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| The economy is coming back.  John's boss is considering launching a new product. | | |
| The plant engineers have stated that if demand is high, the company will make | | |
| $70 million dollars if it manufacturers the product in house.  If the product is | | |
| manufactured in China, then the company will make $90 million dollars.  Doing | | |
| nothing the company will make $5 million dollars.  On the other hand if demand | | |
| is low, the net will be a loss of $20 million when the product is made in house, | | |
| versus a net of $10 million if made in China and $5 million if doing nothing. | | |
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| a. Marketing estimates the probability of low demand as 35% with a probability of | | |
| 65% that demand will be high.  As the Business Intelligence Analyst what is your | | |
| estimate of the overall return and best course of action? | |  |
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| b. The situation is said to be too sensitive to call with the current information | | |
| when a 5% shift in probabilities changes the recommendation.  Is this situation | | |
| too sensitive to call without further information? |  |  |