

**Solution Manual for Management Science The Art of
Modeling with Spreadsheets Excel 2007 Update 1st
Edition Powell Baker 0470393769 9780470393765**

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**Solution
Manual:**

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Racquetball Racket

Question 1

What do we *know*?

- variable cost of our ball and Woodrow's ball
- plant costs
- history of number of players, price, sales
- focus group results

What can we *assume*?

- Woodrow will not change price
- focus group estimates are accurate about the total market
- no new competitors will emerge
- our price, once set, will not change
- costs will not change over time

What could the results *look like*?

- estimate of profit (NPV)
- scenarios under which we could make a profit
- estimate of profits if Woodrow retaliates
- strategy for pricing over time
- estimate of the risks of investing

What *information* can be brought to bear?

- history of related products, such as tennis balls
- information on competition between an established player and new rival with a cost advantage

What can we *ask the client*?

- how important is the ball business to Woodrow?

is Woodrow likely to retaliate?
how price sensitive are players currently?
would players compare prices on a relative or absolute basis?

Similar situations or problems?

entry of new competitor with a cost advantage

Question 2

Problem statements: *In what ways could we....?*

ensure profitable production of the new ball?

best negotiate a partnership with Woodrow?

drive Woodrow from the ball business?

develop our production process for sale to other makers of balls

Question 3

Decisions

enter market or not

price of our ball

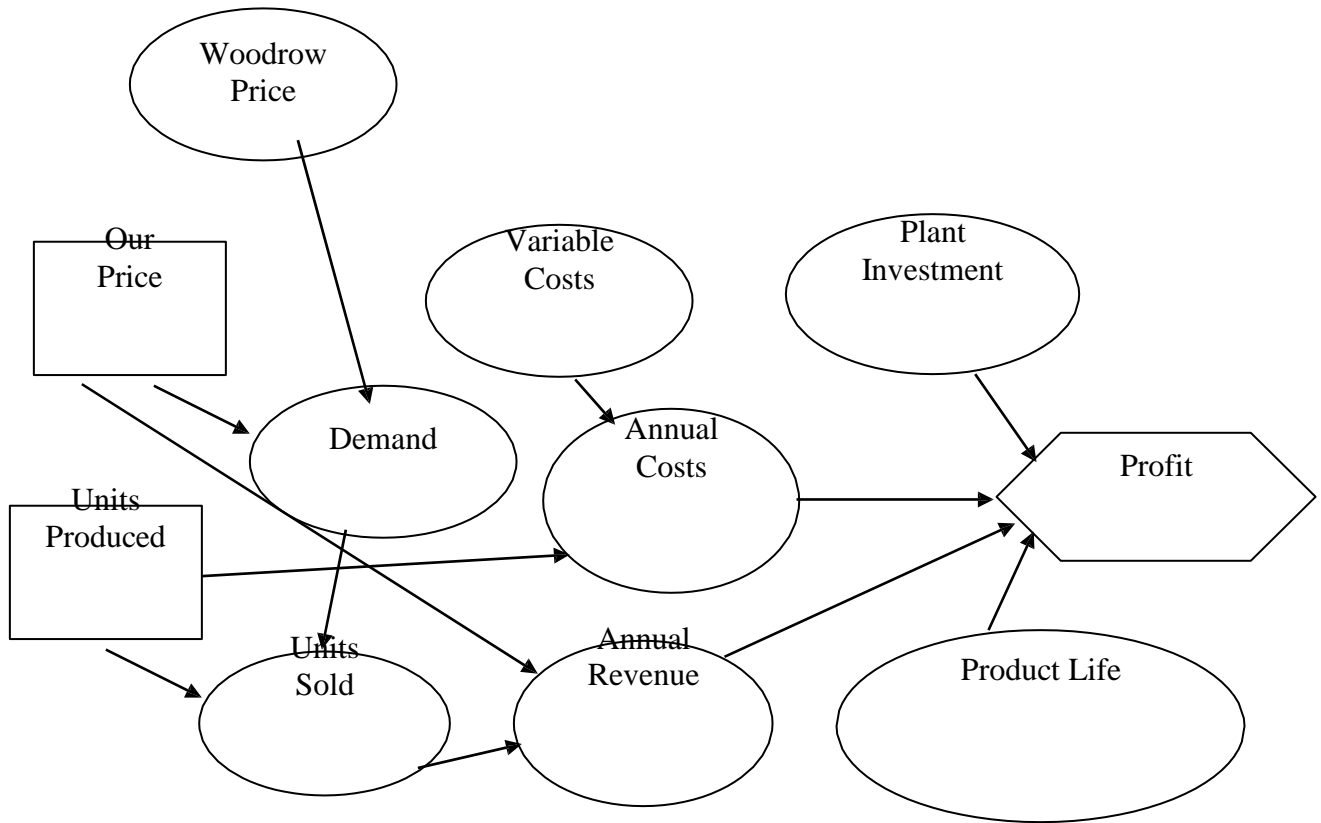
units of production each year

Objectives

maximize profit

Constraints
NA

Question 4



Question 5

Ways to simplify
ignore competitive reaction
assume zero price elasticity

Question 6

Modules
total players
our market share
balls/player/year
annual contribution
NPV

Question 7

Key relationships

market share number of
players Woodrow price
response

Question 8

Parameters

various parameters in market share relationship
initial number of players
Woodrow's price
growth rate in players
variable costs
plant costs