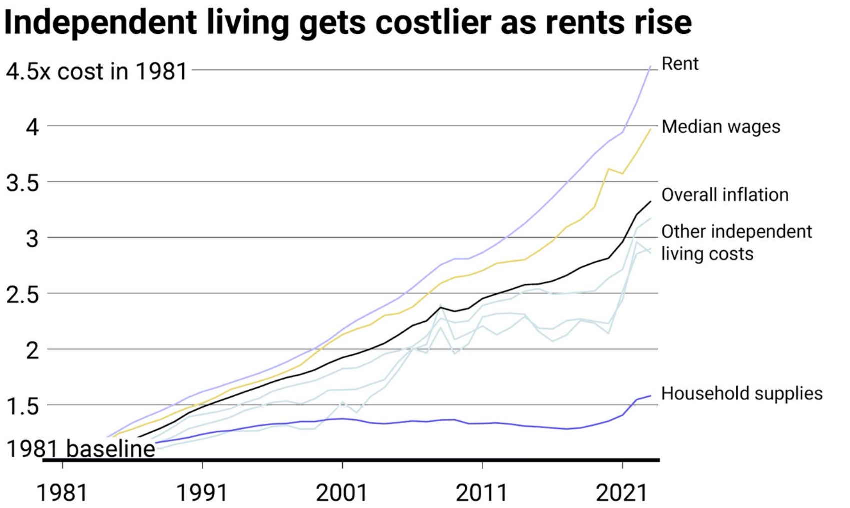
Since 1960 inflation has gone up 975%.

$1.00 then is now $10.95.

In the next 10 years Inflation will go up 25% more.



Introduction



Note: Costs included in the analysis were rent, groceries, transportation, household energy (such as electric, piped gas, etc.), household furnishings, and household operations items (such as cleaning supplies, toilet paper, etc.). Costs were measured as of August of each year. The median wage index represents the typical wage for full-time wage and salary workers compared to 1981. Wage measurements are from Q2 of each year.

Data source: Bureau of Labor Statistics

Class Module

Class Module

We are interested in knowing when prices are unethical.

This is important in being aware of what products and what companies to avoid.

By the end of this module we should be able to look for products that are overpriced and companies that use unethical pricing practices.

Class Module

In this module we will:

- Research unethical pricing practices
- Determine our own prices for items
- Compare the cost of items from different stores

Peak Pricing

Price Rigging

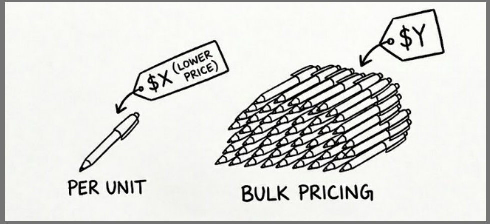
Price Discrimination

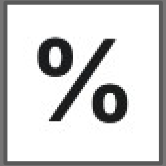
Surveillance Pricing

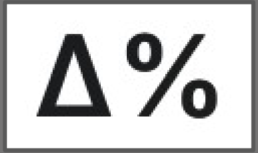
Class Module

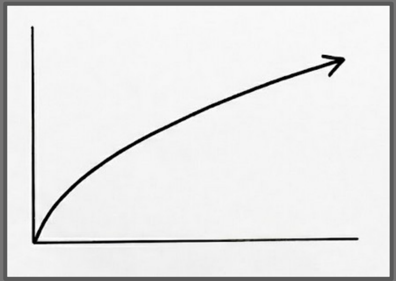
The math skills we will be using includes:

- Per unit pricing compared to bulk pricing
- Percentages and percent differences
- Reading and understanding graphs and figures









Mini Presentation

5.2 Mini-Presentation

Mini Oral Presentation 5.2

To present on this topic, students will be assigned one of the unethical pricing practices, research it, and present on the ideas behind it. The things to include in the presentation will be:

1. A definition of the practice from the article, and in your own words
2. How it works in different scenarios
3. An example of the practice in the real world

Articles:

- Peak Pricing: Peak Pricing: Definition, How It Works, Examples
- Price Fixing: Price Rigging: Meaning, Examples, Regulation
- Pricing Discrimination: What Is Price Discrimination, and How Does It Work?
- Surveillance Pricing: Is Surveillance Pricing Ripping You Off? How to Stop Your Data From Being Used Against You

Mathematical Activity 1

Problem 1.1

Choose one retail store and go to the website. Pick out three general items that they sell and record the prices.
For my example, I will choose the store Office Depot and pick out the items of pencils, pens, and paper. Here is the sale price:
Ticonderoga 2 Pre sharpened Pencils 0.7 mm Yellow Pack Of 72 Pencils - Office Depot -
$19.09 a pack / $0.27 a pencil
BIC Round Stic Ballpoint Pens Medium Point 1.0 mm Translucent Barrel Black Ink Pack Of 60 Pens - Office Depot -
$9.39 a pack / $0.16 a pen
Office Depot Brand Notebook Filler Paper College Ruled 8 x 10 12 White Pack Of 150 -
$3.09 a pack / $0.02 a sheet

Item 1: __________________ Sale Price: ________________________

Item 2: __________________ Sale Price: ________________________

Item 3: __________________ Sale Price: ________________________

Problem 1.2

Now, look up the manufacturing cost of each item that you recorded the sale price of. Type into the search engine "How much does it cost to make [your item]?" and record the price of all three.
For my example, I will use the same items of pencils, pens, and paper, and look up the cost to make. Here is the manufacturing price:
Pencil - $0.05 for one pencil
Pen - $0.15 for one pen
Paper - $0.01 for one sheet

Item 1: __________________ Manufacturing Price: __________________

Item 2: __________________ Manufacturing Price: __________________

Item 3: __________________ Manufacturing Price: __________________

Problem 1.3

The next step is to calculate the sale price that each item should sell at. We will do this by using a calculator that uses the manufacturing cost and the markup percentage, which will be a set value of 15 (do not use the customer acquisition cost and the shipping cost). Use this link
For my example, I will type in the cost to make each item in the cost of item box and the number 15.00 in the markup box. Here is the expected sale price:
Pencil - $0.06 for one pencil
Pen - $0.17 for one pen
Paper - $0.01 for one sheet

Item 1: ________________ Expected Sale Price: ________________

Item 2: ________________ Expected Sale Price: ________________

Item 3: ________________ Expected Sale Price: ________________

Problem 1.4

The last step is to calculate the percent difference between the actual sale price and the expected sale price. This will tell us if there is a significant difference between how much the item should be priced at and how much it is actually being sold at. By doing this, we can see if the business uses unethical pricing. Use this link.
For my example, I will use the calculator with V1 as the actual sale price and V2 as the expected sale price. Here is the percent difference:
Pencil - 127% difference
Pen - 13% difference
Paper - 0% difference

Item 1: ________________ Percent Difference: ________________

Item 2: ________________ Percent Difference: ________________

Item 3: ________________ Percent Difference: ________________

Problem 1.5

Now, looking at the percent differences that we have calculated, think about what this number means in relation to this assignment. A reasonable percent difference between the actual and expected sale price would be between 20% - 30%.

Think about the differences that you calculated and answer the following questions.

1. Q: What is the item that has the largest difference, and why do you think this is?

   A:

2. Q: Do you think the difference is because of unethical pricing or another reason?

   A:

3. Q: How can we take this activity and apply it effectively in the real world when we are making purchases?

   A:

Mathematical Activity 2

Problem 2.1

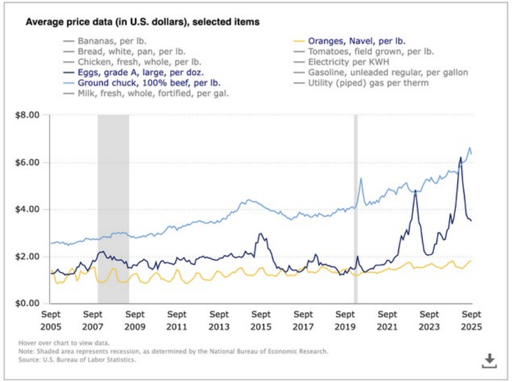
Choose three items from this list that can be found in retail stores. Do not choose electricity, gasoline, or utility. Use this link.
For my example, I will choose eggs, ground beef, and oranges.Create the graph and the table by only selecting your items and finding the results.

Graphics for Economic News Releases

Average price data (in U.S. dollars), selected items

Charts related to the latest "Consumer Price Index" news release | More chart packages

PREV NEXT Average price data (in U.S. dollars), selected items GO



Show table

Month	Oranges, Navel, per lb.	Eggs, grade A, large, per doz.	Ground chuck, 100% beef, per lb.
Jan 2015	1.195	2.113	4.375
Jan 2016	1.196	2.328	4.019
Jan 2017	1.186	1.599	3.621
Jan 2018	1.326	1.769	3.668
Jan 2019	1.344	1.554	3.727
Jan 2020	1.244	1.461	4.1
Jan 2021	1.303	1.466	4.31
Jan 2022	1.427	1.929	4.765
Jan 2023	1.514	4.823	4.644
Jan 2024	1.55	2.522	5.093
Jan 2025	1.531	4.953	5.495

Problem 2.2

Look at the data in the table for the average price for each of the three items. Record the price from the most recent month here.
For my example, I will use the prices of eggs, ground beef, and oranges from September 2025.
Eggs - $3.49 / 1 dozen
Ground Beef - $6.33 / 1 lb
Oranges - $1.80 / 1 lb

Item 1: ________________ Average Price: ________________
Item 2: ________________ Average Price: ________________
Item 3: ________________ Average Price: ________________

Problem 2.3

Next, we will find the prices that each item is sold at from two different stores. This will tell us if there is a discrepancy between the pricing that one store uses compared to the pricing of another store.
For my example, I will use the stores of Sprouts and Safeway and look at the price of each item sold and each store.
Safeway:

- Eggs - $8.49 / 1 dozen
- Ground Beef - $7.99 / 1 lb
- Oranges - $1.99 / 1 lb

Sprouts:

- Eggs - $15.49 / 1 dozen
- Ground Beef - $10.99 / 1 lb
- Oranges - $2.49 / 1 lb

Store 1: ________________

- Item 1: ________________ Sale Price: ________________
- Item 2: ________________ Sale Price: ________________
- Item 3: ________________ Sale Price: ________________

Store 2: ________________

- Item 1: ________________ Sale Price: ________________
- Item 2: ________________ Sale Price: ________________
- Item 3: ________________ Sale Price: ________________

Problem 2.4

The last thing to do is to find the difference in dollars between the average price of each item and the store's sale price of the item. We will add up the differences between the prices and find the total difference in dollars for the cost of the groceries. Once we find the total difference in dollars, we will find what pricing tactics— using the ones that we learned in our definitions at the beginning of the model— were used by the stores. We will do this by comparing the average price from the stores to the overall average prices that we got from the website. Doing this tells us how a shopper is affected by unethical pricing and the impact that it has on them, even for getting groceries from the supermarket.

For my example, I will find the difference between the average price and Safeway and the difference between the average price and Sprouts.

Safeway - Difference in Price:

- Eggs - $5.00 / 1 dozen
- Ground Beef - $1.66 / 1 lb
- Oranges - $0.19 / 1 lb
- Total - $6.85

Sprouts - Difference in Price:

- Eggs - $12.00 / 1 dozen
- Ground Beef - $3.67 / 1 lb
- Oranges - $0.69 / 1 lb
- Total - $16.36

Store 1: ________________

- Item 1: ________________ Difference in Price: ________________
- Item 2: ________________ Difference in Price: ________________
- Item 3: ________________ Difference in Price: ________________
- Total Difference: ________________

Store 2: ________________

- Item 1: ________________ Difference in Price: ________________
- Item 2: ________________ Difference in Price: ________________
- Item 3: ________________ Difference in Price: ________________
- Total Difference: ________________

Problem 2.5

Now we have found the total cost difference in dollars of one store compared to another. We can see from the example that there is a clear practice of charging more at one store compared to another store. And from this, we found the total price that the groceries come out to, and how this is important and affects a customer.

Please look back at the work that you have done and use it to answer the following questions.

1. Q: Consider how often you buy groceries and explain why a person being charged extra every time they need to buy food can impact them.
   A:
2. Q: What are the arguments that can be made for the higher prices for food at different stores, and how can we address these beliefs?
   A:
3. Q: Find organizations that provide assistance with nutrition and affordable food. Can these groups help to solve the problem of unethical pricing related to groceries, and how can they?
   A:

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Thank You!

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