

IS MORE ALWAYS BETTER?

Todd used to run a newsstand, but he's out of the business now. Todd started by selling local newspapers on a street corner. In the winter he got cold, so he paid the city a fee of \$500 for the right to build a 4' by 8' enclosed wooden newsstand on a busy corner. Soon he decided to sell magazines, chewing gum, and candy bars too. He began to stock foreign-language newspapers and paperback romance novels. Then he added hot pretzels and candy apples. When he tried to supply cut flowers, he had gone too far. The costs of all his inventory could not be covered by his sales. He couldn't pay his bills and went out of business. Answer the following questions about Todd's experiences.

1. When he started his business, were most of Todd's costs fixed or variable? As he sold more items, were most of his costs fixed or variable?

2. How might Todd have benefited from offering a few more products than just local newspapers?

3. Why was it a mistake for Todd to continue to expand the number of products he offered?

4. What should Todd have done before he offered each new product?

5. What could Todd have done to prevent his business from failing?