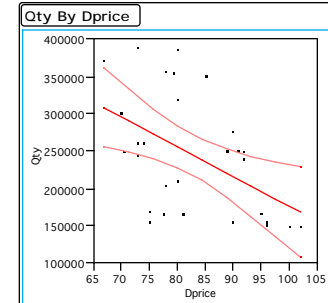
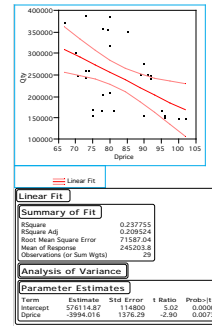


Estimate of Domestic Demand Function w.r.t. Price

Ted Mitchell

Sample of Domestic Market

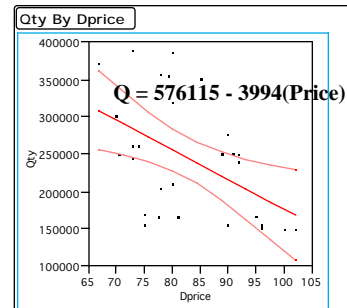


Sample of Domestic Market Response to Price Level

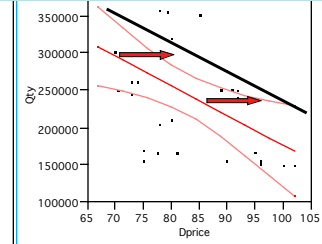
Summary of Fit
 RSquare 0.237755
 Mean of Response 245203.8
 Observations (or Sum Wgts) 29

Parameter Estimates

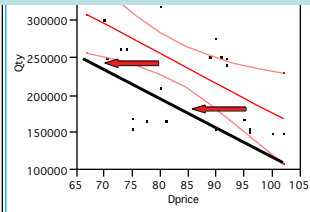
Term	Estimate	Std Error	t Ratio	Prob> t
Intercept	576114.87	114800	5.02	0.0000
price	-3994.016	1376.29	-2.90	0.0073



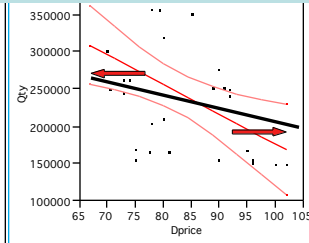
Increase Advertising or Sales Force



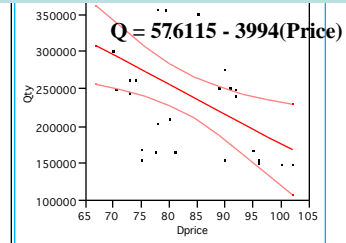
Increase Your Price Compared to Average Market Price



Improve Your Quality Make Customers More Loyal



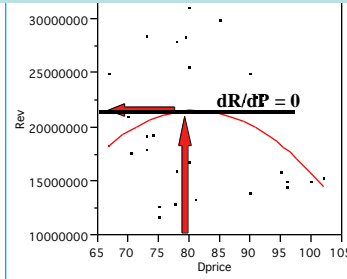
What Price Maximizes Sales Revenue?



Revenue Maximizing Price

- Revenue = Price x Quantity
- $R = PQ$
- Where $Q = 576115 - 3994P$
- $R = P(576115 - 3994P)$
- $R = 576115P - 3994P^2$
- $dR/dP = 576115 - 2(3994)P$
- Set slope = 0 and solve for P
- $P = 576115 \div 7988 = 72$

Statistical Test on Revenue Maximizing Price



Price That Maximizes Revenue

From the Statistical Evidence
Price that Maximizes Revenue in the
Domestic Market
is probably between
\$72 and \$78