

Microsoft

Finance



Part A The effect on revenue when there is a change in price Whenever the price of the product is changed, it influences the demand and supply of the product (Mankiw, 2009). If the product is relatively elastic product then a change in revenue will bring a change in the demand, however the change in demand will be higher than the change in the prices (Arnold, 2008) and therefore it will result in less revenue for the company.

Similarly, if the product is relatively price inelastic, then a change in price will bring a change in the quantity demanded, however the change in the quantity demanded will be less than the change in the price of the product (Leamer, 2009) and therefore this will result in higher revenue.

2. Determining whether demand for the product of Microsoft is relatively price elastic or relatively price inelastic

The products offered by Microsoft include; Windows, Office; entertainment products such as Xbox 360 and others and all these products are relatively price inelastic. The demand of these products is very high and as it has been found that people have become accustomed of using products offered by Microsoft. As people are willingly purchasing products of the company such as Microsoft Word is being purchased although people have the option to use Word already installed in Windows, therefore it shows that people are ready to buy products of Microsoft. Therefore the products offered by Microsoft are relatively price inelastic despite of the increasing investment made competitors such as Apple.

Part E

Strategies to enhance revenue based upon all of the above information Although the market has become a lot more competitive than it was few years back. Therefore Microsoft has to continue working hard to improve <https://assignbuster.com/microsoft-essay-samples/>

their existing products. Microsoft has been working to enhance its revenues and following strategies have been suggested on how Microsoft can improve its revenues:

a. Microsoft can segregate its products on the basis of the consumer demand and then analyze the relatively price elastic or relatively price inelastic of each of the product of the company. This would allow Microsoft to understand and analyze how the total revenue of the company can be increased by considering each and every product. For instance, Microsoft Word can be considered as highly price inelastic and its demand would not change drastically even if the company increases its price by 15%. So in such cases, to increase the revenues the company should increase the price. Similarly, if the price of a product is relatively elastic, then it could analyze the price at which the company would be able to achieve maximum profits even if they have to reduce the price of the product.

b. As it has been found that consumers are still facing issues like unemployment, higher prices of gas, and fluctuations in the stock market, therefore at this point of time, it is difficult to predict how many consumers are ready to buy the newly introduced ' Surface'. However it is important that Microsoft analyzes the prices of other Smartphone available in the market and how consumers would respond to these phones and then charge price accordingly.

It is important for the company to understand the market conditions, the prices of the products, the prices of the competing products and what features they are offering as all these information will be helpful for the company to come up with better strategies to increase revenues.

References

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