

ECO 610-401, Managerial Economics  
Fall 2008  
Professor William Hoyt  
Due: October 6, 2008

### Extended Assignment 1

Answer the following questions on a separate sheet of paper. Use only one side of the sheet and start a new sheet for each question. Staple your sheets together in the upper left corner.

The University of Kentucky Athletics Association Marketing Department has found that fans can, by and large, be placed into three classifications. The “True Blue” fans who come regardless of who Kentucky is playing; the “Fair Weather” fans who prefer to come to the non-conference games early in the season; and the “SEC” fans who are more interested in the SEC games. The attendance in all three groups is sensitive to price. The Marketing Department believes the ticket demand for the three groups, game by game, is approximately given by the table on the next page.

If the Athletics Association keeps 10,000 tickets in reserve for students and other specific purposes (recruiting), approximately 60,000 tickets are available for the general public.

For a variety of reasons, the University does not want to set different prices for different games. It can, however, offer a season ticket (to all seven games) and a single game price.

- a) Given the characterization of demand for tickets, should it only offer a single game ticket, only a season ticket or both? If so, what should be the price for the single game ticket and what should be the price for the season ticket.

Expected Ticket Demand, By Game, Ticket Price, and Group							
	Game						
	Norfolk State	MTSU	WKY	South Carolina	Arkansas	Georgia	Vanderbilt
<b>True Blue</b>							
Ticket Price	Ticket Demand						
50	15,000	15,000	15,000	15,000	15,000	15,000	15,000
45	22,500	22,500	22,500	22,500	22,500	22,500	22,500
40	30,000	30,000	30,000	30,000	30,000	30,000	30,000
35	37,500	37,500	37,500	37,500	37,500	37,500	37,500
30	45,000	45,000	45,000	45,000	45,000	45,000	45,000
25	52,500	52,500	52,500	52,500	52,500	52,500	52,500
20	60,000	60,000	60,000	60,000	60,000	60,000	60,000
15	67,500	67,500	67,500	67,500	67,500	67,500	67,500
10	75,000	75,000	75,000	75,000	75,000	75,000	75,000
<b>Fair Weather</b>							
Ticket Price	Ticket Demand						
50	0	0	0	0	0	0	0
45	0	0	0	0	0	0	0
40	10,000	10,000	10,000	0	0	0	0
35	20,000	20,000	20,000	0	0	0	0
30	30,000	30,000	30,000	10,000	10,000	10,000	10,000
25	40,000	40,000	40,000	20,000	20,000	20,000	20,000
20	50,000	50,000	50,000	30,000	30,000	30,000	30,000
15	60,000	60,000	60,000	40,000	40,000	40,000	40,000
10	70,000	70,000	70,000	50,000	50,000	50,000	50,000
<b>SEC Fans</b>							
Ticket Price	Ticket Demand						
50	0	0	0	0	0	0	0
45	0	0	0	0	0	0	0
40	0	0	0	10,000	10,000	10,000	10,000
35	0	0	0	20,000	20,000	20,000	20,000
30	10,000	10,000	10,000	30,000	30,000	30,000	30,000
25	20,000	20,000	20,000	40,000	40,000	40,000	40,000
20	30,000	30,000	30,000	50,000	50,000	50,000	50,000
15	40,000	40,000	40,000	60,000	60,000	60,000	60,000
10	50,000	50,000	50,000	70,000	70,000	70,000	70,000