

## Decision tree “Product B with special warranty”

Company A wants to sell a product B either with a special warranty service-package or without any additional service. They assume that they could sell each product for 10€ in maximum 50.000 units and for minimum 20.000 units. The probability of the higher number of solds of Product B is 40% and the probability of lower number of solds of Product B is 60%

The production cost of the product B is about 5€ and the additional special warranty service-package cost is 2€ for each sold product.

In case they offer the product B with the special warranty-service, they will sell 30.000 units more.

Company A

Do Nothing

Product B

40.000 €

Product B + Additional Warranty Service-Package

87.000€

Low Sales

Net Revenue: 150.000 €

Low Sales

Net Revenue: 100.000 €

0 €

High Sales

Net Revenue:

250.000€

Revenues: 500.000 €

Product Costs: 250.000 €

Warranty Service Costs: 0 €

Revenues: 200.000 €

Product Costs: 100.000 €

Warranty Service Costs: 0 €

High Sales

Net Revenue:

240.000€

Revenues: 500.000 €

Product Costs: 250.000 €

Warranty Service Costs: 100.000 €

Revenues: 800.000 €

Product Costs: 400.000 €

Warranty Service Costs: 160.000 €