Smoothie Stand Showdown

Trace how a new seller changes a market

E.3.3 "Explain how competition in markets affects price and quantity."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each price change, circle each total quantity sold, and number the events when a stand enters or leaves so you can trace how competition affects both.

Two Stands at the Rink

1. On Friday afternoons, students leaving a skating rink bought smoothies from a single stand, Blend Stop. At $6 a cup, it sold about 80 cups each afternoon. Some students thought the drink was worth $6, while others kept their money or brought water. Blend Stop could charge that price because skaters had no other smoothie stand nearby, though they could still choose other drinks. Its owner watched how many cups sold before deciding how much fruit to prepare the next day. The posted price shaped both the students' choices and the stand's sales.

2. The next week, another stand, Fruit Loop, opened beside the rink. It offered similar smoothies for $5. Blend Stop lowered its price to $5 to keep customers who might switch stands. At the lower price, more skaters decided to buy smoothies instead of passing them up. Together, the stands sold about 110 cups per afternoon: Blend Stop sold 60, and Fruit Loop sold 50. Competition increased the number of sellers willing to serve skaters and gave buyers another choice. Total smoothie sales rose even though Blend Stop sold fewer cups than it had before.

3. Later, Fruit Loop closed for a week because its owner was away. With no nearby smoothie rival, Blend Stop raised its price to $6 again. Assuming the number of skaters and their interest in smoothies stayed about the same, total sales fell back to roughly 80 cups per afternoon. Some skaters who had bought at $5 chose not to buy at $6. The change did not mean that every seller always earns more when a competitor leaves. It showed how fewer competing stands can allow a higher price while reducing the total quantity buyers purchase.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why did Blend Stop lower its price after Fruit Loop opened?

2. How did the price and total number of smoothies sold change when Fruit Loop entered the market? Explain why total sales changed.

3. Blend Stop sold fewer cups after Fruit Loop opened, yet total smoothie sales rose. How can both be true?

4. When Fruit Loop closed, how did the price and total quantity sold change? Why does the passage say to assume skaters' interest stayed about the same?

3 YOUR TURN

Your own words

Invent a different local market where a new seller opens. State a price and total quantity sold before and after the seller enters, explain why competition could cause both changes, and describe how the original seller's sales might differ from total market sales.

ANSWER KEY

Smoothie Stand Showdown

PART 1 · READ AND MARK

Underline each price change, circle each total quantity sold, and number the events when a stand enters or leaves so you can trace how competition affects both. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why did Blend Stop lower its price after Fruit Loop opened?	**Fruit Loop offered similar smoothies for $5, so Blend Stop lowered its price to keep customers who might switch.**
2	How did the price and total number of smoothies sold change when Fruit Loop entered the market? Explain why total sales changed.	**The price fell from $6 to $5, and total sales rose from about 80 to about 110 cups per afternoon. At $5, more skaters chose to buy smoothies.**
3	Blend Stop sold fewer cups after Fruit Loop opened, yet total smoothie sales rose. How can both be true?	**Blend Stop's sales fell from about 80 to 60 cups, but Fruit Loop sold 50 cups. Together, the stands sold about 110 cups.**
4	When Fruit Loop closed, how did the price and total quantity sold change? Why does the passage say to assume skaters' interest stayed about the same?	**The price rose from $5 to $6, and total sales fell from about 110 to roughly 80 cups. Holding interest about the same helps connect those changes to the loss of a competing stand.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

One bike repair shop charges $30 per repair and completes 20 repairs a week. After another shop opens, both charge $25, and together they complete 28 repairs a week. The lower price leads some people who had delayed repairs to bring in their bikes. The first shop now completes 15 repairs, so its own sales fall even though total market sales rise.

Accept plausible invented markets in Part 3 if the response distinguishes the original seller's sales from total market sales and explains how a new competitor could lower price and increase total quantity sold. Figures may vary.