

Rich Kid Smart Kid Games

Game One: Jesse's Ice Cream Stand

Topic: Profit

Grade Level: 9-12

Interactive Internet Game Activity

Jesse is ready to open an ice cream stand and wants to sell his ice cream to earn money. An animated dialog between Jesse and his good friend Toki will introduce students to the game. Students must then help Jesse to maximize his profits by evaluating the best possible combinations price and flavors with each flavor having a different cost and a different reaction to price changes.

Learning Objectives

- Evaluate price and cost alternatives for maximizing profit.
- Discover ways to earn money through small business ownership.
- Understand how demand elasticity can affect profits.

Assessments

Students will: (1) evaluate the best price and flavor combination for maximizing profit, (2) research business opportunities for teens, (3) chart profits with variable price, demand, and cost factors.

Classroom Activities

1. Teen Earner: Workplace vs Marketplace - An enlightening look at the paradigm of needing a job to earn money. This activity challenges teens to think about marketplace opportunities for earning money. Give each student a copy, have them read it, and then facilitate a discussion.
2. Next Step: Resources for Entrepreneurs – Students utilize the Internet to discover many resources to help them learn to earn money as business owners. Students use these resources to write a mini-business plan that can serve as a stimulus to beginning their own business. Instructor may wish to utilize this activity for oral presentations.
3. Elasticity: Changing Price, Changing Profit – This is an economics-based approach to maximizing profit. Students must determine the best buying/pricing strategy by analyzing the effect on sales and profits when changing prices. Instructor may choose to do this activity in individual or group settings.

Class Discussion Questions

What is profit?

Why is profit important?

What would happen if a business didn't make a profit?

Profits can go up and down. Why?

What impact does price have on demand and profits?

What is meant by "You don't need a job, you need money"?

Why is the marketplace a good place for teens to earn money?

How does operating a business compare to working a part-time job?

Do you know what assets, liabilities, and cashflow are?

Overview

Teen Earners: Workplace vs Marketplace

“I need a job!” How often do you hear teens use that old familiar line? “I need a job to get a car.” “I need a job to pay for school.” “I need a job to pay my bills.” The problem with this statement is that it is false. You don’t need a job to pay for these things. What you need is M-O-N-E-Y.

You may think that was a little too obvious, but the point is that a job may be one way, but it is certainly not the only way for teens to earn money.

The Workplace for Teen Earners. Let’s take a closer look at the workplace as a place for teens to earn money. In the workplace, people are, in general, paid based on their educational level, their skill, and their experience. The more you have of these things, the more you are paid. This creates a bit of a problem for most teens. Teens in high school have not yet earned a diploma, have few if any job skills, and have little if any experience. So, as far as the workplace is concerned, teens are on the very bottom of the pay scale.

The Marketplace for Teen Earners. The marketplace is different. When you bring a product (good or service) to the marketplace, the price is based more on demand and whatever the customer is willing to pay. And, the marketplace has no age discrimination, so even as a teen, you can earn whatever the marketplace will pay. If you mow a lawn, the market price is the same no matter what your age. If you sell a product, the market price of the product is the same no matter what your age. If you own a vending machine at a local store, the market price for candy is the same no matter what the owner’s age. And, quite often, the marketplace will pay you very well.

The Workplace or the Marketplace? Actually, your choices are not limited to these extremes. To earn money as a teen you should simply be aware of the rewards of moving toward the marketplace. A waiter is paid a workplace wage plus a marketplace tip. A salesperson may be a workplace employee, but may earn money as commission, a percentage of the price of everything they sell in the marketplace. But, especially as a teen, it is very important to consider the opportunities of starting a business and using the marketplace as a way to earn.

Remember: You don’t need a job...what you need is money.

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The Next Step: Resources for Entrepreneurs

The Internet holds a vast wealth of resources for entrepreneurs. In this activity, you will explore a few of these resources and possible opportunities. When prompted, respond on a separate piece of paper, or word process your answer.

Part I → **The Startup: Choosing a Business**

Let's begin by visiting www.entrepreneur.com. First, take some time to look around; familiarize yourself with the site. Notice the many links to information and the featured article for the day. **Next, click on the “Biz Opps” tab, found just beneath the Entrepreneur.com logo. Look in the areas that interest you. Pay specific attention to startup costs and training required.** Finally, visit www.teenstartups.com. Find the additional startup ideas that are offered here.

✍️ Activity Response 1: Write a paragraph explaining a business opportunity that interests you. Be sure to consider your skills and interests. Why did you choose this opportunity? What are possible advantages and disadvantages to this type of business? What helpful information did either of these web sites have to offer?

Part II → **Now you are ready to design a marketing plan**

Now that you have an idea about starting your own business, you must consider your customers and marketing needs. Another great resource for entrepreneurs is www.bizroadmap.com. Explore Bizroadmap.com as you did the other resources, be sure to look for any other advice or information not offered by the previous web sites.

✍️ Activity Response 2: This site offers several forms, kits, and calculators that are helpful in starting your new business. Visit the “Develop a Marketing Strategy” link under the “Market and Sell” area. For your third Activity Response, print the Marketing Strategy form, and fill it out for your new business. These six questions will assist you in attracting customers.

Part III → **The next step may be finding startup money**

As you may have noticed in Part I, starting a business may take some money. The next web site you will visit www.tannedfeet.com offers a lot of information about starting your own business. After exploring the site, look at the “Financial” area. This area recommends places to find startup money.

✍️ Activity Response 3: Which of these places would you most likely look for help when raising money to start your business? Does entrepreneur.com or teenstartups.com offer any different information regarding startup money? If so, explain.

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Elasticity: Changing Price, Changing Profit

To maximize profit you are trying to determine the best price and the best 3 ice cream flavors to sell. You have 5 ice cream flavors and 3 possible prices; \$.75, \$1.00, or \$1.25. Each ice cream flavor has a different cost and a different demand elasticity.

Demand elasticity is the relative reaction of demand to price changes. If you raise the price, the demand will usually decrease. If you lower the price, demand will usually increase. But for some flavors of ice cream a change in price will increase or decrease demand more than for other flavors.

- Demand Base - When the ice cream is priced at \$1 per scoop the daily demand for each flavor of ice cream is 5 cartons or 100 scoops (20 scoops of ice cream).
- Low Elasticity – A \$.25 change in price will change the daily demand by +/- 1 carton.
Example: Lower the price of Moola Berry to \$.75 and the daily demand increases from 5 up to 6 cartons
- High Elasticity - A \$.25 change in price will change the daily demand by +/- 3 cartons.
Example: Raise the price of Golden Bean to \$1.25 and the daily demand decreases from 5 down to 2 cartons.

<i>Flavors</i>	<i>Cost</i>	<i>Elasticity</i>
Moola Berry	10.00	low
Cashew Crunch	12.00	low
Golden Bean	10.00	high
Dough Swirl	9.00	low
Buckeye Nut	11.00	high

Complete this chart to determine the best price and flavors to maximize profit.

	\$1.00				\$.75				\$1.25			
	Demand	Sales	Cost	Profit	Demand	Sales	Cost	Profit	Demand	Sales	Cost	Profit
MB	5	\$100	\$50	\$50	6	\$90	\$60		4	\$100	\$40	
CC	5	\$100	\$60	\$40								
GB	5	\$100	\$50		8	\$120	\$80		2	\$50		
DS	5	\$100	\$45									
BN	5	\$100	\$55									
	Profit of Best Three				Profit of Best Three				Profit of Best Three			

1. Best three flavors @ \$1.00:
2. Best three flavors @ \$.75:
3. Best three flavors @ \$1.25:
4. Best price and flavors to maximize profits:

Answer Key

Elasticity: Changing Price, Changing Profit

	\$1.00				\$.75				\$1.25			
	Demand	Sales	Cost	Profit	Demand	Sales	Cost	Profit	Demand	Sales	Cost	Profit
MB	5	\$100	\$50	\$50	6	\$90	\$60	\$30	4	\$100	\$40	\$60
CC	5	\$100	\$60	\$40	6	\$90	\$72	\$18	4	\$100	\$48	\$52
GB	5	\$100	\$50	\$50	8	\$120	\$80	\$40	2	\$50	\$20	\$30
DS	5	\$100	\$45	\$55	6	\$90	\$54	\$36	4	\$100	\$36	\$64
BN	5	\$100	\$55	\$45	8	\$120	\$88	\$32	2	\$50	\$22	\$28
	Profit of Best Three			\$155	Profit of Best Three			\$108	Profit of Best Three			\$176

1. Best three flavors @ \$1.00:

Moola Berry, Golden Bean, & Dough Swirl

2. Best three flavors @ \$.75:

Golden Bean, Dough Swirl, & Buckeye Nut

3. Best three flavors @ \$1.25:

Moola Berry, Cashew Crunch, & Dough Swirl

4. Best price and flavors to maximize profits:

Most Profit @ \$1.25 price selling Moola Berry, Cashew Crunch, & Dough Swirl