

Business Principles and Management-Chapter 3-Economic Environment of Business

Day 1-During the time that the supplier was on site with the products, the supply was plentiful, thus making the price remain high per item.

Day 2-The demand for the items for sale that day probably started out extremely high, thus making the seller think that he/she could obtain a higher price for the items. It would be similar to the demand for generators during the aftermath of a tornado during power outages. The supplier knows the demand has increased for whatever reason, and thus raises the price without little resistance from the customers.

Day 3-The supplier realizes that the extreme demand from Day 2 has dwindled to a very few, thus requiring the supplier to cut the price in order to try to generate a demand to get rid of the 100 units left in his/her inventory.

Day	Supply	Demand	Price
1	400	120	\$ 4.20
2	280	180	\$ 6.90
3	100	4	\$ 3.80

