AEM 4160: Strategic Pricing
Professor: Jura Liaukonyte
Exam 2 – March 26, 2:55PM

Reading

- Lecture Notes: Lectures 9 through 14, including part of Lecture 8 (no lecture 12)
- HBS cases:
  - Pricing Information: How to Customize Both the Product and Its Price
  - Freemium Pricing at Dropbox
  - Merck: Pricing Gardasil
  - The UCLA Medical Center: Kidney Transplantation
  - Netflix: Pricing Decision 2011
  - JC Penney’s “Fair and Square” Pricing Strategy

Some highlighted topics

Beyond the problems solved and discussed during the lectures and in HW3 and HW4 the following list should serve as a reminder of what we covered in lectures 9 through 14.

Information Goods
- Features of information goods and implications for pricing
- Cost Structure of information goods
- Market Structure of Information Industries
- Information good selling and pricing strategies
- Switching costs
- Positive feedback and network externalities
- Digital Rights Management and other excludability strategies
- The long tail
- Information Laws

Pricing Pharmaceuticals
- Quality adjusted life year and its costs
- Value of Statistical life
- Factors influencing pricing of Gardasil
- How to calculate costs per QALY and use it to price treatments

Dynamic Pricing and Pricing with Capacity Constraints
Advanced booking
Pricing with capacity constraints
Uncertainty in demand
Know how to calculate:

- Optimal booking limit
- Overage, underage costs
- Optimal protection level and critical ratio

Behavioral Economics and Pricing:

- Reference prices
- Anchoring Effect
- The power of FREE
- Price Fairness

Format of the Exam

The format of the exam will be the following:

- 2 questions (with subparts) where you will need to solve for something and explain results
- 2-3 questions about the cases
- 2 (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.