

AVOCADO HIGH SCHOOL

Horace H. Hass, Principal



MEMORANDUM

Date: January 15, 2011
To: Avocado School-Based Enterprise
Avocado High School
From: Ronnie Johnson, Faculty Advisor
Subject: Competitors in our market!

When I wrote you last year we had soaring profits and were seeking funding to expand production of our low calorie avocados. I wish the future could remain so rosy.

Our rivals on the football field—Buchanan High School, Fillmore High School, and Pierce Academy—noticed our soaring profits and began to grow and market similar avocados. Consumers enjoy the lower price of avocados that competition created. AHS, however, saw its profits fall, even though sales remained strong. The attached table provides all the data you need to see that our profits have dropped to nothing, since we could have made as much had we invested our money in the bank instead of growing avocados.

The increased competition could not have come at a worse time. That nasty bug that eats the leaves of the avocado tree—the dreaded perseia mite—is starting to destroy our trees in much the same way the boll weevil worked its way through cotton crops in the South. Venture capitalists are now questioning whether our School-Based Enterprise will remain in the market. They argue that since other high schools have the same price and sales figures, our SBE will be forced out of business with too many producers in the market. They say our declining profits is evidence that our business will fold. Of course, we know that competition in market economies eliminates economic profit. But we believe that our rivals do not know about the perseia mite and will fold due to their lack of preparation for the infestation. In the long run, our SBE will survive as we conquer the mite with our research.

Once again I must call on you to explain why our sales, revenue, and profit numbers are consistent with competition in market economies. Venture capitalists do not care about the mites, per se. They only care about profit and want to be assured that we will regain ours. We need their confidence, and their money, to finance the Biochemistry Club's research to develop a method for getting rid of the mite.

We have managed to squeeze in a two-minute meeting with the most promising venture capitalist tomorrow morning. Please develop a presentation about the economic viability of our firm despite declining profits.