revenue position of the retailer is shown in Figure 7. Under this assumed condition, the division of the gross receipts from concentrate between the retailer and the supplier is presented in Table 8. In this case, the supplier would receive proportionately less of the gross retail receipts during periods of large supplies and, consequently, low prices. Retailers, on the other hand, would obtain a smaller proportional share of the gross receipts when supplies were short and prices high. Gross profit to the retailer would rise as prices fell and decline as prices rose. Returns to suppliers, however, would bear the opposite relation to price.

Because of a lack of information, the nature of the costs incurred by retailers in handling various quantities of frozen orange concentrate is largely a matter of speculation. Yet, it is apparent that these costs should be considered in pricing the product. The revenue relationships observed in this study indicate that, if handling costs per can for small volumes had decreased rapidly as the quantity handled increased and for somewhat larger volumes had tended to gradually decline, something approaching a constant percentage mark-up on selling price would have served to reduce variation in net profit over the several levels of volume.[11] If, however, handling costs had increased slightly with an increase in volume over the range of volumes experienced in the study, a relatively constant absolute mark-up would have maintained net profit at a near stable level.

Perhaps, except for quantities of concentrate much greater than the largest encountered in this study, the assumption of decreasing handling cost would appear to be the most plausible. If handling costs were of this nature, a percentage margin which showed little variation would tend to maintain not only retail profit but also gross revenue to concentrate suppliers, in periods when concentrate stocks were above normal and prices were low.

Provided the demand relationship established in this study reflects the real nature of the demand for frozen orange concentrate, a policy of restricting the amount marketed during years when concentrate was in long supply would be likely to result in

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[11] More precisely, since decreasing total cost with increasing volume is not a realistic assumption, a constant percentage margin would yield a net profit that declined somewhat with an increase in volume at prices for which demand was inelastic. After demand became elastic, however, a relatively stable net profit could be realized as larger quantities were sold at lower prices provided handling costs were as described.