**Project LEAF - Danielle Wilson**

**Due Feb 15**

**Pre-Module 4  
VERTIGO @ STADE DE FRANCE - STUDY QUESTIONS**

1. What are the levels of differential pricing for Vertigo at Stade de France?

* CarréOr 116.50€
* Catégorie 1: 92.30 €
* Catégorie 2: 69.20 €
* Catégorie 3: 58.20 €
* Catégorie 4: 47.20 €

What are the relevant market segments?

* Loyalty schemes with France Billet (FNAC + Carrefour).
* Company programs
* Intermediaries
* Direct to consumers

What other segmentation strategies can you propose?

* U2 Club members
* Credit card members
* Early bird discount: These could be sold directly to consumers through various channels, percentage of total tickets can be allocated to this category and these will be offered for a limited period, when the tickets were released for sale.
* Tickets for students
* Backstage Passes

What threats do you identify to these?

* Cannibalization: General public who are not affiliated to the France Billet retail loyalty programs or does not work for the companies that participate in the ticket sales may find a cheaper way to buy the tickets.
* Arbitrage: This will have the worst impact. Intermediaries may be able to buy tickets that are in the top tier category such as logia and Gold and sell it for slightly higher prices to the general public, thus making a profit.

General public may see value in buying these tickets, as these may be cheaper than that offered through direct to consumers channel, or even some of the top tiers tickets may not even be available to them through these channels

1. U2 - Pricing for Fans: these always go for the GA tickets (“the best seats, also the cheapest”). U2 is trying to decide whether or not to offer discounts to U2.com members for GA tickets. There are 10,000 U2.com members in France and U2 believes that all would show up if entrance was free. Members are mostly low-budget teenagers and students, so the most that any would afford to pay for a GA ticket is €100. Hence, demand for members can be estimated by the linear model DM=10,000-100P. For the general public, demand is estimated as DG=40,000-200P. For security reasons, no more than 20,000 standing tickets may be sold at the SdF.
   1. Is it a good idea to give discounts to members, and if so what discount is most profitable? In general, when is it a good idea to discount member tickets?

Yes, giving members a discount of $66.67 compared to $116.67 for general public is the most profitable. When you have a high probability of selling all the tickets at this rate.

* 1. If U2 were to charge a single price for GA tickets, what would it be?

$100

Which customer segments benefit from differential pricing?

Members – since they would only pay $66.67 versus $100 as a single price

* 1. The band feels it would not be fair to give more than a €40 discount to members (so as not to incentivise people to buy membership just for the discount). What prices should be charged then?

$73.33 for members and $113.33 for Gen Admission

1. Market research identifies that some of the U2 fans who buy GA tickets are willing to pay extra for a seated option in the lawn (GA) area. Fortunately, SdF can provide flexible configurations that combine a standing zone at the front with a sea ted zone at the back. The rule of thumb is that on average two seats displace 3 standing people. Demand for seated arrangements is estimated as Ds=9,000-100P, and for non-seated DN=40,000-200P. How many seats should be added and at what prices? State your assumptions, if any.

4,500 seats at $45

8000 non-seats at $160

1. Discuss the Pros and Cons of using a Differentiated Pricing strategy.
   1. Pros:
      1. A customer can find arbitrage in the pricing algorithms set by companies and receive lower prices on goods or services. If for example the customer is using a PC, according to the Economist article on "Online prices Caveat emptor.com,” they may receive a lower price of an online purchase compared to a Mac user.
      2. Companies are finding opportunities with differential pricing to increase revenue and identify their customer base. Again in the article from the Economist, companies are identify their customer base from their cookies as they browse online. Tracking cookies allows the company to identify where their customers live, based off IP address and where the customer was previously surfing on the web, based on the referral address. By tracking the IP address and referral page, the company can then price a product based on the geographic location that the IP address belongs to and for the referral page they can identify if the customer was previously on a competitors web page to search for a better price.
   2. Cons:
      1. A customer in one location that receives a higher cost for the same product than that of another person in a different location. As in the article "FreshDirect charges more in richer areas," customers in the upper west side are paying more for grocery products than that of customers in New Jersey.
      2. In the case of Uber, customers are receiving higher prices during the "surge pricing" periods and the price of a taxi ride increases. In this case, the customer is suffering from high demand and higher prices.