

Will bury's price elasticity scenario concept



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In today's society, the goods and services that are available to provide a comfortable or affluent standard of living are constantly being sought after. The different needs and wants of individuals are wide-ranging and numerous. Society is fortunate to have labor and managerial talent, tools and machinery, and land and minerals that are utilized to produce the goods and services that are in demand. The manufacturing of the products that fulfill the economic wants is called the economic system or the economy. An advancement of technology brings new and better goods to people's lives. With this advancement comes improved ways of producing them (McConnell ; Brue. 2004). In the Will Bury's Price Elasticity Scenario, Mr. Bury has developed and patented a technology that permits the written text in books to be scanned. Once the material is scanned, a file is created that allows for an option of either reading the text digitally or listening to it being read with a realistic synthetic voice. He has done quite a bit of research and discovered that individuals who make use of digital and audio books are affluent with above average incomes. Another interesting fact is that the same audience who downloads music to their digital devices is being drawn to digitally listening to books, therefore creating a market base for his product. He has economically theorized his data by systematically arranging, interpreting and generalizing the facts. He must bring order to the facts by arranging them in a cause-and-effect order. To establish this Economic theory, he had to address the following issues. A CD was already available that held a 500 page book and its cost was about \$20. 00 each. There is a \$5. 00 royalty fee per each book that was still under copy-right protection. Was his invention encoded with enough security to prevent others from the unauthorized replication of his device? Should he expand his books to

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include other languages besides English? (McConnell ; Brue. 2004). Over the past few years, his rational self-interest has been to devote all his spare hours to his invention. Mr. Bury has allocated his time and energy to maximizing his well-being, thus increasing his utility. However, he is now facing a dilemma. He has must decide whether he wants to devote more of his time to his invention. If he spends more hours with his creation, he is sacrificing the time he has with his family. The sacrifices that he makes are opportunity costs where for him to get more of one thing, he must forgo something else. As money and time are scarce, decisions made in the context of scarcity means there are always costs. He is weighing the costs and benefits of his choices, making his decisions rationally and not randomly (McConnell ; Brue. 2004). In making his decisions, Mr. Bury is using a marginal analysis. He is making comparisons of the marginal costs and the marginal benefits associated with his choices. For him to make his choices rationally, he must compare the two. His decisions will involve changes in his status quo or his existing state of affairs. Should he leave his \$200, 000 a year job that provides security for his family? Should he give up the benefits package that is provided with his job? Does he become an innovative entrepreneur and make strategic business decisions that could set the course of an enterprise? He must decide if the decision to obtain the marginal benefit that is associated with a specific option will include the marginal cost of forgoing something else (McConnell ; Brue, 2004). Mr. Bury's invention can have a positive effect on the Economic goals of the United States and possibly on countries overseas. By producing a superior good, his invention could affect Economic growth by aiding in the development of a higher standard of living. It is not feasible for Mr. Bury to

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scan and digitize all the books himself. It takes almost an hour for 500 pages to be completed. It will be an easy task for him to train people to perform the process. He could pay an individual in the United States, with a high school education, \$10.00 an hour. He could pay a worker overseas \$2.00 an hour to do the same process. By hiring these workers, he is aiding the economy by providing full employment to those who are willing and able to work. Mr. Bury needs to decide how he is going to market and launch his product once mass production is underway. He has already established a web site that offers a small catalog of books. The price is \$10.00 a book in which the copyright has lapsed. The price is \$15.00 a book in which he has to pay the royalty fee. The web site has only been in operation for six months and has not performed in the way as Mr. Bury would have liked. He sold 1,000 of the older books for sales totaling \$10,000. He sold 2,000 of the newer books for sales totaling \$30,000. But \$10,000 of the \$30,000 is for royalty fees. This equates to a grand total of \$30,000 in sales. He would benefit greatly by analyzing his Allocative efficiency to determine if his MB (Marginal Benefits) = MC (Marginal Costs). Would a price increase decrease his revenue? Would a price decrease increase his revenue? Will his price change have any affect on conventional hardcopy books? If I were Mr. Bury, I would not at this time leave my \$200,000 a year job. I would wait until the revenues were more stable. I would however, expand the line of books to include many other languages. I would also "play" with the prices to see how consumers reacted. There is a magnitude of ways that Mr. Bury could control his prices. He could always increase the prices and then have a sale. He could have a Grand Opening Discount. He could have a Buy One, Get One at Half Off. He could have a clearance on discontinued books. He could have holiday sales. I

wouldn't keep a large amount of inventory on hand at first. I would build it based on the increase of demand. If Mr. Bury managed his business properly, it could turn out to be a very lucrative endeavor for him.