

# [Economics and restaurant price](https://assignbuster.com/economics-restaurant-price/)

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The restaurant price and whole price data shows that cost based and pricediscriminationbased theory has been applied to the fifty wine products listed. The groups of wine are divided into to groups. They are the red win group and the white wine group. The data shows that the restaurant owners bought the wines from the whole sale store. The restaurant owner then adds a markup to cover for the cost of running a restaurant. The cost of running a restaurant includes the whole cost of the wine bought from the wholesale store and the cost serving the wine.

Waiters, cashiers and dishwashers are part of the wine serving process(Brown, 16). The additional restaurant wine includes the additional cleanup, the cost of storing the wine in the wine store room, the cost of managing and ensuring continuous stocks of the wines in the restaurant storeroom. The additional markup includes the cost of paying a wine connoisseur. He is an expert in wine criticism and advices the company on which wine to buy, how long to store the wines in the store room, and also how to serve wine.

The most important reason for introducing markups is to charge the restaurant clients for staying long hours on their tables talking business, or seducing a love object. In addition, the data presented showing that the restaurant price is an amount that has a mark –up of ninety –nine percent or more above the cost of buying the wines is definitely true. The restaurants add markups based on the willingness of the customers to pay the additional prices. This market segment does not care about the price of wine because they know that they want to add the high –priced wine to thefoodthat they gobble up in the restaurants.

This market segment even prefer to buy the high priced wines just for the pride of showing to their next table clients and to their restaurant friends that they have lots and lots ofmoney. This market segment is willing to pay more for a wine because they feel that these wines rare and are of higher quality than the other wine brands(Philips, 18). The data showing the fifteen wines clearly indicates that the restaurant charges each client a higher fee for the rare and higher –quality ones. The data also shows that the restaurant owners charge clients higher if they feel that the clients can afford to pay higher for the wines.

On the other hand, the restaurant is willing to charge a higher markup if they foresee that the client is a little hard up on cash upon entering the restaurant. The implications of the cost based and price discrimination based discussion above are many. One implication is that the restaurant must introduce the markups in order to stay in the business. A business would not survive if it does not make the bottom line. The bottom line is that the company must generate a net profit. A company that does not make a profit generates a loss. A company that generates a loss would not look good to the stakeholders of the company.

The stakeholders of the company includes the stockholders, the employees, the customers, the suppliers, the community, the government regulating agencies, the labor unions, and even the board of directors if there are any. Another implication of the cost based and price discrimination based discussion above is that there are customers who do not mind the markups. Many of the customers can easily see that the higher amount they pay for the wines bought in restaurants is because they are will savor an hour or two of their romantic interludes and seduction in the restaurants.

They will use the restaurant to sort of ‘ lay their cards down’ in the courtship game of life. This is the value that the restaurant clients get in exchange for willingly paying more for a bottle of wine. Another implication of the cost based and price discrimination based discussion above is that the restaurant prices of some wines are higher than the other wine choices. The $14. 25 restaurant wine price is priced at a markup of 96 percent of the cost. The $17. 00 restaurant wine price is priced at a markup of 182 percent of the cost. The $18. 00 restaurant wine price is priced at a markup of 133 percent of the cost.

The $21. 60 restaurant wine price is priced at a markup of 99 percent of the cost. The $12. 50 restaurant wine price is priced at a markup of 180 percent of the cost. Another implication of the cost based and price discrimination based discussion above is that there are people who can afford the higher cost of wines. The $17. 00 restaurant wine price is priced at a markup of 182 percent of the cost. The $12. 50 restaurant wine price is priced at a markup of 180 percent of the cost. The $ 7. 50 restaurant wine price is priced at a markup of 220 percent of the cost. The $14.

63 restaurant wine price is priced at a markup of 180 percent of the cost. The $13. 50 restaurant wine price is priced at a markup of 196 percent of the cost. The $ 6. 75 restaurant wine price is priced at a markup of 255 percent of the cost. Another implication of the cost based and price discrimination based discussion above is that there different wine qualities. The $ 6. 75 restaurant wine price is priced at a markup of 255 percent of the cost. The $14. 25 restaurant wine price is priced at a markup of 96 percent of the cost. The $17. 58 restaurant wine price is priced at a markup of 133 percent of the cost.

The $17. 00 restaurant wine price is priced at a markup of 182 percent of the cost. The $ 7. 50 restaurant wine price is priced at a markup of 220 percent of the cost. The $18. 00 restaurant wine price is priced at a markup of 133 percent of the cost. The $19. 20 restaurant wine price is priced at a markup of 119 percent of the cost. Another implication of the cost based and price discrimination based discussion above is that the business will survive. The different prices of the wines show that they are done to fit the budget of the clients. One wine is priced at $28 a bottle.

Another wine is priced at Another wine is priced at $48. Another wine is priced at $78. Another wine is priced at $122. Another wine is priced at $32. Another wine is priced at $40. Another wine is priced at $24(Haslam, 100). The above discussion shows that there many implications of variances in the restaurant prices when compared to the whole prices. Definitely, One implication is that the restaurant must introduce the markups in order to stay in the business. Clearly, another implication of the cost based and price discrimination based discussion above is that there are customers who do not mind the markups.

Undoubtedly, another implication of the cost based and price discrimination based discussion above is that the restaurant prices of some wines are higher than the other wine choices. Surely, another implication of the cost based and price discrimination based discussion above is that there are people who can afford the higher cost of wines. Truly, another implication of the cost based and price discrimination based discussion above is that there different wine qualities. Unquestionably, another implication of the cost based and price discrimination based discussion above is that the business will survive.

Conclusively, the restaurant pricing above is founded on the economic principles of supply and demand(McConnell & Brue, 52). REFERENCES: Haslam, C. , Economics in a Business Context, Oxford, Taylor & Francis, 1989 McConnell, C. , Brue, S. , Economics: Principles, Problems, and Policies, N. Y. , McGraw- Hill, 2005 Brown, D. , The Restaurant Manager’s Hnadbook: How to Set Up, Operate, and Manage a Financially Succesful Food Service Operation. N. Y. , Atlantic Press, 2003 Philips, L. , The Economics of Price Discrimination: four essays in applied price theory, Cambridge, Cambridge University Press, 1983