This is not good 9512

Business, Marketing

A Market Economy is the most efficient way of organizing economic activities. Millions of suppliers (firm) and consumers (buyers) make the markets. The suppliers and consumers sell and purchase goods that satisfy the wants of consumers and suppliers. Suppliers and consumers make rational decisions, respond to incentives and make tradeoffs. Over all trade makes everyone better off. (Mankiw) If one firm does not meet the wants of the consumer then they will lose their place in the market. Sales for most major retailers have risen this quarter, while others have fallen. The over all sales gain equals 7. 9%. (Chandler) Sales rose because consumers are not bothered by threats of war. Also, they feel confident in current and future stability of the economy. The reason some retailers lost and most gained could be a number of possibilities: Prices might be too high for the consumer s taste. Marketing strategies appealed to consumer s tastes. Consumer s expectation of future prices and economic stability. Consumer purchasing goods from some firms dropped. This could have been because of price increase of goods sold by retailers. Prices of goods rose because of cost increase due to the rise in Average Total Cost. Average Total Cost is Total Cost (everything that is given up to pay for good) divided by Quantity (how many goods the firm produces). This will be driven up by the Variable Cost (costs that vary with the quantity of output produced) because of inflation; wage increase and cost of goods needed to produce the final good. With some firms rising having their Average Total Cost going up and not increasing price, they will lose profit. Profit is attained by [Total Revenue (the amount a firm receives for sales of it s output) divided by Quantity minus Total Cost divided by Quantity] multiplied by Quantity. Or, Profit will equal

(Price minus Average Total Cost) multiplied by Quantity. If the Average Total Cost is larger than the price than the firm will face either raising price or with a short-term profit loss-shutdown. If profit loss is in effect with the firms long-run Average Total Cost then the firm will have to cut their losses and exit the market. (Mankiw) One reason why most firms did better than others is because of their Average Total Cost being lower than the price. They will be able to make the profit that is needed for the firm to survive. Another reason is because the firm has a strong marketing strategy. Marketing involves the gathering of useful data: what the consumer wants. When the data gathered and studied the information provided will let the firm know what goods to produce or what type of advertising to use. Advertisers will make it seem that the firm s product is better that similar products. Consumers will be led to believe that the goods advertised are better. Consumers will purchase the goods that have a higher price, as long as the price is rational. Firms that have maximized marketing and advertising will be the ones that make profit. Some retailers such as Sears, whose sales dropped 0. 9%(Domestic) due to disappointing sales in apparel (Chandler) Comparing with Eddie Bauer whose sales rose 5% since 1998. The reason why Sears s sales dropped and Eddie Bauer sales rose is because of a strong advertisement strategy. Sears never mentioned advertisement and Eddie Bauer has a strong advertisement strategy letting consumers purchase their goods over the Internet.