FINANCE MBA MIDDLESEX 2021

2. Encounter!

Peter Nordgaard

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TODAYS CHAPTERS

- 3. Elasticity (Repetition)
- 4. Demand
- 5. Supply Decision
- 6. Market Structures

Next time:

8: Market Failures and Government Policy (More or less Intervention? What is the target? Externalities Free rider, monopoly, Inheritage)
9: Aggregate demand and the business Cycle (Balance of Payments, Aggregate Demand)
10: Aggregate Supply and Economic Growth (Capital Intensity, Labour Productivity
13: Macroeconomic Policy (Fiscal, Monetary and Supplyside Policy)

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GAMESTOP

- Du bedes relatere så mange økonomiske begreber til Gamestop historien som du finder relevant

What Is the Efficient Market Hypothesis (EMH)?
The efficient market hypothesis (EMH), alternatively known as the efficient market theory, is a hypothesis that states that share prices reflect all information and consistent alpha generation is impossible.
According to the EMH, stocks always trade at their fair value on exchanges, making it impossible for investors to purchase undervalued stocks or sell stocks for inflated prices. Therefore, it should be impossible to outperform the overall market through expert stock selection or market timing, and the only way an investor can obtain higher returns is by purchasing riskier investments.

FIRST ASSIGNMENT

- **Contents & Structure of the Economics Individual Report:**

- Imagine that you are part of the marketing team of the product X at company ABC, which aims at selling this product in the domestic as well as global markets. You are preparing a marketing strategy for this product in the second half of 2021. Define the properties of your product and the target markets by using the micro and macroeconomic concepts that we learned in lectures, which will be used as an input for your marketing strategy. In particular, address the following issues:

- What are the alternative scenarios with regards to the costs of production (marginal costs like labour costs, raw materials, energy)? Consider the macroeconomic expectations for the second half of 2021 and different scenarios about the macroeconomic developments and the current pandemic.

- What type of a good or service is X? What is the price and income elasticity of your product? What is the cross price elasticity with respect to complementary and substitute products?

- What is the market structure? What are the possible strategies of your competitors? What will be your strategy with respect to your competitors?

- Which market segments and different pricing strategies can you imagine?

- Think of the developments in demand in different markets domestically and globally. How will demand develop in these markets? What is the effect of the pandemic on the demand for your product? How could government policies in different markets affect the demand for your product?

- Prepare different scenarios about the developments in the currency markets and their effect on the price competitiveness of your company.

HAR VI NÅET HVAD VI VILLE FØRSTE GANG?

- Kunne du genkende de fleste teoretiske områder i kapitel 4, 5 og 6 ud fra vores første undervisningsgang?
- Kunne du forstå dem enklere, fordi vi allerede havde diskuteret dem?
- Kunne vi have gjort noget andet?
- Kort team øvelse
  - Hvad gjorde indtryk på dig sidste gang?

Diversity

Not everybody learns in the same way
By providing different approaches to learning, we seek to give more opportunitites for learning
Some of the approaches you may like and some of them not – this is diversity…

MACRO ECONOMY

- Macro Economy is the study of aggregated demand and supply

Year 2001 (2019 age)	Min Age	Disposable Income
Traditionalists or **Silent Generation** - 1945 and before.	76	249.300
Baby Boomers - 1946-1964.	57	309.250
Generation X - 1965-1976.	45	372.650
Millennials or **Gen Y** - 1977-1995.	26	273.300
Generation Z or **iGen** or Centennials - 1996-now.	1	78.450

We can study all parameters that we believe are impacting the economic results

Hvad siger egentlig tabellen ovenfor?

USE ECONOMIC INSIGHT TO RAISE QUESTIONS

When shopping, Millennials focus on discounts. They value price over recommendations, the brand's reputation, and even product quality. They follow brands online just for discount opportunities. 66% of millennials would switch brands if offered at least a 30% discount, and only a third see a brand to consider trends or product updates.

Ironically, 60% of millennials state loyalty to brands they currently purchase from if treated well through customer-centric experience. To ensure allegiance, companies include loyalty programs with custom discounts as well as active courtship.

- What is the value of Loyalty and Customer Clubs

DEMAND

- The value of Demand is individual
- your taste is yours (and probably many others)

How could your demand be impacted?

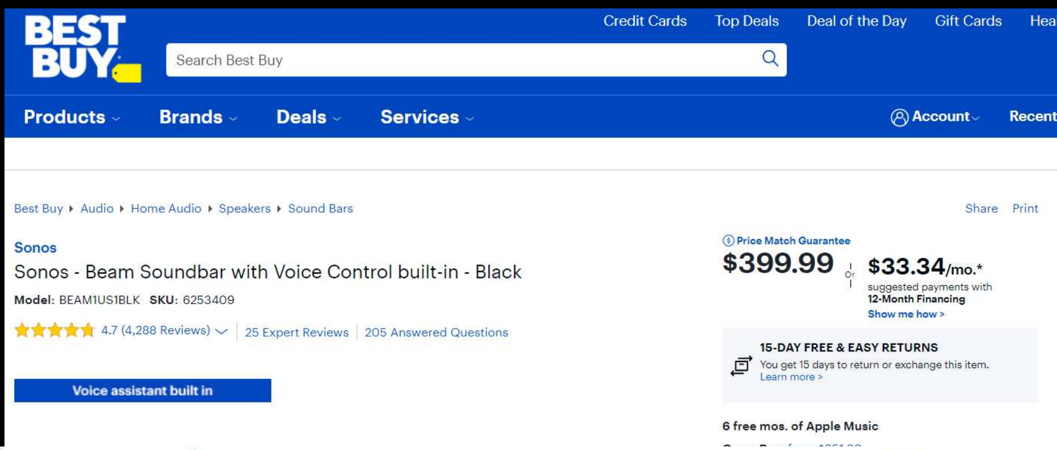
PRICE ELASTICITY

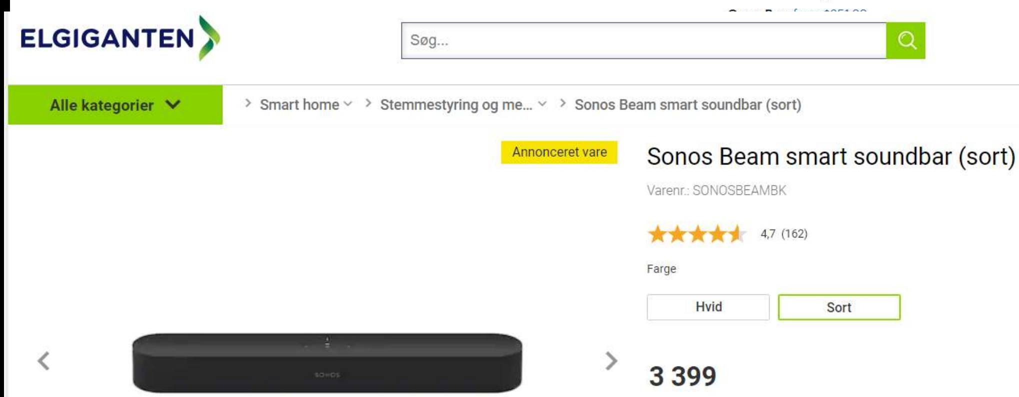
Price Elasticity		Peter Nordgaard, 2021		
	Change in Quantity	Change in Price	Calculation	Price Elasticity
Inleastic	0,2	-0,4	-0,5	0,5
Neutral	0,2	-0,2	-1	1
Elastic	0,2	-0,1	-2	2

Cross Price Elasticity		Peter Nordgaard, 2021		
	Change in Quantity Product A	Change in Price Product B	Calculation	Cross Price Elasticity
Complementary	-0,2	0,4	-0,5	-0,5
Unrelated	0	0,2	0	0
Substitutes	0,2	0,1	2	2

Income Elasticity		Peter Nordgaard, 2021		
	Change in Quantity	Change in Income		Income Elasticity
Complementary	-0,2	0,4	-0,5	0,5
Unrelated	0	0,2	0	0
Substitutes	0,2	0,1	2	2

SONOS





Hvordan vil du teoretisk forklare denne prisforskel?

400 USD = 2485 DKK
3.399 = 914 DKK = 37% more expensive in Denmark

Teams Assignment

CONSUMER DEMAND AND CHANGES

- 1. What changes do you believe has happened to spending patterns during 2021?
- 2. Please find data to support your conclusion
- 3. Explain the reason behind their appearance
- 4. Which of these will persist in 2022?
- 5. Which price elasticities do you believe have changed during 2021?
- 6. Would any of these categories impact on the global economy? Why?

1 hour assignment

https://www.worldbank.org/en/news/press-release/2020/04/23/most-commodity-prices-to-drop-in-2020-as-coronavirus-depresses-demand-and-disrupts-supply

ILLIQUIDITY PREMIUM

When a financial crisis suddenly emerges, you need assets that can be sold.

Some assets are ”liquid” and some assets are ”Illiquid”. If you buy an asset that is not liquid, you would expect a rebate due to its lack of being able to be sold quickly.

Peter Nordgaard

Income Elasticity

P = Demand/Income (Changes)

Cross Price Elasticity

P = Demand in good A/Price Good B (Changes)

Hvad sker der når demand forskydes i periode? Læs nedenstående artikel;

Coop Analyse – Corona

Hvad betyder begrebet ”Substitute goods”? Hvilken relation har det til ”Monopolistic Competition”?

Hvilken rolle spiller ”Velocity” eller hastighed i clearing af markeder? Price Elasticity?

Hvordan vil du forklare ”Gær effekten” March/April 2020? https://www.dr.dk/mad/artikel/gaerfabrik-til-danskerne-bag-bare-loes-vi-loeber-ikke-toer-foer-efteraaret

Hvad vil der typisk ske hvis der fastsættes en maksimal tilladt pris for en vare?

Hvorfor kan et bord på en populær natklub koste 25-50.000 kroner? Hvilken teori vil du inddrage?

Price Elasticity

Please explain the main parameters that can impact on Price Elasticity

ennemsnitshusstand	2019	Lb Pris
FORBRUG I ALT	323.254	100
04.2 Beregnet lejeværdi af bolig	41.710	13
01.1 Fødevarer	34.380	11
04.1 Faktisk husleje	29.838	9
04.5 Elektricitet, gas og andet brændsel	23.580	7
07.2 Drift af personlige transportmidler	21.346	7
07.1 Køb af køretøjer	17.754	5
11.1 Restauranter, cafeer og kantiner mv.	15.314	5
12.5 Forsikring	15.210	5
09.4 Fritids- og kulturtjenester	10.987	3
03.1 Beklædning	9.723	3
04.4 Vandforsyning og andre tjenester i forbinde	9.555	3
09.3 Andet tilbehør og udstyr til fritid, haver og	7.272	2
08.3 Teletjenester	6.683	2
05.1 Møbler og boligudstyr, tæpper og anden gu	6.195	2
12.1 Personlig pleje	6.155	2
09.6 Pakkerejser	6.145	2
07.3 Transporttjenester	5.918	2
02.1 Alkoholiske drikkevarer	4.892	2
11.2 Overnatningsfaciliteter	4.435	1
06.2 Ambulant behandling	4.108	1
12.4 Daginstitutioner og social forsorg	3.927	1
01.2 Ikke-alkoholiske drikkevarer	3.586	1
06.1 Medicinske produkter, apparater og medici	3.563	1
09.1 Audiovisuelt og fotografisk udstyr og datau	3.230	1
05.6 Andre varer og tjenester til husholdningen	3.197	1
04.3 Vedligeholdelse og reparation af bolig	2.972	1
09.5 Aviser, bøger og papirvarer	2.464	1
09.2 Andre større varige forbrugsgoder til fritids-	2.354	1
05.3 Husholdningsapparater og reparation heraf	2.192	1
03.2 Fodtøj	2.096	1
02.2 Tobak	2.041	1
12.3 Andre personlige effekter	1.856	1
05.4 Glas, service og husholdningsredskaber	1.655	1
05.5 Værktøj og udstyr til hus og have	1.370	0
08.2 Telefon- og telefaxudstyr	1.363	0
05.2 Boligtekstiler	1.116	0
10.1 Førskoleundervisning og primær undervisni	777	0
12.7 Andre tjenester	676	0
12.6 Finansielle tjenester	600	0
10.2 Ungdomsuddannelse	592	0
10.5 Undervisning uden for niveau	193	0
10.4 Videregående uddannelse	159	0
08.1 Posttjenester	71	0
06.3 Hospitalstjenester	1	0
02.3 Euforiserende stoffer	-	-
2.2 Prostitution	-	-

CHINA ONE CHILD POLICY

- **One-child policy**, official program initiated in the late 1970s and early '80s by the central government of China, the purpose of which was to limit the great majority of family units in the country to one child each. The rationale for implementing the policy was to reduce the growth rate of China's enormous population. It was announced in late 2015 that the program was to end in early 2016.

- Is competition always good?

What economic theories would explain a one child policy?

FACEBOOK/GOOGLE AND COMPETITION

- **How would you explain the state of the competition?**
- **Should legal actions be taken?**
- **What consequences would legal actions have?**

What economic theories can you apply?

NEMLIG

Uffe Gardel
(forbrugere fravælger nemlig.com) …det er forbrugerne der bestemmer, hvad de ønsker at vide om en virksomhed, før de køber dens varer eller tjenester. Det er virkelig mærkeligt at se liberale kræfter som Jan E. Jørgensen her, og **Søren Pind**
, blive vrede over at nogle forbrugere vælger at træffe politiske valg. Man kan være vred over den dækning, Nemlig.com har fået i Politiken - selv om jeg som gammel journalist og medierådgiver vil sige, at det har virksomheden godt nok selv været ude om. Men jeg forstår ikke hvordan man kan have noget imod, at forbrugerne får den slags oplysninger.

Hvad betyder begreber som bæredygtig ledelse?

GOVERNMENT POLICY ASKOV FONDEN

7) Sociale Investeringer Sociale investeringer er en mulighed for at ***investere i bedre velfærd*** ud fra klare resultatindikatorer.

Det kan gøres ved hjælp af sociale kontrakter ***(Social Outcome Contracts, SOC)*** og (Social Impact Bonds, SIB), hvor der er en investor, som tager risikoen ved at lægge pengene up-front, så kommunen kun skal betale for det, der virker.

Der kan også være tale om en Payment By Result model, som betyder, at kommunen aftaler direkte med en serviceleverandør, hvad der skal opnås før, at pengene kan betales.

Begge modeller forudsætter, at der er klare resultatindikatorer i forhold til, hvad der skal opnås, så dem man skal hjælpe reelt, oplever og opnår en effekt af indsatsen.
På den måde er sociale investeringer altid først og fremmest til gavn for målgruppen. Man går med andre ord fra at fokusere på aktivitet til effekt.

Next time

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