

Name _____

Date _____

Analyzing Probabilities and Decisions – One Choice Worksheet

A cell phone company finds a major defect in their cell phone that results in the phone combusting at hot temperatures. As the whole team of the company must make a decision entirely based on the most cost effective method of fixing this problem. The total cell phone sold by the company is 684,254. Which scenario should they choose? They could:



a) Recall all the cell phones and fix the problem. The financials behind this method include:

- The cost to fix the cell phones would be \$845 per cell phones.
- The cost to contact customers to make the fix would be \$63 per customer.
- A \$764,000 fine by the government for issuing a recall.
- In all recall situations, only an average of 74.2% of customers actual have the cell phones serviced for the recall.

b) You could just defend your company against law suits brought on by individuals in a class-action law suits. The financials behind this method include:

- 1) An industry average of 67% of customers that are part of the active plaintiffs.
- 2) The legal fees are \$57200.
- 3) An average award of \$435 per plaintiff.
- 4) An average cost of legal fees of \$45 per defendant. This will be required.

