

KOFA HIGH SCHOOL SOCIAL SCIENCES DEPARTMENT

ECONOMICS

**VIDEO STUDY GUIDE # 7 - THE FIRM AND
CONTROLLING COSTS**



TERMS THAT YOU MAY NEED INFORMATION ON :

- 1. ECONOMIES OF SCALE - AVERAGE COSTS FALLS FOR EACH ADDITIONAL UNIT THAT IS PRODUCED = GREATER OUTPUT USUALLY MEANS LOWER COSTS OF PRODUCTION = GREATER PROFIT**
- 2. HIGH FRUCTOSE CORN SYRUP - NATURAL SUGAR EXTRACTED FROM CORN**

**** STORY # 1 > INCREASING COSTS, COMPETITION, AND MARKET FLUCUATIONS PUT TREMENDOUS PRESSURE ON COKE'S PROFITS. WHAT COULD THEY DO TO CONTROL COSTS AND MAINTAIN PROFITS ?**

HOW BIG IS THE SOFT DRINK INDUSTRY ?

WHAT PROBLEM DID COKE FACE IN THE 1980 s (HINT - IT WAS RELATED TO AN INGREDIENT THEY USED) ?

WHAT WAS THE AVERAGE NUMBER OF SOFT DRINKS EACH PERSON IN AMERICA DRANK PER YEAR ?

HOW MUCH SUGAR WAS COKE USING A YEAR ?

WHAT ALTERNATIVE TO SUGAR WAS FOUND ?

HOW MUCH OF AN ADVANTAGE DID THE HIGH FRUCTOSE CORN SYRUP HAVE OVER SUGAR CANE ?

SUCCESS IN THE SOFT DRINK INDUSTRY WENT TO THE FIRM THAT COULD BECOME A _____ VOLUME AND _____ PRODUCER

MR. GILL SAYS THAT > “ THE WAY WE PRODUCE ALL PRODUCTS IS DEPENDENT ON THE COSTS OF THE _____

**** STORY # 2 > WHY THE STUDEBAKER AUTOMOBILE COMPANY DIDN'T MAKE IT**

WHAT WERE STUDEBAKER'S BUSINESS STATISTICS :

<u>REVENUE</u>	<u>MARKET SHARE</u>	<u>ANNUAL PROFIT</u>
\$	%	\$

IN THE LATE 1800 s , STUDEBAKER WAS ORIGINALLY A COMPANY THAT MADE WHAT PRODUCT ?

THE DEPRESSION DROVE STUDEBAKER INTO _____

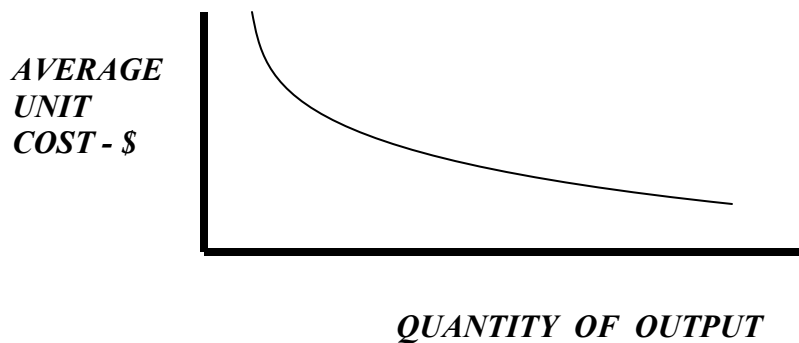
WHAT BROUGHT THE COMPANY BACK TO PROFITABILITY ?

WHAT PROBLEM DID STUDEBAKER RUN INTO IN THE EARLY 1950 s ?

STUDEBAKER COULD NOT BORROW ENOUGH MONEY TO STAY COMPETITIVE AND LOST OUT TO OTHER COMPANIES WHO HAD GREATER _____ OF _____

IN 1963 HOW MUCH MONEY DID STUDEBAKER LOOSE AND WHAT HAPPENED TO IT ?

WHAT DOES MR. GILL'S GRAPH (BELOW) ILLUSTRATE ? PUT A TITLE ON IT :



**** STORY # 3 > COST CONTROL AND THE REMAKING OF THE PUBLISHING INDUSTRY**

COMPOSING IN PUBLISHING IS TIME CONSUMING AND CAN BE COSTLY . WHAT WAS PRINTPOD'S SOLUTION TO THIS CHALLENGE ?

WHAT TWO ADVANTAGES DID THE COUNTRY HAVE TO OFFER WHERE PRINTPOD FOUND A PARTNER ?

1.

2.

WHAT CULTURAL CHALLENGE DID THE PARTNERSHIP RUN INTO ?

ECONOMIST NARIMAN BEHRAVESH POINTS OUT THAT UNDER PRESSURE OF COMPETITION BUSINESSES WILL CUT COSTS IN MANY WAYS SUCH AS

SUBSTITUTING LESS EXPENSIVE _____ AND _____

IN ANOTHER COUNTRY FOR THE MORE EXPENSIVE IN THE UNITED STATES

NARIMAN BEHRAVESH ALSO POINTS OUT THAT THERE ARE _____

TO THIS SUBSTITUTION

HOST DAVID SCHOUMACHER SAYS THAT TO SURVIVE IN RAPIDLY CHANGING MARKETS , BUSINESSES HAVE TO TAKE _____ AND CUT _____

BY :

1. **SUBSTITUTING _____ RAW MATERIALS**

2. **MAKING USE OF NEW _____**

3. **REDUCING THE COST OF _____**