

LECTURE 4.0

PRICING

PRICING BEHAVIOURS

Firms adopt many different pricing strategies

- Offer a variety of versions of products.
- Rebates via an online code
- Mac versions of software may be priced higher
- Packets of 50 @ \$1.13 each, packets of 2000 @ \$0.13 each.
- Combinations priced lower than individual purchases of items

McAfee notes that American Airlines changes airfares $\frac{1}{2}$ million times a day.

Why? Firms want to maximise profits. Pricing is one way to do this.

PRICING- OUTLINE

4.0 Introduction

4.1 Market power and optimal pricing

4.2 First degree price discrimination

4.3 Two-part tariffs

4.4 Third degree price discrimination

4.5 Second degree price discrimination

4.6 Dynamic pricing: yield management

PRICING - READING

Chapter 10, “Pricing with Market Power” in Perloff and Brander (2016) *Managerial economics and strategy*

Chapter 11, “Pricing” in McAfee (2002) *Competitive Solutions*

Links to readings or downloads are available in Canvas.