5.6 Revenue Maximization vs Profit Maximization

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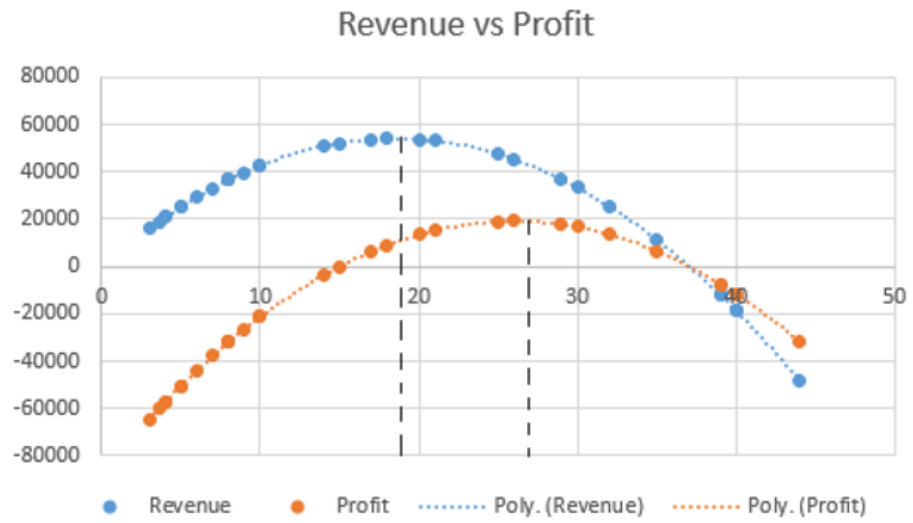
Summary	•
	$Predicted\ Demand\ =\ Intercept\ +\ Slope\ \times Price = b_0 + b_1 x$ • We've assumed that the $Marginal\ cost,\ c\ =\ 15$ $Revenue = Predicted\ Demand\ \times\ Price$ $Profit = Predicted\ Demand\ \times (Price\ -marginal\ cost)$ $= D(p)\ \times (p - c)$
• Notice that the revenue maximizing price and the profit maximizing price are different	This is the scatter plot we got in the analysis:  • It is clear that optimal price for revenue and optimal price for profit are not the same.