

# Case study blake electronics



**ASSIGN  
BUSTER**

Should Steve contract any of the marketing companies that will assess the favorability of introducing the products to the market? If he will contract any of the two companies, which one would he choose (Major I&K)? Should the new products be even introduced to the market? 2) Developing a Model: MAIN'S proposal directly gives Steve the conditional probabilities he needs - probability of a successful venture given a favorable survey. Although the information from IS is different, we can easily use Bayes' theorem to use I&K information to compute the relevant probabilities.

As such, does not need any additional information from ASK. 3) Acquiring Input Data: Probabilities: Cost of introducing the products: \$500,000 If successful the product line, increased sales would be \$2,000,000 Cost of contracting MAC \$100,000 Cost of contracting I&K: \$300,000 4) Developing a Solution: If Steve decides not to contract the marketing companies for survey, the decision is to introduce the product with an EMV of Successful (0.6) e \$500,000) If he chooses MAIM for the survey, the best choice is to introduce the product irrespective of whether the survey results are favorable or unfavorable.

The EMV is \$800,000 if the survey results are favorable, while the EMV is only \$200,000 if the survey results are unfavorable. The overall EMV of hiring MAIM is Favorable survey Unfavorable survey (0.5) (\$800,000) (\$200,000) If Steve chooses for the survey, the best choice is to introduce the product if survey results are favorable, for an EMV of \$940,000. On the other hand, if the survey results are unfavorable, the best decision is to not introduce the product for an EMV of -\$300,000 (the cost of the survey). The overall EMV of hiring is (0.62) (\$940,000) (0.38) 5) Testing the

Solution: Which is decision has the best (maximum) MOVE? Analyzing the Results: probability assessments for all states of nature, we have determined the expected monetary value (MOVE) for each alternative. The expected value, or the mean value, is the long-run average value of that decision. The MOVE for an alternative is just the sum of possible payoffs of the alternative, each weighted by the probability of that payoff occurring. The alternative with the maximum MOVE is then chosen. 7) Implementing the Results: Comparing these alternatives.