

Annie's Model in One Paragraph

When you reduce your price, either your total take (or revenue) increases, or it decreases. (If it decreases, not enough extra items have been sold, to make up for the lower price per item). If your take increases, Annie calls the industry a money-magnet industry. If your take decreases, Annie calls the industry a resource-losing industry. It is not the business manager's fault if the industry is a resource-losing industry. What causes this is the wider economic environment. Your take from sales dictates how many workers you can afford to hire, in order to make the product or offer the service. The product or service can be - it even might be - something the society really needs, but demand conditions make it a resource-losing industry that cannot hire enough workers to meet the need for it. (Demand is, at least partly, what we can afford; need is something else.)