Umbrellas and Prices

How changing conditions shape buying and selling

SS24.E.4b "Apply the law of supply and demand to everyday consumer and business decisions."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each event that changes demand or supply, then circle one consumer decision and one business decision made in response.

A Storm at the Hardware Store

1. On Monday, a neighborhood hardware store stocks 80 umbrellas at $18 each. The forecast calls for a dry week, so shoppers buy only a few. By Wednesday, a storm warning changes their plans. More people want umbrellas at every possible price, which means demand has increased. The store still has the same number on its shelves, so popular colors disappear first. A shopper who needs an umbrella today can pay the posted price while stock lasts, compare another store's price, or use a raincoat already at home. Waiting might save money, but it also risks getting soaked.

2. At the same time, a damaged delivery truck postpones the store's next shipment. At every possible price, the store can obtain fewer umbrellas this week, so supply has fallen. With higher demand and lower supply, umbrellas become scarcer and the price tends to rise. The owner raises the shelf price to $24 rather than promising the old price to everyone. A higher price may reduce the number shoppers choose to buy; it does not immediately repair the truck. The owner calls a second wholesaler, but its umbrellas cost more to purchase, so restocking could shrink the store's profit.

3. By Friday, the forecast changes again: the storm is likely to miss town. Fewer shoppers now want umbrellas at each price, so demand falls. The delayed shipment finally arrives, increasing the number available for sale. To avoid holding boxes of unsold umbrellas, the owner considers lowering the price toward $18. A customer who can wait has a reason to check prices on Friday instead of buying on Wednesday. Neither choice is guaranteed to pay off: weather can change, other stores may run out, and a lower price can reduce the owner's revenue per umbrella even if it attracts more buyers.

2 ANSWER WITH EVIDENCE

Use the passage

1. On Wednesday, why might a shopper who owns a raincoat decide not to buy an umbrella for $24?

2. Why might raising the price to $24 reduce Wednesday stockouts, even though it cannot fix the delivery problem?

3. If the owner buys umbrellas from the second wholesaler, what is one benefit and one cost?

4. What price change should the owner consider on Friday, and how do both demand and supply support that decision?

3 YOUR TURN

Your own words

Choose a product other than umbrellas and invent an event that changes its demand or supply. In four sentences, predict what will likely happen to its price, explain one consumer decision and one seller decision, and name a tradeoff or risk.

ANSWER KEY

Umbrellas and Prices

GRADE 12 · SS24.E.4b

PART 1 · READ AND MARK

Underline each event that changes demand or supply, then circle one consumer decision and one business decision made in response. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	On Wednesday, why might a shopper who owns a raincoat decide not to buy an umbrella for $24?	**The storm warning has increased demand and the price has risen to $24. Using a raincoat lets the shopper avoid that expense.**
2	Why might raising the price to $24 reduce Wednesday stockouts, even though it cannot fix the delivery problem?	**At the higher price, some shoppers may choose not to buy, leaving more of the limited stock for others. The delayed shipment still limits supply.**
3	If the owner buys umbrellas from the second wholesaler, what is one benefit and one cost?	**The owner could restock while demand is high, but the wholesaler's higher price could reduce the store's profit.**
4	What price change should the owner consider on Friday, and how do both demand and supply support that decision?	**The owner should consider lowering the price toward $18. Demand falls when the storm becomes less likely, and the arriving shipment increases the number of umbrellas available.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A nearby sawmill closes for repairs, cutting the supply of plywood to local stores. If demand stays steady, plywood prices are likely to rise while fewer sheets are available. A homeowner might postpone a shed project rather than pay the higher price. A hardware store could buy plywood from a farther supplier, but higher delivery costs might erase the profit from additional sales.

Accept other decisions supported by the passage and a sound explanation of the tradeoff. For Part 3, look for a plausible supply or demand change and a price prediction consistent with it.