Lunch Market Choices

How incentives shape what businesses make and where they sell it

9-12.EC.3 "Identify how incentives determine what is produced and distributed in a competitive market system."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two clues about customer demand, circle two costs or risks, and number the three places Harbor could sell its wraps. Use your marks to track what might change Harbor's decisions.

Where Should the Wraps Go?

1. At a neighborhood market, several bakeries sell lunch to people who can choose where to buy. At first, Harbor Bakery makes equal numbers of bean wraps and chicken wraps. By noon, the bean wraps sell out, while chicken wraps remain on the shelf. Customers say they want a filling lunch that costs less. Harbor notices that a bean wrap costs less to make than a chicken wrap, even though both sell for the same price. Other bakeries also watch the line at Harbor, because a popular item can bring in customers who might otherwise shop elsewhere.

2. The next week, Harbor buys more beans and makes more bean wraps. Another bakery adds its own bean wrap and posts a lower price. Harbor cannot count on keeping every customer, so it tests a spicy version rather than making unlimited copies of the first wrap. But producing more is not risk free. A delivery truck charges extra when bean orders are small, and wraps left at closing must be discounted or thrown away. Harbor's owner compares expected sales revenue with ingredient, labor, and delivery costs before deciding how many wraps to prepare each morning.

3. Harbor also chooses where to send its finished wraps. Its cart near the office buildings regularly sells out, while its cart beside the sports field often has leftovers on weekdays. Moving some wraps to the office cart may increase sales without baking more food. The field cart still gets a smaller supply because weekend games bring customers there. A community center asks Harbor to stock wraps at a low price, but the center is farther away and delivery costs more. Harbor may serve it if customers or the center cover enough of those costs. These choices affect which neighbors can buy lunch nearby.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why does Harbor have an incentive to make more bean wraps and fewer chicken wraps?

2. Why might the rival bakery's lower price make Harbor test a spicy wrap instead of making only more of its original bean wrap?

3. How should weekday sales and weekend games affect the number of wraps Harbor sends to each cart?

4. What change would make Harbor more likely to deliver wraps to the community center? Explain how that change affects Harbor's incentive.

3 YOUR TURN

Your own words

Imagine you run one of several competing shops that make reusable water bottles. Gym customers begin buying insulated bottles, and a nearby school wants deliveries but is farther away. In 4 to 5 sentences, explain what you would make, where you would send the bottles, and how expected revenue, costs, and competitors shape both choices.

ANSWER KEY

Lunch Market Choices

HIGH SCHOOL · 9-12.EC.3

PART 1 · READ AND MARK

Underline two clues about customer demand, circle two costs or risks, and number the three places Harbor could sell its wraps. Use your marks to track what might change Harbor's decisions. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why does Harbor have an incentive to make more bean wraps and fewer chicken wraps?	**Bean wraps sell out while chicken wraps remain, and bean wraps cost less to make despite having the same selling price.**
2	Why might the rival bakery's lower price make Harbor test a spicy wrap instead of making only more of its original bean wrap?	**The rival's lower price could draw customers away, so a spicy wrap might give customers a reason to choose Harbor. Testing a small amount limits the risk of unsold food.**
3	How should weekday sales and weekend games affect the number of wraps Harbor sends to each cart?	**Harbor has an incentive to send more wraps to the office cart on weekdays because it sells out, but to supply the field cart for weekend games when demand there rises.**
4	What change would make Harbor more likely to deliver wraps to the community center? Explain how that change affects Harbor's incentive.	**Larger orders or payments that cover the extra delivery cost would make the trip more likely to bring in enough revenue to be worthwhile.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

I would make more insulated bottles because gym customers are buying them, which could raise revenue. I would start with a small batch in case rival shops lower their prices. I would send most bottles to the gym and offer the school a smaller delivery. If the school's orders cover the higher delivery costs, I would send it more bottles.

Accept other choices when students connect what they produce and where they sell it to demand, competition, expected revenue, and costs. Students need not claim that Harbor will serve the community center.