AEM 4160: Strategic Pricing
Professor: Jura Liaukonyte
Exam 1 – February 19, 8:40 AM, in class

Required Reading

- Lecture Notes: Lectures 2 through 8
- Media article
  - *The Atlantic* Article "Have You Ever Tried To Sell a Diamond?"
- HBS cases
  - "Virgin Mobile: Pricing for the very first time"
  - Keurig at Home

Some highlighted topics

Beyond the problems solved and discussed in HW1 and HW2 the following list should serve as a reminder of what we covered in lectures 2 through 8.

Know how to calculate various elasticities:
- Demand
- Supply
- Income
- Cross price
- Advertising

Know the economics behind the numbers and be able to interpret them

Determinants of elasticities
Lerner Index and other Measures of Market Concentration
Product Differentiation and Market power
- Price Discrimination
- First Degree
- Second Degree
- Third Degree
- Bundling and Tying

Lifetime Customer value
Acquisition costs
Collusion and incentives to collude
Types of Collusions
Price Matching Guarantees

Advanced booking and overbooking (if we will cover everything by on 2/16)
Note, that a huge chunk of the course material so far is on various degrees of price discrimination. You should be able to differentiate which is which, and at what circumstances each type is used as well as solve problems similar to those in HW1, HW2 and the ones we solved during lectures.

**Format of the exam**

One thing that you might have already noticed with HW1 and HW2 is that I tend to ask questions that test your analytical thinking. As an example, while it is important to know how to calculate the elasticities, it is more important to understand what is behind those numbers and why we care about those numbers. You get the point.

The format of the exam will be the following:

- 2 questions (with subparts) where you will need to solve for something and explain results
- 1 question about a case or academic article
- 3 (with subparts) questions testing your understanding of the rest of the material

Remember that I will formulate questions in such a way that there is only one correct answer