

MATH, ELA

PREMIUM PRODUCTS

LESSON TIME

45–60 minutes

OVERVIEW

Why do some cars, clothing items, or computers cost more than others? How do certain brands or products gain an advantage in the market? In this activity, students will look at perception data about luxury products in order to learn how they could create their own luxury product. They will then brainstorm with peers to create a luxury product concept and develop a sales pitch with a suggested luxury price point for that product.

GUIDING QUESTION

Is it better to bring a high-price product into a category with lots of similar goods or fewer similar goods?

STUDENT OUTCOMES

Through this lesson, students will...

- **Understand** what goes into making a product a “luxury good”
- **Analyze** data on consumer behavior
- **Create** a prototype of a luxury product and set it at a luxury price point, providing supporting evidence for why the product will succeed at that price

MATERIALS

- Computers with access to the internet and spreadsheet software
- Chalkboard, whiteboard or large-format sticky paper
- Large-format paper and markers to distribute to groups

- [Premium Product Google Sheet](#) (includes two tabs)
- **What is a Premium Product?** student handout (one per group)

GET CURIOUS

Have you ever wondered . . .

. . . why products that seem similar can have such different prices?

Two pairs of jeans that look exactly the same can have completely different price tags. How can that be? A variety of factors go into how goods are priced, but one of the key factors is consumer perception. Consumers in different regions of the globe perceive luxury goods differently. In Europe, consumers are more likely to associate a high price tag with a premium product. In Venezuela, consumers associate luxury with superior style, and in South Africa and the Philippines it's connected to brand trust.¹

. . . how to introduce a premium product to the market?

Consumer reports indicate that demand for premium products is growing. This might seem counterintuitive, but it's true. New products that are considered rare or scarce make a big impact, as do products that integrate quality design.

COLLECT AND ANALYZE

1. Begin by sharing that consumer reports indicate that demand for premium products is growing. Premium products are typically defined as products that cost 20% more than the average category price. The fact that demand is growing for more expensive products might seem counterintuitive, but it's true. New products that are considered rare or scarce make a big impact in the marketplace, as do products that integrate quality design. Ask students to think of examples of premium products. As students call out premium products, write them on the board. Encourage them to consider makeup, clothes, shoes, accessories, jewelry, sports equipment, and food.
2. Once you have a range of products, encourage students to identify commonalities among the list. For example:
 - a. What types of products are these?
 - b. Where are these products typically advertised?
 - c. Who do you think is the target buyer for these products?
 - d. What sets these products apart from their lower-priced competitors?
3. When some commonalities have been identified, explain that the goal of this lesson is to use data as a flashlight. In the case of this exercise, students will work in groups to shine their flashlight on a specific research question.
4. Divide students into groups of 3–4. Provide groups with 2–3 minutes to develop a hypothesis

¹ <http://www.nielsen.com/us/en/insights/news/2016/deeper-than-dollars-global-perceptions-about-premium-products.html>

on the following research question: **Is it better to bring a high-price product into a category with lots of similar goods or fewer similar goods?** Instruct groups to write down their hypotheses.

5. Distribute laptops to groups. Inform students that they are going to work as a team to design and price a luxury grocery product of their own. They will analyze data on a variety of merchandise categories in order to identify the department and price tier for their product. Students will then use that information to ideate a new luxury grocery item to take to market.
 - a. First, students will use the **Premium Products** Google Sheet to identify merchandise categories that consumers are willing to spend extra money.
 - b. Second, students will use the **Premium Products** Google Sheet to identify departments that have demand in higher-priced tiers of products.
6. When groups have decided on a sector and a price point, distribute large-format paper and markers. Provide groups with 20–30 minutes to brainstorm a product concept. Each concept should include the following:
 - a. Product name
 - b. Product list price
 - c. To-market strategy (i.e. How will customers hear about this new product? How will it be advertised?)
 - d. Meet the criteria that consumers are looking for in a premium product using **What is a Premium Product** student handout.

TELL A STORY WITH DATA

When each group has made their prototype, curate a conversation with the following critical questions:

- Why did you choose this department for your product?
- How did data lead you to your conclusion?
- Based on the data you reviewed, do you feel your original hypothesis was accurate? Why or why not?
- What would you plan to do to set your product apart?

Extend the Learning With These Additional Resources

- [Global Perceptions on Premium Products](#)
- [Total Consumer Reports](#)
- [Private Labels](#)
- [Premium Products](#)
- [It Pays to be Premium](#)

STANDARDS

CCSS.ELA-LITERACY.RI.11-12.7

Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

CCSS.MATH.CONTENT.HSS.IC.A.1

Understand statistics as a process for making inferences about population parameters based on a random sample from that population.

GLOSSARY

Luxury good: a product that isn't necessary but is highly desired

Market: demand for a product

Premium: extra money added to an ordinary price

Price Point: scale of possible prices that something will be marked

Sector: an area of a business

All definitions retrieved from Merriam-Webster.

<https://www.merriam-webster.com/>

Selling Luxury

<https://bakerretail.wharton.upenn.edu/2016/06/15/selling-luxury-high-end-brands-embracing-internet/>

Factors Affecting Luxury Purchases

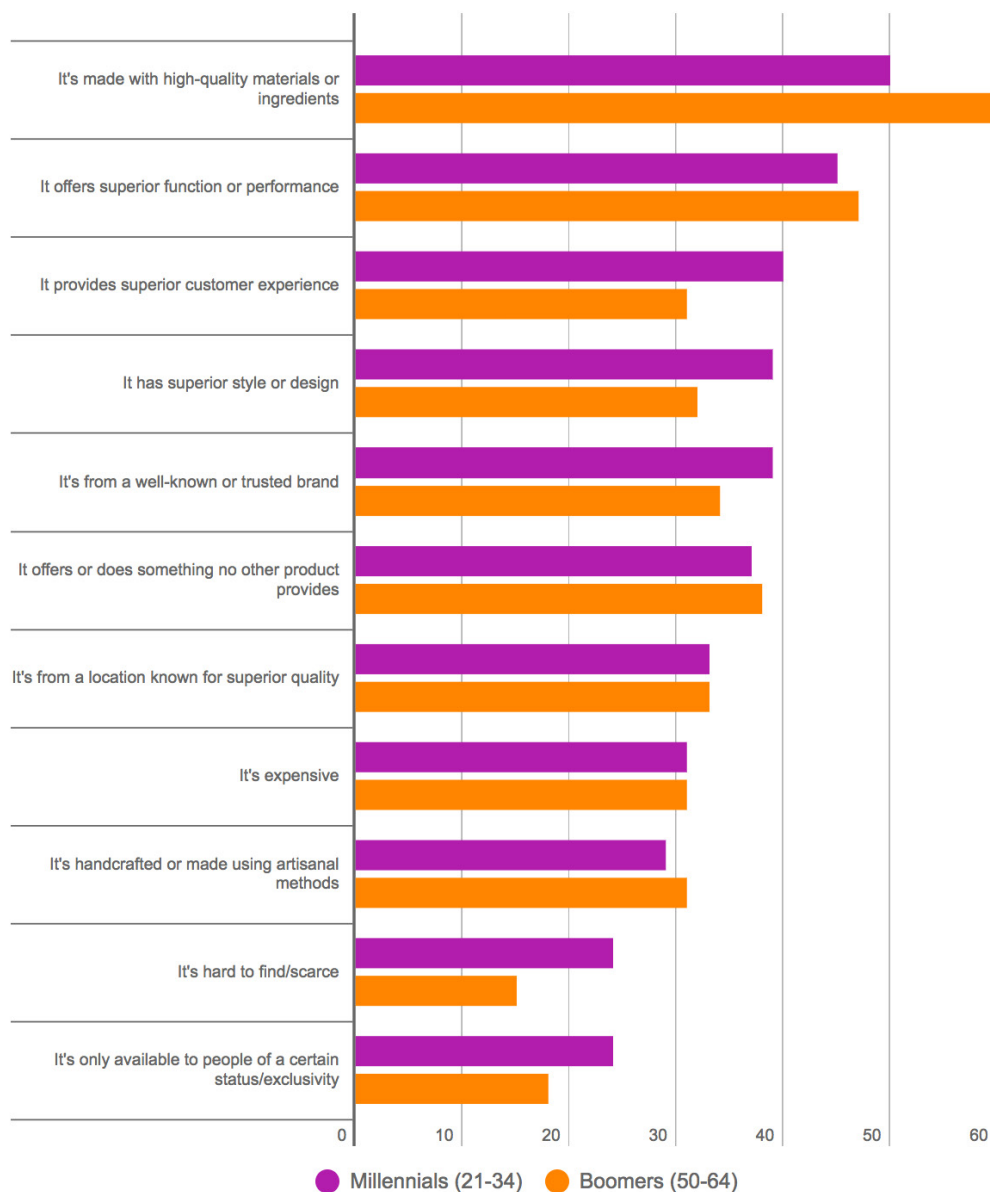
<https://www8.gsb.columbia.edu/newsroom/newsn/5727/new-research-from-columbia-business-school-sheds-light-on-factors-affecting-luxury-versus-practical-purchases>

WHAT IS A PREMIUM PRODUCT?

Percentage who say attribute is what makes a product “premium”

The two age groups represented in this data are Millennials (people aged 21–34) and Boomers (people aged 50–64).

Source: The Nielsen Global Premiumization Survey, Q1 2016



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