

# Real Economics:

## Pizza and Beer – Using Interesting Industries to Teach Economics

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November 4, 2016  
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# Making it interesting....



- Could we design new courses where students could learn economic principles while also studying an industry that is interesting to them?
- What could be more interesting to a college student than pizza and beer?!

# Inspiration for the pizza course

- News story about a box company that starts making pizza boxes for SuperBowl 3 months in advance
  - Hmmm, maybe pizza is more influential than it is delicious
- Near completion of a wood burning oven too many years in the making.



# Demand for “traditional” pizza

- Demographics of consumers, preferences, income, complements (toppings, appetizers, beverage), substitutes,
- Seasonal effects (top 6 sales days are all in winter)
- Math of Pizza ( $\text{in}^2$ . pricing decreases with larger pies)
- Behavioral economics
  - Commitment strategy - buy small pizza to avoid eating too much
  - Sunk cost - leftovers for another meal rather than treating it as sunk cost

# Defining the market (structure)

- Pizza is
  - Food
  - Convenience food
  - Pizza
  - Artisan vs. Traditional vs Frozen vs Take/Bake

# Pricing of pizza and toppings

- Cost effects
  - adjusting ingredients vs. increasing prices
- Seasonal effects
  - Top 6 sales days of pizza are in winter
- Pricing strategies
  - Bundling
  - Slice
  - Coupons
  - Discounts

# Influenced Markets

- Inputs:
  - Pizza boxes,
  - Cheese
  - Flour, etc.
- Technology
  - Ovens
  - Delivery bags
  - Delivery vehicles

# Policies

- Sales tax
- Minimum wage
- FDA – new menu regulations
- The pizza lobby
  - Pizza is NOT junk food
  - Tomato sauce IS a vegetable
  - A whole pizza is NOT a single serving

# Beer course

- Technology history and innovations
- Production and costs
- Regulations and laws
- Demand analysis
- Industrial Organization



# Technological history and innovations

- Early pubs and brew houses
- The importance of hops and yeast
- Consistency and economies of scale
- Volume vs. Craft/art

# Regulations and laws

- Product definition and purity laws
- Alcohol restrictions (holdovers from Prohibition)
- Taxes
- Effects of international disputes: England and France

# Production and costs

- Learning beer making through a lab setting:
  - Understand how beer is made
  - Choosing ingredients, beer type, processes, etc.
  - Identify costs and production technique
  - Form teams and have a taste contest
  - Teams must show a profit
- Understand the connection between production and costs and profits

# Demand for beer

- Income and the economy
- Taste and culture
- Competition from others: wine and spirits
- Advertising effects
- Price

# Industrial organization

- Vertical integration:
  - Ingredients and other inputs
  - Distribution and sales
- Consolidation
- Microbrews and craft beers
- International markets

Questions?

Comments?

Suggestions?

Thank You.

