

Week 3 Reading: Instructions and Discussion Question

PRICE SALIENCE AND PRODUCT CHOICE

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Read: Pages 1- 21, Pages 32-34

- You can stop at the discussion of churn on Page 21
- Resume at Discussion on Page 31

As a note: This paper goes pretty deep into some economic theory and mathematical derivations. For this class, it is less important that you understand the theory than the experimental design.

- You should read pages 4-6 but do not need to work out the math for yourself. Focus on understanding the two implications presented on page 7.
- You should seek to understand why QUE cannot be easily estimated (Equation 3 on page 10) and why the observed change in price is not equal to QUE (first line of equation 4). You can skip the derivations in the rest of Equation 4 on page 10 and on page 11.

Discussion Questions:

- What do they mean by price salience? What is the treatment and control experience in this test?
- What is their model of the world? What predictions do they make about treatment?
- How did they check the balance of their experiment?
 - What did they discover and how did they correct it?
 - Why was it important to make this correction?
- What were the results? What did they learn about Quantity and Quality?
- What evidence do they present that the mechanism causing the outcome was misinformation?
- What did Stubhub roll-out after this experiment?
- How do you feel about this experiment? Was it important for the business to learn about? Was it good for consumers?