Economics

[Literature](), [Russian Literature]()

Economics: Question one How will the entry of firms such as Apple, Google, Amazon, Hulu and Comcast into the business of streamingmovies affect Netflix?

Answer

The entrance of firms like Comcast, Apple, Hulu, Amazon and Google into the market of streaming videos will make Netflix to struggle in attracting many customers as there will be intensified competition. This will see Netflix fiscal year frustrated.

Why do some analysts question whether Netflix can survive against these competitors? To survive, what must Netflix do?

Answer

Netflix survival is questioned by analysts as its shares have tumbled since competition emerged in the streaming industries. Analysts have also questioned the dropping numbers of shares particularly the slowdown insinuate lack of material competition. The analysts also say the profitability of the company is likely to be hurt because it grows aggressively in global markets. As individuals continue to think that Netflix stands for a great compelling entertainment, the speed with which streaming movies adopt in general, and in particular, looks to be importantly slower compared to previous anticipation. To survive, Netflix should spend more on initial programming with an effort to draw closer more customers. The original investment will be of a positive effect in the long run.

Question two

According to an article in the Wall Street Journal: In early January last year, after a disappointing Charismas season and amid worries about competition from discount retailers, Zale Corp. decided to shake things up: The self-proclaimed jeweller to Middle America was going to chase upscale customers…. The move was a disaster. The Irving, Texas, retailer lost many of its traditional customers without winning the new ones it coveted. (From Ann Zimmerman and Kris Hudson, “ Chasing Upscale Customers Tarnishes Mass-Market Jeweller,” Wall Street Journal, June 26, 2006. P. A1.

Why would a firm like Zale abandon one market niche for another market niche? We know that in this case the move was not successful. Can you think of other cases where the company successful changed its business strategy?

Answer

Firms like Zale may move from one market niche to another market niche due to monopolistic competition. This is where by many firms compete in a market, there are no barriers to entries and products available in the market are differentiated. The weak economy and fierce competition led Zale to move to another market niche (Mihaljevic, 2013)

Question three

a. Was the dry cleaner practicing price discrimination, as defined in the textbook? Briefly explain.

Answer

The dry cleaning is indirectly practicing price discrimination as there exist a difference in cost involved in accomplishing the work. Besides, there is a big difference in price we are not aware of incase it is the real costs’ differences.

b. As an economist, do you support laws like this one? Briefly explain.

Answer

As an economist I am not for support of law such as this as hair grooming, dry cleaning and laundry are jobs that can be executed in various ways for gender. For instance, men have less hair compared to women who have more hair though cutting hair of men need precision and skills than cutting a woman’s hair as it is always longer. Likewise, in laundry more time is taken when handling women’s clothes as compared to men’s clothes.

Part Two: Problem Solving Question

4. The Demand and Cost function for a company are estimated to be as follows:

P= 170-5Q

TC= 40+50Q+5Q^2

What price should the company charge if it wants to maximize its profit in the short run?

Answer

To know the price that maximizes the profit, differentiate the equation (Tewari, 2013)

For maximum profits Mc= Mr

Where by R= P. Q= 170Q-5Q2

MR= 170-5Q

MC= 50+5Q

170-50= 10Q

Q= 20/10

Q= 2

P= 170-10

P= 160

Reference

Mihaljevic J., 2013. The Manual of Ideas: The Proven Framework for Finding the Best Value Investments. John Wiley & Sons, 366 pgs

Tewari D., 2003. Principles of Microeconomics. New Age International