

Aradhna Krishna

## **Katja's Danish Bread: Exercises in Price, Demand, Cost, and Capacity**

This exercise series is presented in five short parts (Katja's Danish Bread exercises A-E). Students are expected to come prepared to class with Exercise A. Exercises B-F are read by students in class and done sequentially during class. Through this series of increasingly more sophisticated exercises, students gain a deep understanding of the connection between price, demand, variable cost, and capacity.

### **Exercise A: Current Pricing Model**

Katja Jorgenson came from Copenhagen, Denmark to San Francisco as an exchange student while in college. She fell in love with the city and decided to stay on, supporting herself by opening a Danish bread bakery. Danish bread or *rugbrød* is a very dense bread. It is also a very healthy bread because it is made with rye flour, rye berries (the actual rye grain), oats, and sunflower seeds. Rugbrød is difficult to make, and Katja found a ready market with restaurants and delis. (See **Exhibit 1** for a photograph of rugbrød.)

**Exhibit 1**  
**Rugbrød**



Source: <http://spisogskrid.dk/2012/03/rugbrod/>. Accessed 27 Feb. 2017.

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.

©2017 Aradhna Krishna. This exercise was developed by Aradhna Krishna (Dwight F. Benton Professor of Marketing) at the University of Michigan's Ross School of Business. This exercise was prepared exclusively as the basis for class discussion and is not intended to illustrate either effective or ineffective handling of a situation. The exercise should not be considered criticism or endorsement and should not be used as a source of primary data.