

Name _____

The Power of Probability: How Businesses Make Smart Decisions

Open-Ended Response Answer Key

1. Businesses might use probability to assess risks and uncertainties when deciding whether to invest in a new venture. By calculating the likelihood of success and potential financial returns, businesses can make informed decisions about whether to proceed with the investment or explore other options.
2. Probability helps businesses in forecasting and prediction by enabling them to make predictions about customer behavior. For example, online retailers use probability models to predict which products customers are likely to purchase based on past purchase history and browsing behavior, allowing them to personalize recommendations and improve sales.
3. Probability might guide businesses in making strategic decisions when faced with multiple options, such as expanding into new markets or launching new products. By evaluating the probability of success for each option and considering factors like market demand and competition, businesses can choose the option that offers the highest likelihood of achieving their strategic objectives.
4. Probability assists businesses in optimizing resource allocation by identifying areas where resources can be allocated most effectively. For example, a transportation company might use probability to optimize route planning and scheduling to minimize fuel costs and maximize efficiency, leading to cost savings and improved service delivery.

