Before the start of the last round, we had anticipated that our competitor will decrease a price. In the actual round, Turbo decreased its price by 1 pound per unit, Fresh increased its price by 0.5 pound per unit, and Store decreased its price by 0.75 pound per unit. Consequently, both Turbo and Fresh suffered a big loss in probability. For Fresh, since it increased the price in the last two consecutive rounds while other competitors were decreasing the price, its market share shrunk dramatically. For Turbo, while it has been decreasing the price in the last two consecutive rounds, its market has not increasing, therefore its profit also shrunk dramatically. For Store, who has been decreasing its price for the last two period, its profit has been negative for the two consecutive periods. Therefore, we anticipate that our competitor tends to not decrease the price in the last round.

In the last round, our market share did not increase even though the price decreased, since two of our competitors decreased the price, and the reason of us decreasing the price is to keep those customers who prefer our product than others. In this round, since we anticipate that our competitor tends to not decrease the price in the last round, and the profit of our brand has been positive for all rounds and became the highest in the end of round 3 comparing to our competitors, we believe that this is the best opportunity for us to take the risk by decreasing our price dramatically and to increase our market share, which has been the lowest comparing to our competitor. Therefore, our plan is to decrease the price by 0.75 per unit, and we will target those customers who currently does not have a high preference to our product but are sensitive to price change.

Since in year 2017 to 2018, Store is the only brand who increased the price while other brands did not change the price, we believe that it could provide us with insights of the price sensitivity of a particular group. We found that for those customers who live in Southeast, Central or West, whose income is below 40000 and whose household size is below 3, their demand for Store increased dramatically in 2017. Therefore, we believe that they are very sensitive to price and will prefer our products while our brand decrease the price. Moreover, the demand of this customer segment to our product is currently ranked only at 3 but has been increasing steadily in the last two rounds. Therefore, in the last round we decided to target this segment of customer.

During last round, the market share of Store increased the most by 25%, since it decreased the price by 0.75 pound per unit, largest comparing to its competitors. Our brand has the comparable sales to Store and target a similar customer segment as Store does. For the last round, since we are planning to decrease the price by 0.75 pound per unit as well while expecting others not to decrease the price, we expect the demand of our product to increase more than 30%. As the current sales of our product is 51 million, it is expected to be more than 66 million in the next year. Therefore, as we have 8 million inventory, we decided to produce 65 million this round.