AEM 4160: Strategic Pricing
Professor: Jura Liaukonyte
Exam 2 – April 7, 2:55PM

Reading

- Lecture Notes: Lecture 8 (starting with collusion), Lectures 9 through 13.
- 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
  - JCPenney’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 8 through 13.

Collusion
- Tacit Collusion and Cartel
- Incentives to Deviate from collusive agreement
- Price Matching

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
Overbooking
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