

Making a decision and a decision tree

Business



The decision tree presented above shows the expected monetary value of all the possibilities under the two decisions that Mr. Jaeger can make. The first decision is to harvest the Riesling grapes immediately, in which case, a bottle of the wine would sell at a price of \$2.85. However, the winemaker can decide to wait for the storm in the hope that the mold, Botrytis, would develop. However, from an analysis of the decision tree, it is evident that this option is not advisable. This is because the expected probabilities of the option present very small, expected monetary values, meaning that Mr. Jaeger is better off harvesting the grapes immediately.

In my opinion, Mr. Jaeger should be guided by the decision tree options, because the calculation of options is viable. This means that the options calculated in the decision tree have a chance of occurring. From the decision tree, it can be seen that the expected monetary values for the two options are very different, a margin that Mr. Jaeger cannot afford to dismiss.

However, an analysis of the case indicates that the Riesling is not a large part of the winemaker's business; therefore, Mr. Jaeger would not be ruined if he takes the gamble and loses. This means that the winemaker has the option of taking the gamble to impress wine connoisseurs, since the presentation of a quality wine would raise the reputation of the winery.

After an analysis of the two options open to Mr. Jaeger, it can be concluded that the best decision would be to harvest the grapes immediately. This is because the expected pay off from waiting for the storm is not justified by an accompanied increase in revenue.