BEC 30325: MANAGERIAL ECONOMICS
Tutorial 03
Demand Estimation Part I

1) Define the concept demand estimation and identify few common techniques used by managers to estimate demand.

2) " It is commonly accepted among the managers that demand has to be estimated using decision management tools, without merely depending on the past experience and gut feeling of the managers" Critically evaluate this statement by highlighting the importance of demand estimation in managerial decision making.

3) Suppose managers of a supermarket uses a long dataset of pork sales, prices and income and estimates the demand **function** for pork. The estimated demand function is given by:

$$D_p = 165 - 20P_p + 20P_b + 3P_c + 2Y$$

Where:

D_p is the demand (in millions of kg),
P_p is the price of pork,
P_b is the price of beef,
P_c is the price of chicken, and
Y is the average income level of households (in $,000).

    a) Interpret the demand equation.

    b) How would its interpretation affect the decisions of the supermarket managers?

    c) Is beef a substitute of complement to pork? Give reasons.

    d) Is pork a normal good? Give reasons.