



## Course and Examination Fact Sheet: Spring Semester 2025

### 8,256: The Economics of Strategy

ECTS credits: 4

#### Overview examination/s

(binding regulations see below)

central - Written examination, Analog, Individual work individual grade (50%, 60 mins.)

Examination time: Lecture-free period

decentral - Written work, Digital, Group work group grade (50%)

Examination time: Term time

#### Attached courses

Timetable -- Language -- Lecturer

[8,256,1.00 The Economics of Strategy](#) -- English -- [Gizatullina Alia](#)

#### Course information

#### Course prerequisites

The course is relatively formal and utilizes tools from game theory and microeconomics. To learn effectively, students should have already completed at least one course in Microeconomics at the Bachelor's or Master's level. However, for the most part, the game-theoretic tools required are rather simple (such as Nash equilibrium and backward induction) and whenever more advanced game-theoretic tools will be necessary, they will be reviewed during the course before the main material is presented.

#### Learning objectives

The goal of the course is to acquaint students with a range of classical models of industrial organization, as well as with some recent developments in the field. By working through all the fine details of each model, the course aims to enhance students' modeling abilities. This ability encompasses the capacity to independently build a game-theoretic model that captures the key aspects of a given problem and to derive insights and conclusions from the analysis performed.

- Students will be familiar with the key insights of classical models of industrial organization (like strategic advertising or competition with differentiated goods), as well as some recent developments in the field (data-collection incentives by firms, greenwashing strategies)
- Students will be able to solve a typical model from industrial organization literature and derive economic insights from the analysis
- Students will know how to build independently a game-theoretic model and to derive insights and conclusions from the analysis

#### Course content

Companies routinely make strategic decisions, such as determining their product features and pricing, deciding on advertising strategies, and choosing whether to acquire a rival or compete with them. These decisions are often made in response to external changes in market conditions, regulations or consumer preferences. The goal of this course is to examine firms as strategic entities and to better understand the incentives driving their decisions across various dimensions. The majority of the course will be dedicated to exploring a range of classical models from industrial organization. Additionally, towards the end of the course, we will examine recent research that investigates how firms are responding to increasing pressures from governments, consumers, and other market players to adopt economic practices that address the challenges of climate change. Our methodological tools throughout this course will be microeconomics and game theory.

In the section of the course focusing on classical models, we will embark on a series of the following topics (the list is non-exhaustive):



- Why different firms differentiate their products
- Strategic choices of the advertising intensity and information disclosure
- The scope for personalized pricing, price discrimination, and versioning
- Consumers' locking-in
- Bundling and the rationale behind selling different goods in 'bundles'
- Arms races in consumer data collection

In the section of the course focusing on recent literature that addresses how firms are changing their strategic behavior in response to climate change, we will explore topics such as firms' incentives to adopt greenwashing strategies, the strategic choice of leasing vs. selling, incentives to commit to repair services or to produce more durable goods, and other.

Additionally, the above list of topics is preliminary and adaptable. Students are encouraged to share their personal interests, which will be accommodated whenever possible.

## Course structure and indications of the learning and teaching design

The course includes weekly lectures, each covering a different topic. Nearly every week, there will be a homework exercise designed to practice the solution approach discussed in the lecture. There will also be two graded take-home problem sets: one in the middle of the semester and the second at the end of the semester.

## Course literature

The primary resource for this course will be slides uploaded to Canvas.

A significant part of the course will be built on chapters from the following textbook:

- Belleflamme and Peitz (2015), Industrial Organization: Markets and Strategies, Cambridge University Press

Besides, the relevant academic papers covering recent topics will be uploaded to Canvas.

## Additional course information

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## Examination information

### Examination sub part/s

#### 1. Examination sub part (1/2)

##### Examination modalities

|                              |                                  |
|------------------------------|----------------------------------|
| Examination type             | Written examination              |
| Responsible for organisation | central                          |
| Examination form             | Written exam                     |
| Examination mode             | Analog                           |
| Time of examination          | Lecture-free period              |
| Examination execution        | Synchronous                      |
| Examination location         | On Campus                        |
| Grading type                 | Individual work individual grade |
| Weighting                    | 50%                              |
| Duration                     | 60 mins.                         |

##### Examination languages



Question language: English

Answer language: English

## Remark

Written closed-book exam

## Examination-aid rule

Closed Book

The use of aids is prohibited as a matter of principle, with the exception of pocket calculator models of the Texas Instruments TI-30 series and, in case of non-language exams, bilingual dictionaries without any handwritten notes. Any other aids that are admissible must be explicitly listed by faculty members in the paragraph entitled "Supplementary aids" of the course and examination fact sheet; this list is exhaustive.

Procuring any aids, as well as ensuring their working order, is the exclusive responsibility of students.

## Supplementary aids

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## 2. Examination sub part (2/2)

### Examination modalities

|                              |                        |
|------------------------------|------------------------|
| Examination type             | Written work           |
| Responsible for organisation | decentral              |
| Examination form             | Written work           |
| Examination mode             | Digital                |
| Time of examination          | Term time              |
| Examination execution        | Asynchronous           |
| Examination location         | Off Campus             |
| Grading type                 | Group work group grade |
| Weighting                    | 50%                    |
| Duration                     | --                     |

### Examination languages

Question language: English

Answer language: English

## Remark

2 take-home problem sets, solved by a group of 2

## Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

## Supplementary aids

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## Examination content



**Final written central exam:** solving a set of problems (50% of the final grade).

**Take-home problem sets:** the first take-home problem set will be based on topics covered in the first half of the semester (25% of the final grade) and the second take-home problem set will cover the topics from the second-half of the semester (25% of the final grade).

The final written exam and the problem sets will cover the material covered in class and made available through lecture slides, book chapters, homework exercises and solutions. The included topics are: product differentiation, advertising, personalized pricing and price discrimination, versioning, bundling, strategic consumer lock-in, models of collusion, information acquisition models, recent models on firms' strategic adaptation to climate change.

## Examination relevant literature

Lecture slides, book chapters from Belleflamme and Peitz (2015) "Industrial Organization: Markets and Strategies" and academic articles uploaded to Canvas before the last day of class.

### Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW21) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 13 (Monday, 25 March 2025) are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 04 (Thursday, 23 January 2025);
- Examination information (supplementary aids, examination contents, examination literature) for decentralised examinations: in CW 12 (Monday, 17 March 2025);
- Examination information (supplementary aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 14 (Monday, 31 March 2025);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before ending with de-registration period in CW 15 (Monday, 07 April 2025).