

Name: Hermann Warnholtz

Instructions: Use each of the 12 elements of economics to illustrate economics in action in your career field.

1. **Incentives Matter.** – In the ecommerce industry, it is all about incentives. Main incentives for customers are related to the purchasing experience, as those will determine which channel to use. Incentives like pricing, delivery experience, and customer service/return experience are critical.
2. **No Free Lunch.** – In product, development weeks is the unit to measure the investment needed, and it is limited. Therefore, when planning the roadmap, prioritization is needed and trade offs upon each decision. Trade offs that can be influence by proactive/reactive approach or short/long term vision.
3. **Decisions are made at the margins.**– Following the previous point, in my current role, each decision is taken by understanding (and calculating) the impact it has in our customers and taking into consideration the costs and future tradeoffs (specially to understand if it will bring long term value).
4. **Trade Promotes Economic Progress.** - Globalization has allowed Mexican coffee and avocado producers expanding their markets. In both cases, producers specialized and optimized their processes in order to also expand their production capacity, reducing the diversification of their products.
5. **Transaction costs are an obstacle to trade.** - Transaction related costs, such as shipments, customs clearance, and more, often represent a challenge when trading. As globalization allows to expand business and enter new markets, it also represents new challenges.
6. **Prices create balance.** – In ecommerce, when there are 2 or more sellers offering the same product, usually it comes up to factors as pricing, shipment and customer service, for customers to take a decision. This often creates scenarios where competing sellers join aggressive pricing strategies, until the it gets balanced organically by the profitability and demand.
7. **Profits are a guide to productivity.** - Companies are usually driven by profitability. This is part of their strategy, their short- and long-term plans, and that cascade into their daily decisions and actions, regardless of how is it contemplated (short/long term profitability). In order to achieve this, the company has to deliver the plan at all levels.
8. **Income comes from usefulness.** – A skill that is common has not the same demand as one that is fully specialized and more unique. The more demand a specific skill has, it will determine the price that people or companies will be willing to pay for it.
9. **Value creates income and wealth.** - In the recent year, the world has changed the focus into a more value oriented across all industries. Pricing is being defined by the value (an its perception) it has for customers. Companies that focus on the customers and the value each product/service will add for their life's, have adopted new ways of working, like Amazon and the “working backwards” mental model.