

MBA 605 Detailed Course Outline and Reading Assignments:

Wednesday, September 3: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Topics: Geographic and product market definition, market structure.

Reading assignments:

Text:

BDSS, ch. 6, "Competitors and Competition."

Competitor identification and market definition

Basics of competitor identification

Putting competitor identification into practice

Empirical approaches to competitor identification

Geographic competitor identification

Measuring market structure

Market structure and competition

Perfect competition

Monopoly

Monopolistic competition

Oligopoly (skim technical parts)

Outside readings:

"Greece is the Word," *WSJ*, 7/30/04.

"A Buyer's Guide to the New Gameboxes; Xbox Will Come Out First, but Sony

Touts its Graphics; Choosing Mario over Movies," *WSJ*, 5/18/05.

"The tri-county pizza war," *Lexington Herald-Leader*, 11/10/05.

Team assignment: Due at the beginning of class on Monday, 9/8.

Meet with your Project Connect team to discuss the characteristics of the industry in which your company competes. Define and describe the product market. Define and describe the geographic market. Who are the other competitors in the market and what are their market shares? Summarize your group discussions in a two-page business memorandum.

Friday, September 5: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Monday, September 8: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Topics: perfectly competitive markets.

Reading assignments:

Text:

BDSS, ch. 6: “Competitors and Competition.”

Perfect competition

BSZ, Ch. 6: “Market Structure.”

Markets

Competitive Markets

Outside readings:

“Alligator Farming Shows There’s a Lot to be Said for Cows,” *WSJ*, 8/2/89.

“Economic Woes Take a Bite out of Alligator Ranching,” *WSJ*, 11/12/97.

“A Run on Alligators Sends Designers Scrambling,” *WSJ*, 3/18/06.

Team assignment: Due Friday, 9/26.

The previous team assignments have been preparing you to do an in-depth study of the industry in which your Project Connect firm competes. Your assignment is to research your industry so that you become something of an expert. Sources that you might use for your research include library and internet resources, as well as discussions with persons knowledgeable about the industry.

Your research should follow the outline of an industry study discussed in Chapter 10 of *Economics of Strategy* by Besanko, Dranove, Shanley, and Schaefer. In other words, you should do a five-forces analysis of your industry. The types of questions you should consider in analyzing your industry are outlined in Appendix 10.1 of the Besanko, et. al. textbook.

You should convey your research findings in a business-style report. You should write a seven-to-ten page report (12 pt. font, double-spaced, one-inch margins) that could be submitted to the top executives of the company. Make sure that you appropriately cite all of the outside references that you use, because the company will not want to make important decisions based on unreliable sources or flimsy evidence and research.

Attach as an appendix to your report a copy of each of the sources that you use. If you cite a book or long article, only include the title page and the pages you refer to in your report. For short articles from periodicals, newspapers, and internet sources, include the entire piece. Then in your memo you can use very brief citations to your sources, e.g. see Appendix A-1.

The written report is due Friday, September 26, at which point your group will be asked to make an oral presentation of your analysis.

Wednesday, September 10: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.
Friday, September 12: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Topics: monopoly, pricing with market power.

Reading assignments:

Text:

BSZ, ch. 6: “Market Structure.”

Barriers to Entry

 Incumbent Reactions

 Incumbent Advantages

Monopoly

BSZ, ch. 7: “Pricing with Market Power.”

Pricing objective

Benchmark case: single price per unit

 Profit maximization

 Potential for higher profits

Homogeneous consumer demands

 Block pricing

 Two-part tariffs

Price discrimination—heterogeneous consumer demands

 Exploiting information about individual demands

 Using information about the distribution of demands

Bundling

Other concerns

 Multiperiod considerations

 Strategic interaction

Outside readings:

“Business Fares Increase Even as Leisure Travel Keeps Getting Cheaper,” *WSJ*, 11/3/97.

“Colleges Manipulate Financial-Aid Offers, Shortchanging Many,” *WSJ*, 4/1/96.

“Seeking Perfect Prices, CEO Tears Up the Rules,” *WSJ*, 3/27/07.

Individual assignment: go to <http://disneyworld.disney.go.com/wdw/index> and check out Disney World’s pricing strategy for its theme parks, resort hotels, special events, etc. Also visit your favorite airline’s web site, e.g. <http://www.deltavacations.com/>, and analyze pricing for air travel and vacation packages. Then think of other creative pricing strategies that you have encountered whereby firms with market power sort customers according to their willingness to pay and then extract as much money from each one as possible.

Monday, September 15: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Wednesday, September 17: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Friday, September 19: 10:00 a.m.-12:00 noon/3:00 p.m.-5:00 p.m.

Topics: oligopoly, rivalry, strategic behavior.

Reading assignments:

Text:

BSZ, ch. 6: "Market Structure."

Monopolistic Competition

Oligopoly

Nash Equilibrium

Cooperation and the Prisoners' Dilemma

BSZ, ch. 9: "Economics of strategy: game theory."

Game theory

Simultaneous-move, nonrepeated interaction

Analyzing the payoffs

Dominant payoffs

Nash equilibrium revisited

Competition versus coordination

Mixed strategies

Managerial implications

Sequential interactions

First-mover advantage

Strategic moves

Managerial implications

Repeated strategic interaction

Outside readings:

"Haven't Shareholders Had Enough Chicken?" *WSJ*, 4/4/01.

"Cruise Lines Slash Their Prices as War Fears Rattle Travelers," *WSJ*, 1/29/03.

"Upstart's Tactics Allow it to Fly in Friendly Skies of a Big Rival," *WSJ*, 6/23/99.

"Dell Price Cuts Put a Squeeze on Rival H-P," *WSJ*, 8/21/03.