

Price Discrimination

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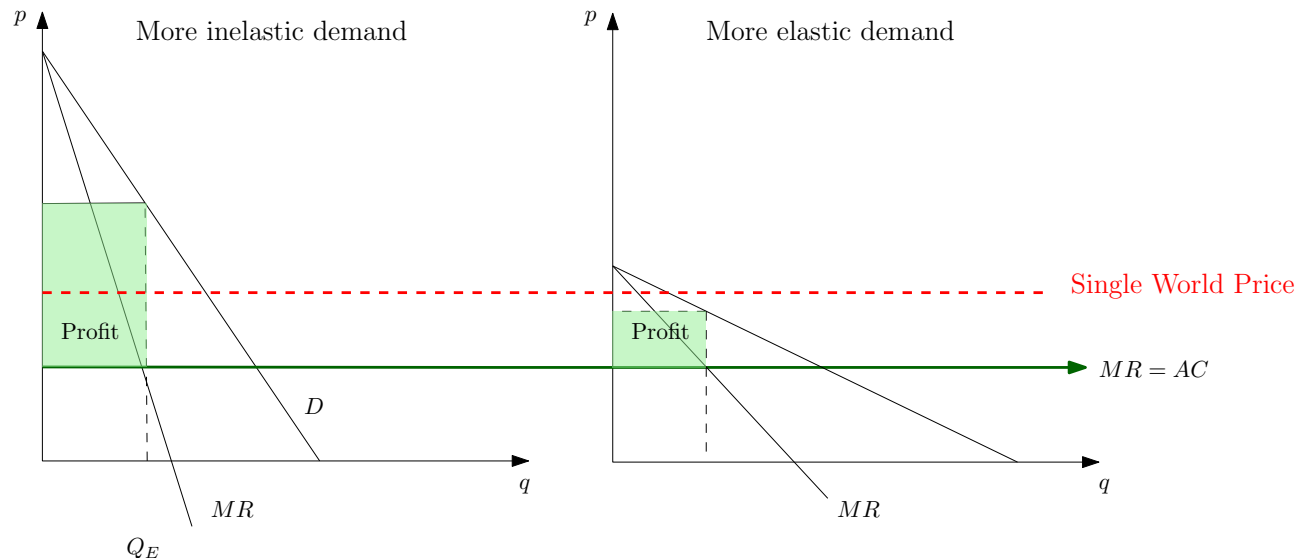
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1. Price Discrimination

Definición de “Price Discrimination”: Selling the same product at different groups of customers at different prices.

1.1. Introduction

Conclusion: Price discrimination maximizes profits.



1.2. Price discrimination principles

1. If demand curves are different, it is more profitable to set different prices in different markets.
 - The price should be higher in the market with more inelastic demand.
2. Arbitrage (makes the prices in the two markets closer together) makes it more difficult to price discriminate.

1.3. Markets can be segmented in more ways than geographically

By segmenting the market you can price discriminate. For example:

- Masouses
- Movie theaters
- Computer Software

- Airlines

1.4. Discrimination is hard

Distinguishing between market segments are hard and difficult to determine, but when they are determined is because of a characteristics.