

# Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE (Autonomous)



Accredited by NAAC – UGC with ‘A+ Grade (Cycle IV)  
( Recognised by UGC, Approved by AICTE & Affiliated to Bharathiar University)  
Coimbatore- 49

## DEPARTMENT OF COMMERCE WITH INFORMATION TECHNOLOGY

### MANAGERIAL ECONOMICS Role of Managerial Economist

Dr. R.Arthi, M.Com (IB),M.Phil., MBA.,M.Com.,Ph.D.,  
Assistant Professor,  
Department of Commerce with Information Technology

# Role of Managerial Economist

## Connecting Two Worlds

A Managerial Economist serves as a vital link within an organization. They do not just analyze numbers; they translate abstract economic principles into actionable business strategies.

**Theory:** Concepts like elasticity, opportunity cost, and market structure.

**Practice:** Pricing decisions, production scheduling, and investment planning.



# Demand Analysis and Forecasting

**Predicting the Future:** The primary task is to estimate demand for the firm's products. This informs production schedules, inventory levels, and market strategy.

- Analyzing consumer behavior patterns.
- Calculating price and income elasticity.
- Forecasting sales trends to minimize inventory costs.



# Operational Decision Making



## Pricing Strategy

Determining the optimal price point that balances competitiveness with profit maximization (e.g., price skimming vs. penetration).



## Production Analysis

Deciding "how much to produce" to achieve economies of scale and identifying the least-cost combination of inputs.



## Profit Management

Analyzing break-even points and guiding the firm toward sustainable profit margins amidst fluctuating costs.

# Environmental Scanning



## Navigating the Macro Economy

A firm does not exist in a vacuum. The economist analyzes external factors that impact business viability:

**Economic Trends:** Inflation, interest rates, and GDP growth.

**Government Policy:** Tax regulations, trade tariffs, and labor laws.

**Business Cycles:** Preparing the firm for recessions or booms.

# Capital Budgeting & Investment

Evaluating long-term investment projects is critical. Economists use rigorous criteria to ensure return on investment.

**NPV** Net Present Value

**ROI** Return on Investment

**IRR** Internal Rate of Return

# Tools of the Trade



Quantitative Analysis



Game Theory & Strategy



Forecasting Models

# Internal vs External

Scope	Key Focus Areas	Objective
<b>Internal (Operational)</b>	Pricing, production, Cost Control, Inventory	Maximize Efficiency & Profit
<b>External (Environmental)</b>	Macro Trends, Competitor Analysis, Govt Policy	Mitigate Risk & Seize Opportunity
<b>Strategic</b>	Long-term Planning, Capital Budgeting	Sustainable Growth

# Case Study

## ◆ Case Study Question 1

A manufacturing company faces declining profits despite increasing sales. The management is confused about whether the problem lies in pricing, cost structure, or market strategy. They appoint a Managerial Economist to analyze the situation.

### **Question:**

*Explain how a Managerial Economist can help the company identify the root causes and suggest solutions.*

## Case Study

Answer : A Managerial Economist helps the company identify why profits are falling despite rising sales by conducting a systematic analysis. First, they examine the **cost structure**, checking whether production, raw material, or overhead costs have increased. Next, they analyze **pricing decisions** using tools like price elasticity of demand to see if current prices match consumer responsiveness. They also review the **market strategy**, studying competitor actions, customer preferences, and market trends. Through **data analysis and forecasting**, the economist identifies whether the issue is high costs, incorrect pricing, or weak market positioning. Finally, they provide **strategic recommendations** such as revising prices, reducing costs, or improving marketing, helping management restore profitability.