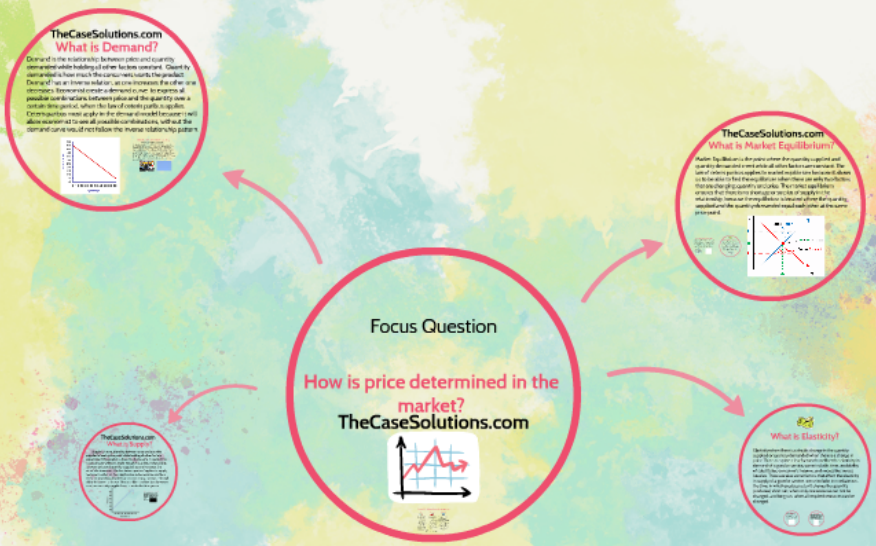

USING ADVERTISING AND PRICE TO MITIGATE LOSSES IN A PRODUCT-HARM CRISIS

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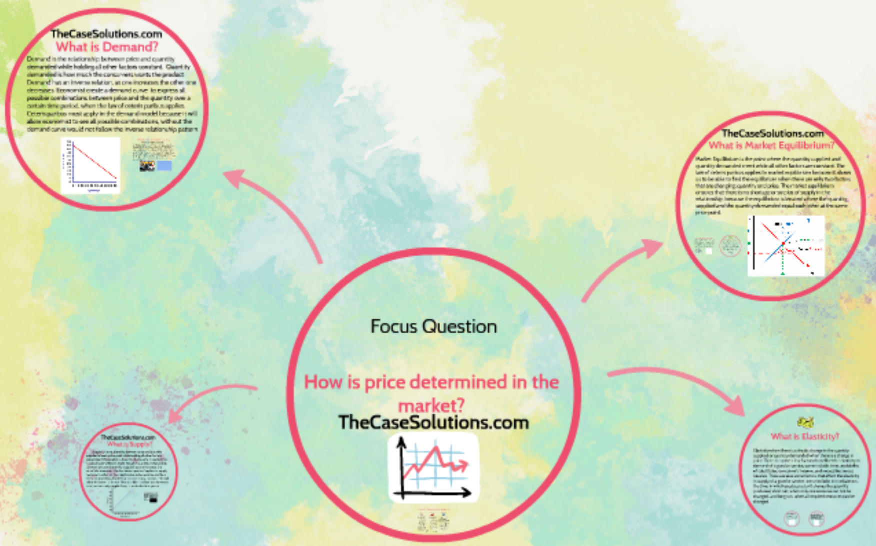

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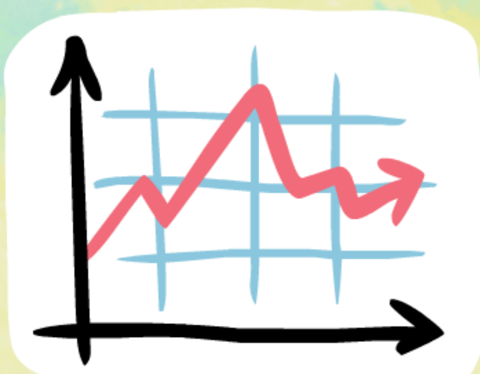
Focus Question

How is price determined in the market?



How are the Stakeholders affect by the oil and gas market?

Consumers

The consumers are affected by the change in prices in the oil and gas market because consumers rely heavily on oil and gas for the completion of everyday tasks, making it an inelastic product. That being said, if the prices of the oil and gas market decreased, there will be a greater quantity demanded, since the consumers are more likely going to purchase larger quantities of oil and gas. Therefore benefiting all stakeholders

Producers

The producers are affected by change in the prices in the oil and gas market because they are the ones that are providing this good to the consumers. Without the producers there would be no oil and gas being produced for consumption. Consequently, when the prices began to decrease, the producers are loosing a lot of the profit they made when the price of oil and gas were high.

Government

The government is affected by the change in the prices of the oil and gas market because it affects the countries economy. There is a high potential for trade in this economy because oil and gas is needed world wide, therefore, if the oil and gas market is successful in their economy it could potentially benefit the government extremeness. But with the prices decreasing the government is also loosing money, because they can not trade the oil and gas over seas for more than the other countries prices because no one would buy oil and gas for a higher price when it is offered for a cheaper price.

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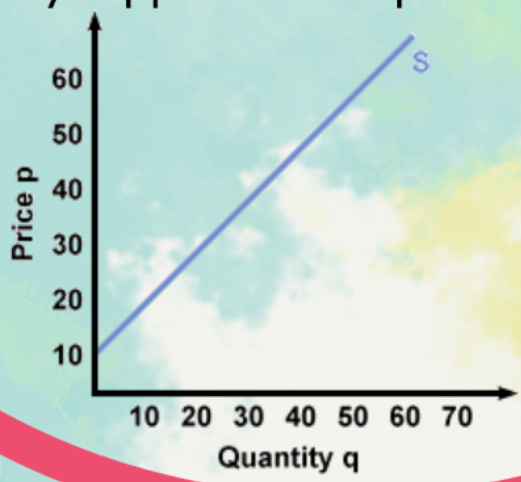
What is Supply?

Supply is the relationship between price and quantity supplied at each price point while holding all other factors equal. Quantity supplied is how much of a certain product the producers are willing to make. Supply has a direct relationship between price and quantity supplied, as one increases the other also increases. The law 'ceteris paribus' applies to supply because in order for the supply curve to be accurate and be a direct relationship, all other factors must stay constant. This will allow the curve to show all the possible combinations between price and quantity supplied over a particular time period.



How does this connect to the case study?

The law of supply relates to the Canadian and American oil and gas market because both countries are experiencing a surplus of oil and gas. This means, that both countries have to lower their prices in order to sell the excess oil and gas that they over produced. In this situation, the price of oil and gas is decreasing as well as the quantity supplied, and it will continue to do so, until this surplus of oil and gas has been evened out.

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How does this connect to the case study?

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What is Demand?

Demand is the relationship between price and quantity demanded while holding all other factors constant. Quantity demanded is how much the consumers wants the product. Demand has an inverse relation, as one increases the other one decreases. Economist create a demand curve to express all possible combinations between price and the quantity over a certain time period, when the law of ceteris paribus applies. Ceteris paribus must apply in the demand model because it will allow economist to see all possible combinations, without the demand curve would not follow the inverse relationship pattern.

How does this connect to the case study?

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The law of demand relates to the Canadian and American oil and gas market because as a result of the increase in quantity supplied and the decrease in price, consumers are more willing to purchase a larger quantity of oil and gas. Therefore, the quantity demanded in increasing, as the price begins to decrease. This is causing a profit loss for both the producers and government, because now that they are selling oil and gas for cheaper, the consumers are going to stock up on oil and gas before the prices begin to increase. Therefore as a result, while the prices are low the quantity demanded for oil and gas in the Canadian and American market are high.

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What is Market Equilibrium?

Market Equilibrium is the point where the quantity supplied and quantity demanded meet while all other factors are constant. The law of ceteris paribus applies to market equilibrium because it allows us to be able to find the equilibrium when there are only two factors that are changing; quantity and price. The market equilibrium ensures that there is no shortage or surplus of supply in the relationship, because the equilibrium is located where the quantity supplied and the quantity demanded equal each other at the same price point.