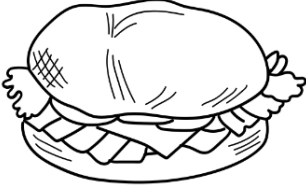



Just a Little Extra

Shop owners can charge more money for premium milkshakes than they charge for plain milkshakes. This idea has a fancy name called **premiumization**. Premiumization is when a company makes a luxury, or fancy, version of their product. The company can sell the luxury version for more money.

Why do you think customers are willing to pay a little bit extra money for a premium product?

If the company is only charging a little bit more, do they really make much money? Let's take a look together.

McDonald's			
	McChicken Sandwich \$1.79	Crispy Chicken Sandwich \$3.79	Price Difference
How much money will McDonald's collect if they sell 100 McChicken sandwiches?	How much money will McDonald's collect if they sell 100 Crispy Chicken sandwiches?	What is the price difference?	

Starbucks			
	Plain Coffee \$2.25	White Chocolate Mocha \$4.90	Price Difference
How much money will Starbucks collect if they sell 100 plain coffees?	How much money will Starbucks collect if they sell 100 white chocolate mochas?	What is the price difference?	

thinkEntrepreneur

Offering a premium version of a menu item is smart business and can make a company a lot of money over time.

Imagine you were going to open a restaurant. Plan a standard version of your products and a premium version of your products.

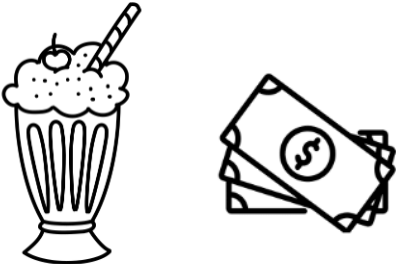
Restaurant Name _____

Standard Item	Premium Item
Name:	Name:
Description	Description:
Price:	Price:
Price Difference:	Why would someone pay more?

thinkBigger

When restaurants make a premium product to sell for money, they also spend more money for special ingredients. With your class you designed a premium milkshake.

Calculate how much it would cost to make your premium milkshake.

Basic Milkshake Cost		Premium Milkshake Cost	
Milk		Milk	
Ice Cream		Ice Cream	
Total Cost			
			
		Total Cost	

What is your gut reaction? Do you think it is worth it to see the premium milkshakes? Why or why not?

Look back at your original prices for a basic milkshake and a premium milkshake. Do you think you need to change your prices? Why or why not?

Discussion Questions:

- What do you think customers might consider before deciding to buy a premium product instead of a plain one?
- Do you think it's fair for shop owners to charge more for premium items? Why or why not?
- Do you think premiumization is a good strategy for every type of product? Why or why not?
- Can you think of a time when you wanted the premium version of a product? What influenced your decision?