NAME:

Igloo Ices - Revenue (Solution)

Marsha Mellow runs Igloo Ices, a sole trader business that sells ice cream. She currently owns one ice cream van, but dreams of eventually owning a chain of ice cream shops. Marsha finds the money-side of her business confusing, and feels that she needs to understand it better so asks for your help.

Marsha needs to decide how much she will charge for a single ice cream cone. Secondary market research showed that her competitors charge between £1.30 and £1.80. Her own primary market research asked customers how much they would pay, and she has used this to estimate how many ice creams she would sell at each price. This is shown below:

Price	£1.30	£1.40	£1.50	£1.60	£1.70	£1.80
Expected Ice Cream Sales	2,850	2,650	2,500	2,300	2,050	1800

Marsha asks you to calculate the total revenue she would receive at each price level. Start by writing down the formula for Total Revenue:

Revenue = Price X Quantity

Now complete the table below, and recommend which price Marsha should charge in order to maximise her total revenue.

Price	£1.30	£1.40	£1.50	£1.60	£1.70	£1.80
Expected Ice Cream Sales	2,850	2,650	2,500	2,300	2,050	1800
Expected Revenue	3,705	3,710	3,750	3,680	3,485	3,240

The price that maximises revenue is:	£ 1.50

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