**AEM 6700 Economics of Consumer Demand September/2016**

**In-class Activity 2: Meat Sector Problem**

Assume you work as a market analyst for a large beef processor that sells a variety of beef products, which are distributed nationally and internationally. The CEO of the company calls you to her office. She is a marketing person, so she is aware that the organization needs to pay close attention to consumer preferences and demand in a dynamic market. She is weary of asking advice from people that have been in the business for many years, because these individuals tend to be extremely “production-oriented”. She wants to understand better consumer demand in the beef category. She needs a rigorous analysis based on solid numbers, particularly because the company is planning substantial changes in their marketing strategy, including changes in prices. The CEO remembers that when interviewing for the position, you mentioned that you took advanced courses on the economics of consumer demand (one of your favorite classes☺). Therefore, she asks you to conduct an analysis of consumer demand for the meat product category in general, and beef in particular. While the company sells internationally, she wants you to focus only on the domestic market. You get nervous when she states: “I need you to help me figure out whether a marketing strategy based on price promotions is likely to succeed.”

You task is therefore to understand the demand for beef, and other products in the meat category. You had an assistant who collected quarterly per capita consumption and average prices for popular meat products, using data from various USDA sources. The data is stored in an Excel file (available in Blackboard). The data consists of aggregate quarterly retail price and per capita consumption for four meat products including beef, pork, chicken, and turkey. The data spans the period Quarter 1/1975 to Quarter 4/1999.

What would you advice to the CEO? Please justify your answer. Tips: You can use graphs and descriptive statistics to get insights on the data. Use what you know about the economics of demand; and use what you know about statistics and quantitative methods to address the questions. Do not worry if you do not know everything you need to know to solve the problem. Remember, the most important asset is to have common sense and economic logic.