**Beach Drinks Monopolistic Competition Game**

How it works:

You and your group are at the beach and you are considering starting a business selling non-alcoholic drinks. People are distributed unevenly on the beach. A lot of people are attracted to the regions of the beach with volleyball, sea lions and sand castles. People are more sparsely distributed in between these attractions. The distribution of people is given on the next page. Each person on the beach will buy their drink(s) at the nearest stand, and each person’s demand for drinks at that stand depends on the price:  
P = $5-2Q.

The opportunity cost of your team’s time is $500 collectively among you per day. The cost of the license to sell drinks on this beach is $4,500 per day. The cost of producing a drink is $1. Let Q be the choice variable when solving for the optimal price to charge.

Your team’s job is to decide:

1. What price will you charge for your drinks?
2. Would you prefer to be the first team to choose a spot on the beach or the last team to choose a spot on the beach?
3. Where would you like to place yourselves on the beach? You can place yourself anywhere between mile 1 and 100.
4. Under what conditions would you choose NOT to open a drink stand?

Among the groups that would prefer to be first to choose a spot on the beach, I will randomly select an actual first mover. Same goes for groups who would prefer to be last. Apart from that, we will draw randomly to decide the order teams will go. Once the team before you chooses a spot, you have 30 seconds to place your business on the map (the white board) before you lose your opportunity until the next round. Only one person may be at the white board at once.

We will play two rounds of this game. In the second round, you will be allowed to re-locate your business, leave the beach, or to enter the market for the first time. After the two rounds are done, you will calculate your team’s profit or loss. If two teams are equidistant from a mile of people, those two teams split the business of that mile.

Take a few minutes to strategize and calculate the price you will charge.



**Spread of people across the beach**

