

AEM 4160: Strategic Pricing  
Professor: Jura Liaukonyte  
**Exam 1 – March 3, 2:55 PM, in class**

**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

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

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.

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 cases or the Atlantic 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