

AEM 4160: Strategic Pricing
Professor: Jura Liaukonyte
Exam 2 – March 30, 2:55PM

Reading

- Lecture Notes: Lectures 10 through 15.
- HBS cases:
 - Pricing Information: How to Customize Both the Product and Its Price
 - 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 the following list should serve as a reminder of what we covered in lectures 10 through 14.

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