Answer on Question #64038, Economics / Microeconomics

Technology $5,000, Postage and handling $1,000, Miscellaneous $3,000, Inventory of cookbooks $2,000, Equipment $4,000, Overhead $1,000, 1 graph plus calculations, you must give up your full-time job, which paid $50,000 a year, and you worked part-time half the year. The average retail price of the cookbooks will be $30, and their average cost will be $20. Assume that the equation for demand is is Q = 40,000 - 500 P, where Q= the number of cookbooks sold per month, P= the retail price of books. show what the demand curve would look like for price between $25 and $35? suppose that you expect to sell about 22,000 cookbooks per month online, and assume you overhead, technology and equipment costs are fixed, what are your total cost? what market structure have you entered, and why? what can you do to guarantee success in this market? what pricing strategy might you use?

Answer:

Technology	$5,000
Postage and handling	$1,000
Miscellaneous	$3,000
Inventory of cookbooks	$2,000
Equipment	$4,000
Overhead	$1,000

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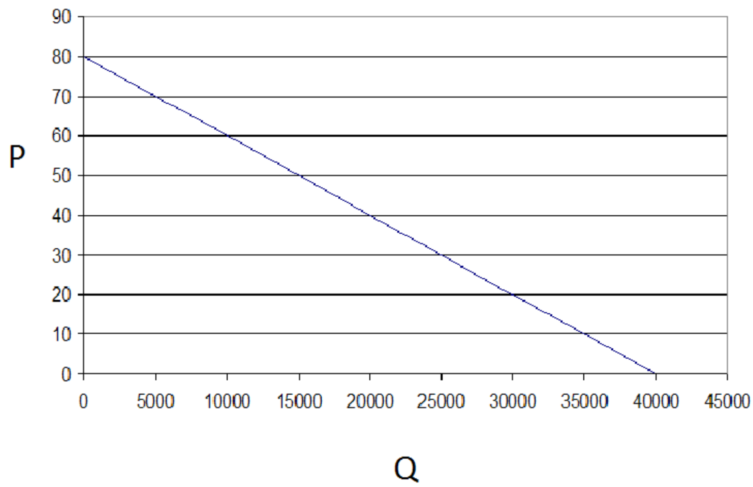
P	Q
0	40000
10	35000
20	30000
30	25000
40	20000
50	15000
60	10000
70	5000
80	0



Assume that the equation for demand is is Q = 40,000 - 500 P, where Q= the number of cookbooks sold per month, P= the retail price of books. show what the demand curve would look like for price between $25 and $35?

Cookbooks sold at $25

Q = 40,000 – (500 * 25) = $27,500

Cookbooks sold at $35

Q = 40,000 – (500 * 35) = $22,500

When the cookbooks do sell at $35 each, not many cookbooks are sold, but profits are higher.

Suppose that you expect to sell about 22,000 cookbooks per month online, and assume you overhead, technology and equipment costs are fixed, what are your total cost?

Total cost=22,000*$20- (Technology $5,000 + Postage and handling $1,000 + Miscellaneous $3,000 Inventory of cookbooks $2,000 + Equipment 4,000 + Overhead $1,000)= $28,000

What market structure have you entered, and why?
I work in a Monopolistic competition
I make independent decisions about price and output, based on its product, its market, and its costs of production, I have a freedom to enter or leave the market, as there are no major barriers to entry or exit, my firm is price makers, I have to engage in advertising.
What can you do to guarantee success in this market?
Advertise to make my website more marketable, expand into other types, color, and size of books.
What pricing strategy might you use?
Charge more for hardcover books and a premium price for services provided.