**CHAPTER 11: Pricing with Market Power**

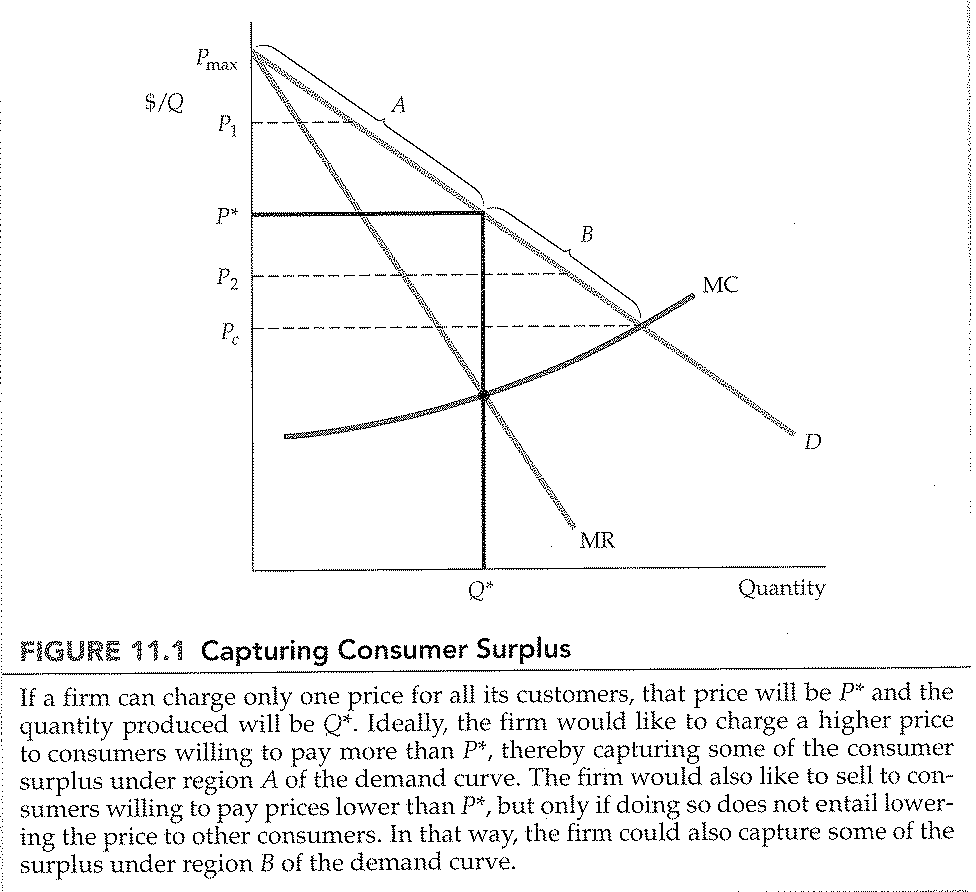
**Checklist**

Can you do the following regarding **pricing with market power**?

* How is market power capture?
* Define price strategies
* Define price discrimination
* Define first-degree price discrimination
* Define reservation price
* Explain what is perfect price discrimination
* Explain what is imperfect price discrimination
* Define second-degree price discrimination
* Define block pricing
* Define quantity discounts
* Define third-degree price discrimination
* Explain the practice of dividing consumers into groups
* Explain how is it determined who pay what with third-degree price discrimination
* Explain the practice of intertemporal price discrimination
* Explain the practice of peak-loaded pricing
* Define a two part tariff
* Define bundling
* Explain the process of bundling by use of an example
* Explain the concept of relative valuations
* Define mixed bundling
* Define pure bundling
* Explain bundling in practice
* Define tying
* How do firms use advertising?

**CHAPTER 11: Pricing with Market Power**

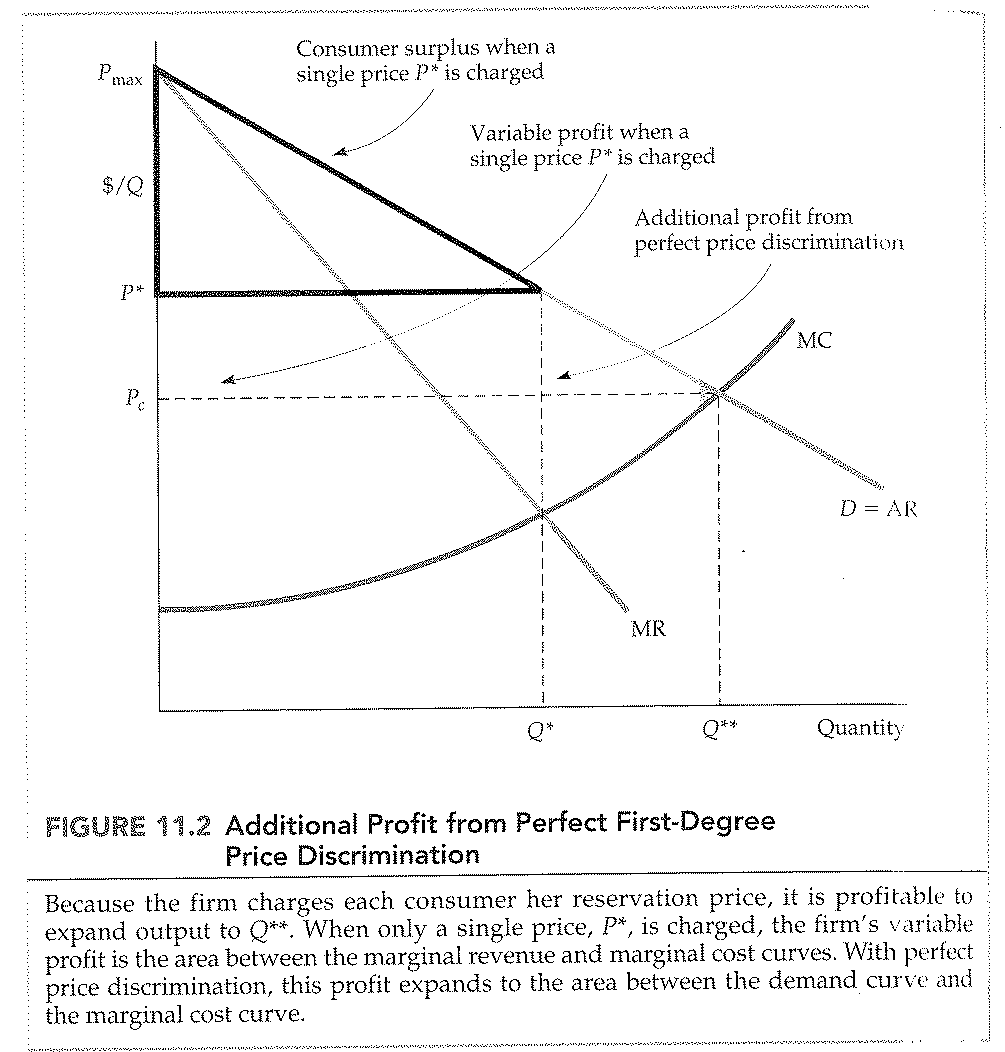
**Capturing consumer surplus**



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**CHAPTER 11: Pricing with Market Power**

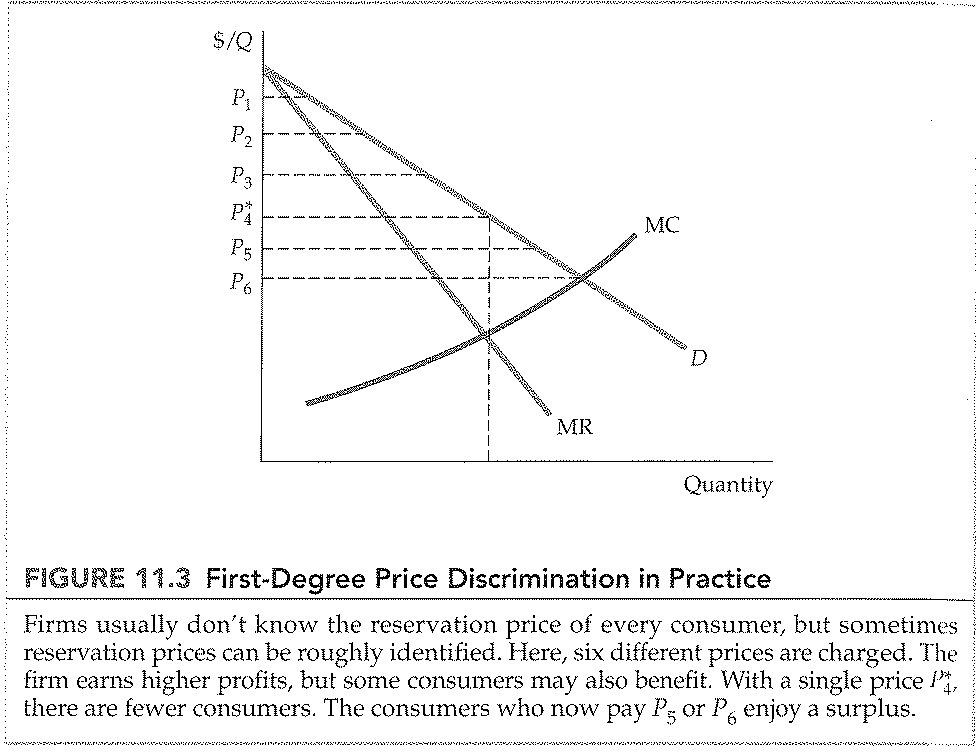
**Additional profit from perfect first-degree price discrimination**



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**CHAPTER 11: Pricing with Market Power**

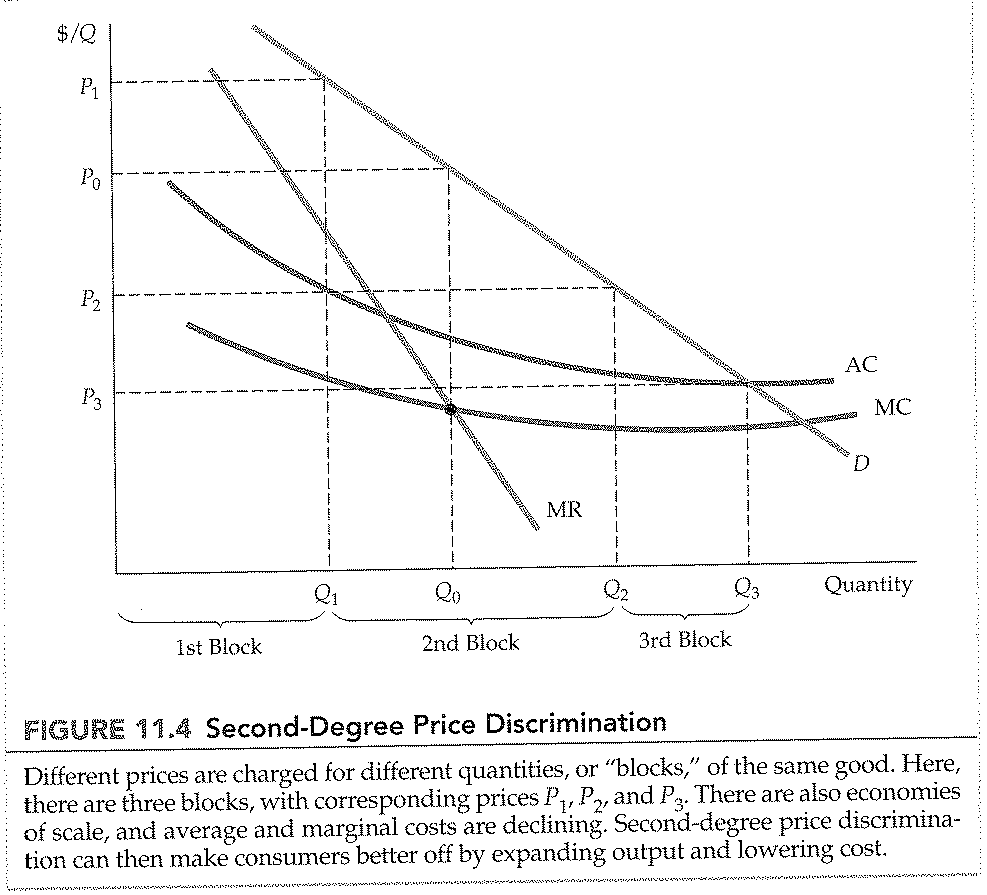
**First-degree price discrimination in practice**



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**CHAPTER 11: Pricing with Market Power**

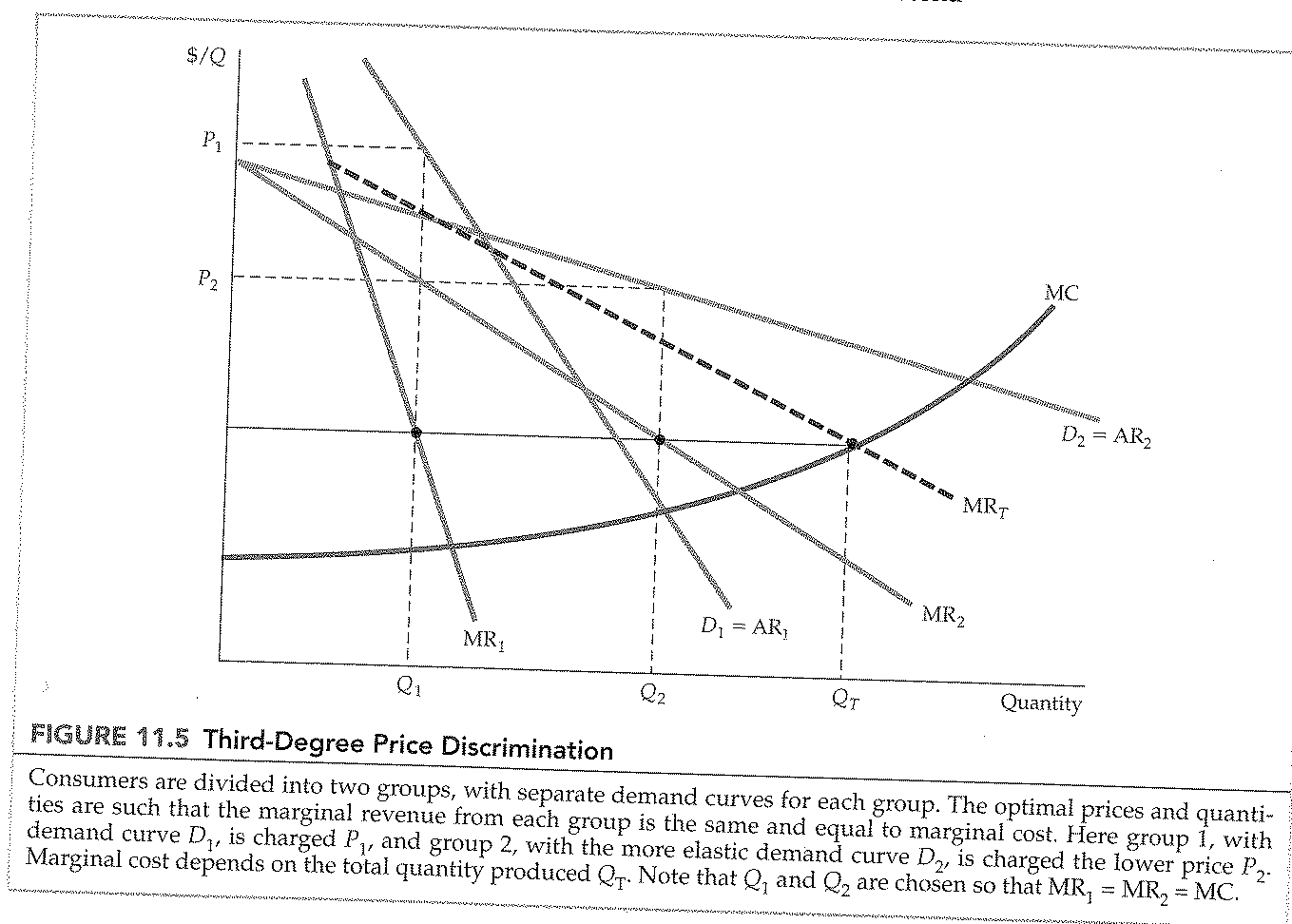
**Second-degree price discrimination**



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**CHAPTER 11: Pricing with Market Power**

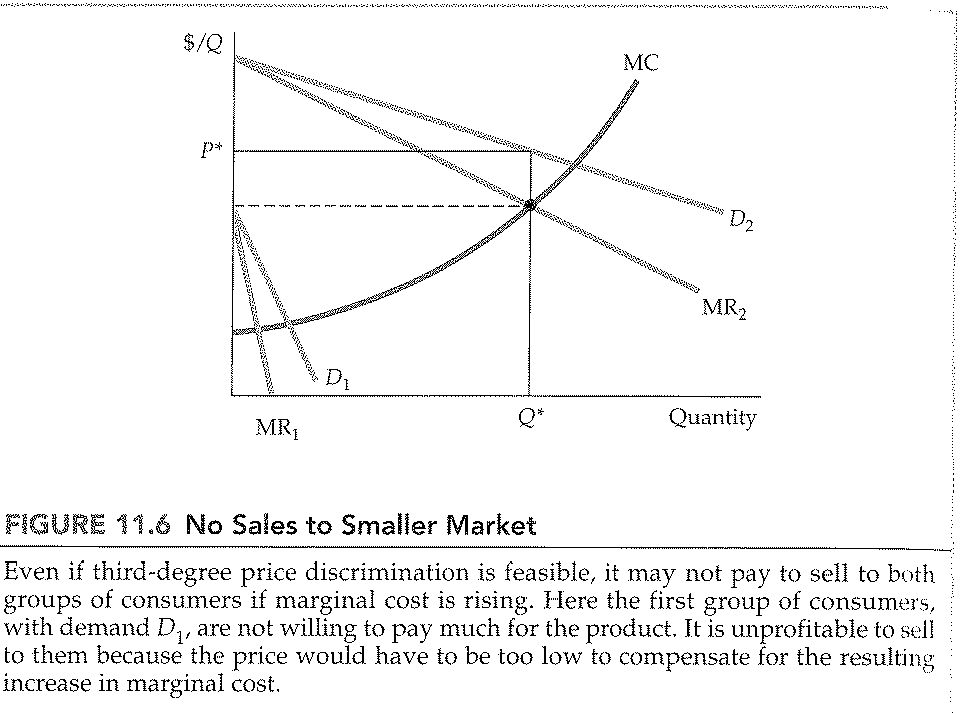
**Third-degree price discrimination**



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**CHAPTER 11: Pricing with Market Power**

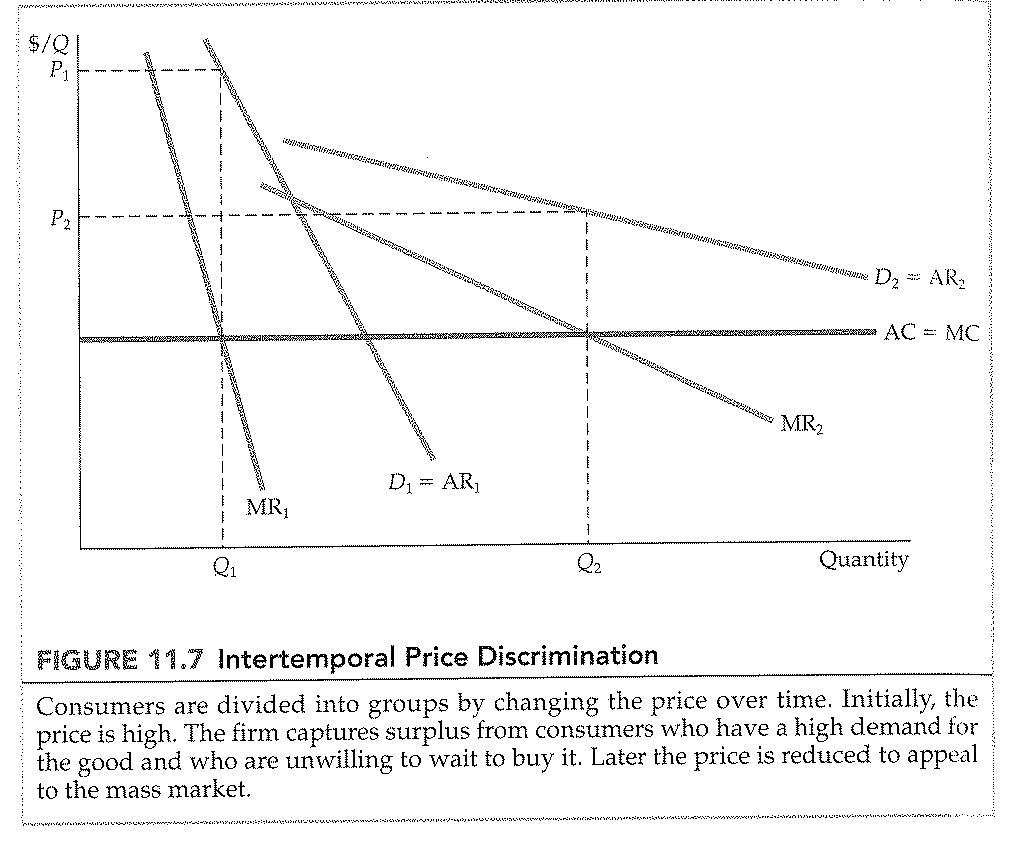
**No sales to smaller markets**



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**CHAPTER 11: Pricing with Market Power**

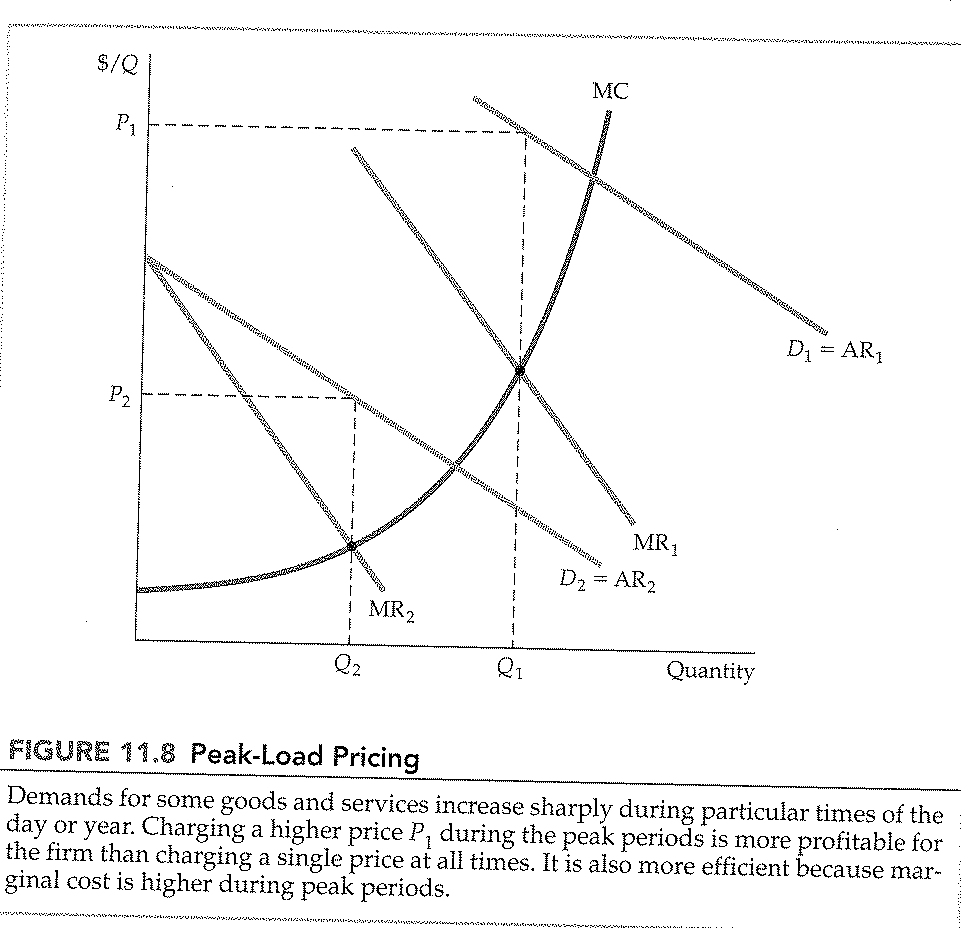
**Intertemporal price discrimination**



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**CHAPTER 11: Pricing with Market Power**

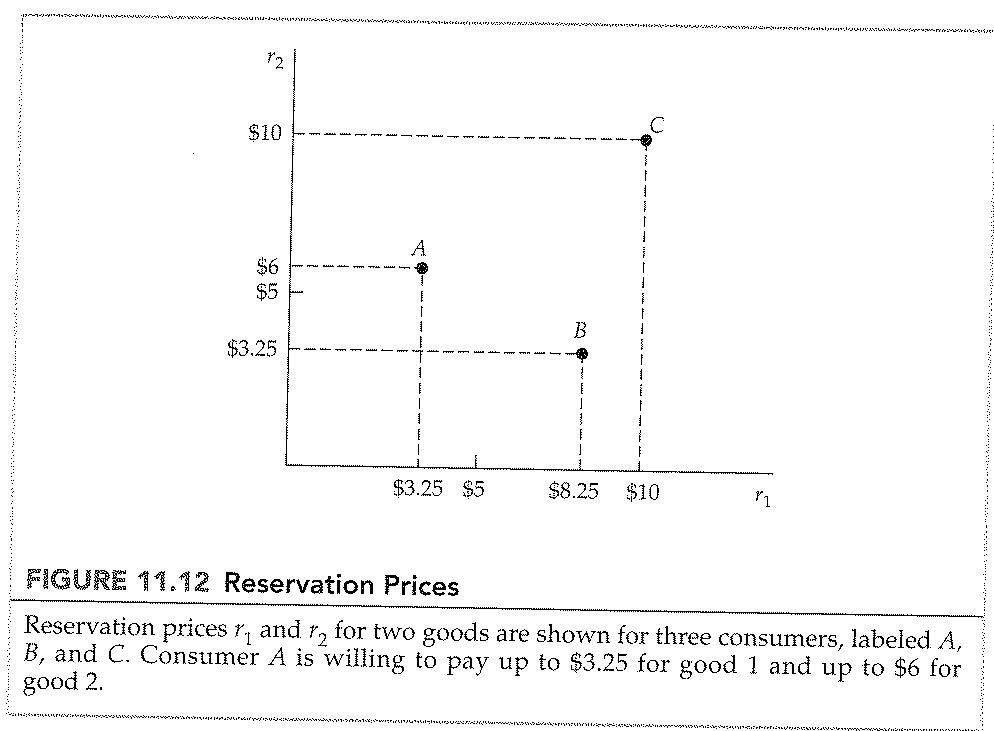
**Peak-load pricing**



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**CHAPTER 11: Pricing with Market Power**

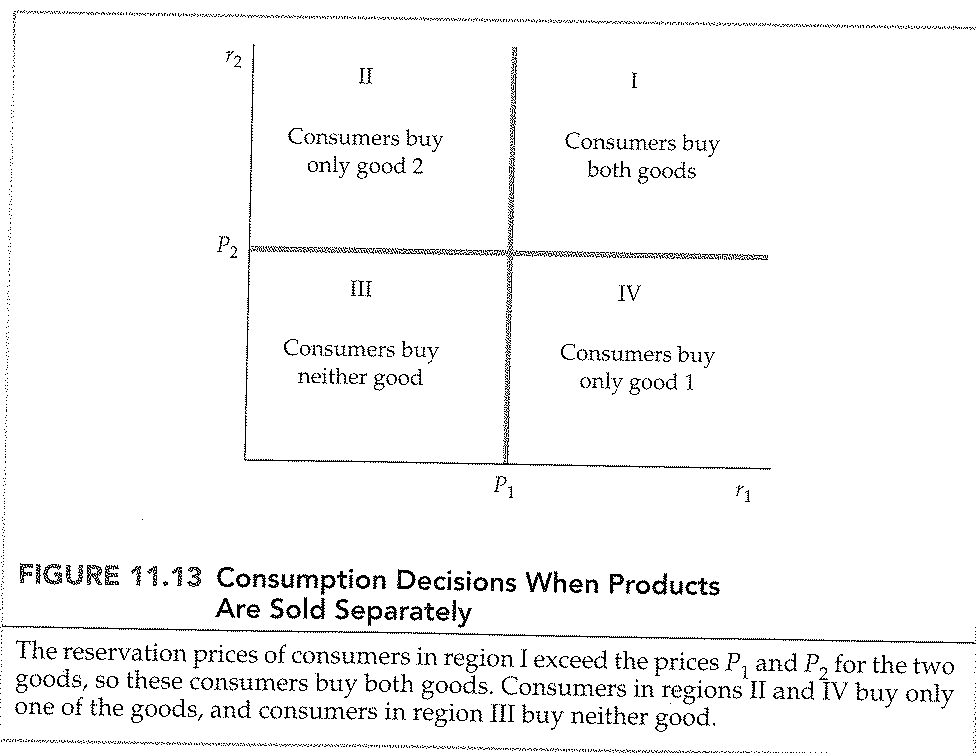
**Reservation price**



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**CHAPTER 11: Pricing with Market Power**

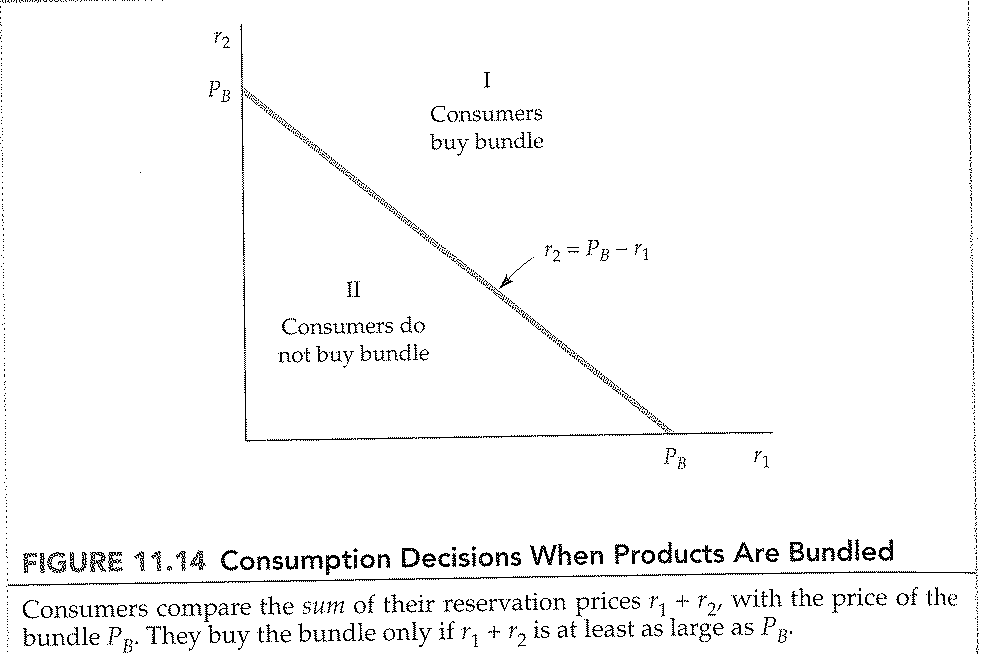
**Consumption decisions when products are sold separately**



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**CHAPTER 11: Pricing with Market Power**

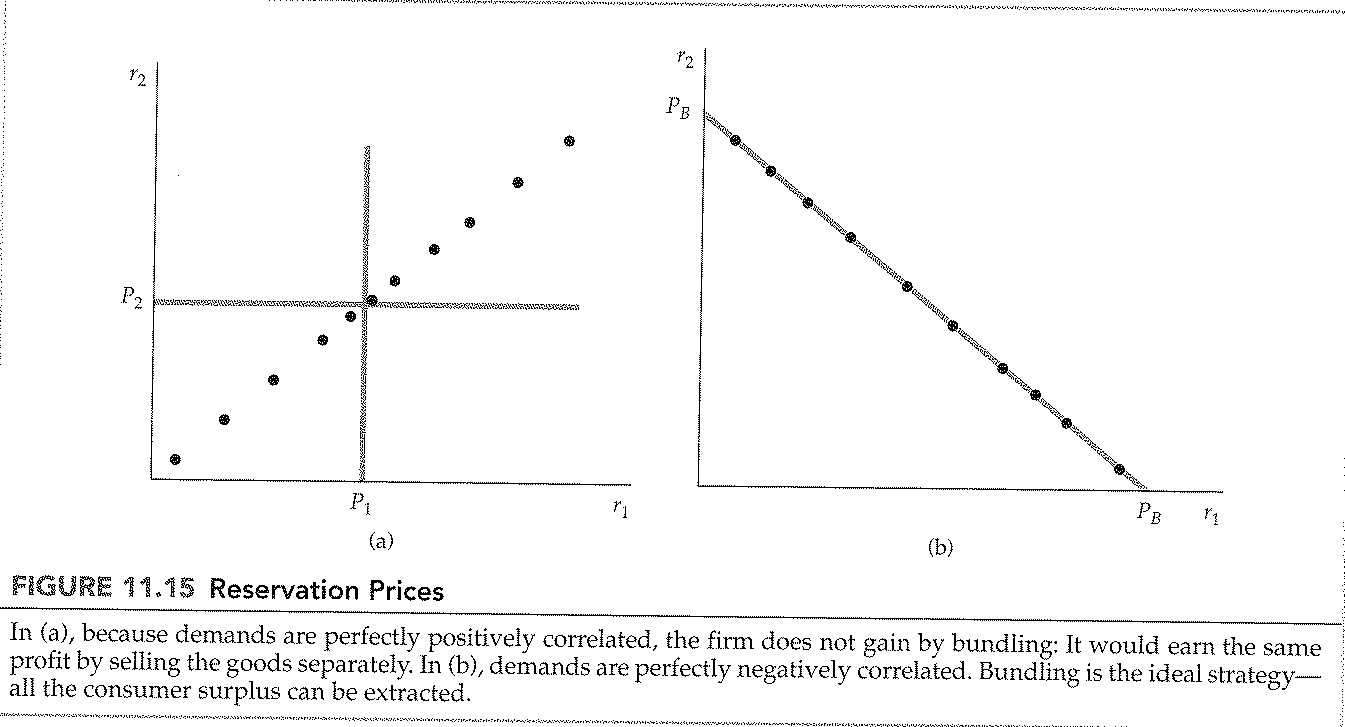
**Consumption decisions when products are bundled**



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**CHAPTER 11: Pricing with Market Power**

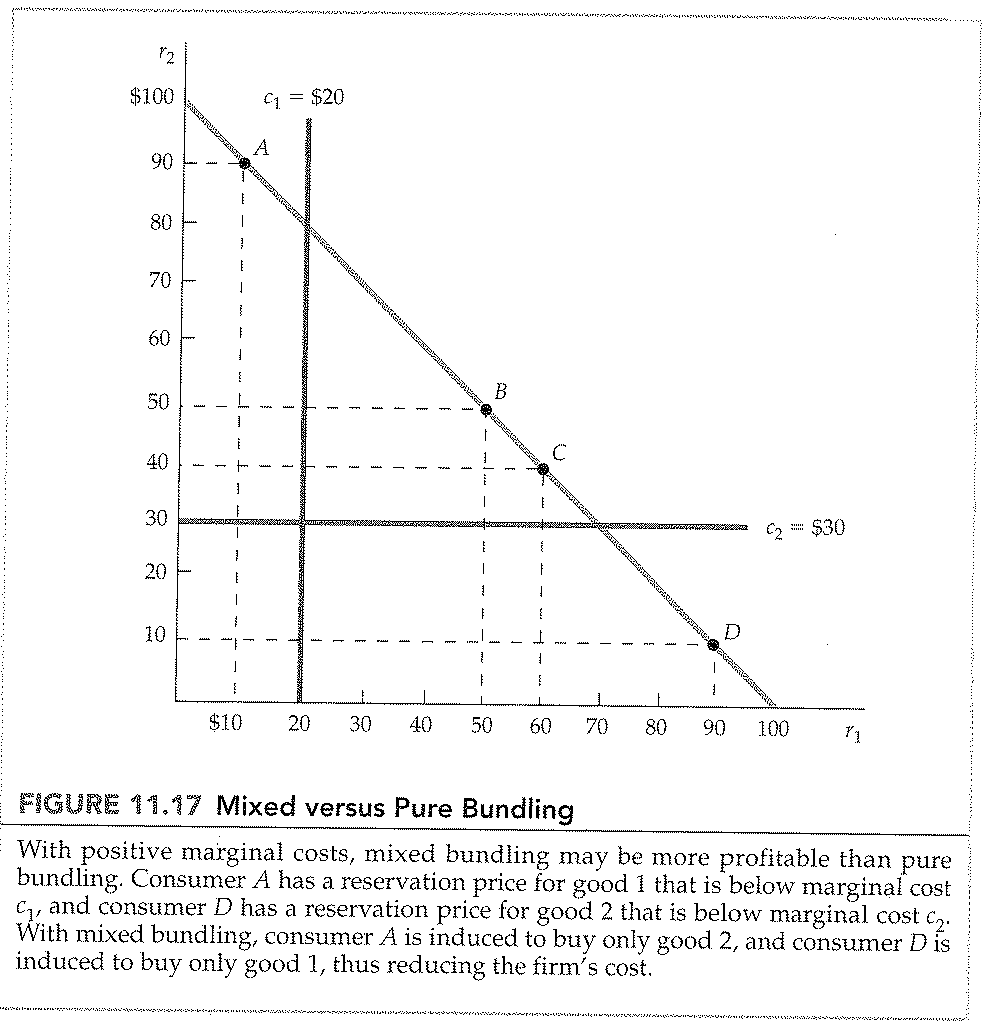
**Reservation price: positive and negative correlation**



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**CHAPTER 11: Pricing with Market Power**

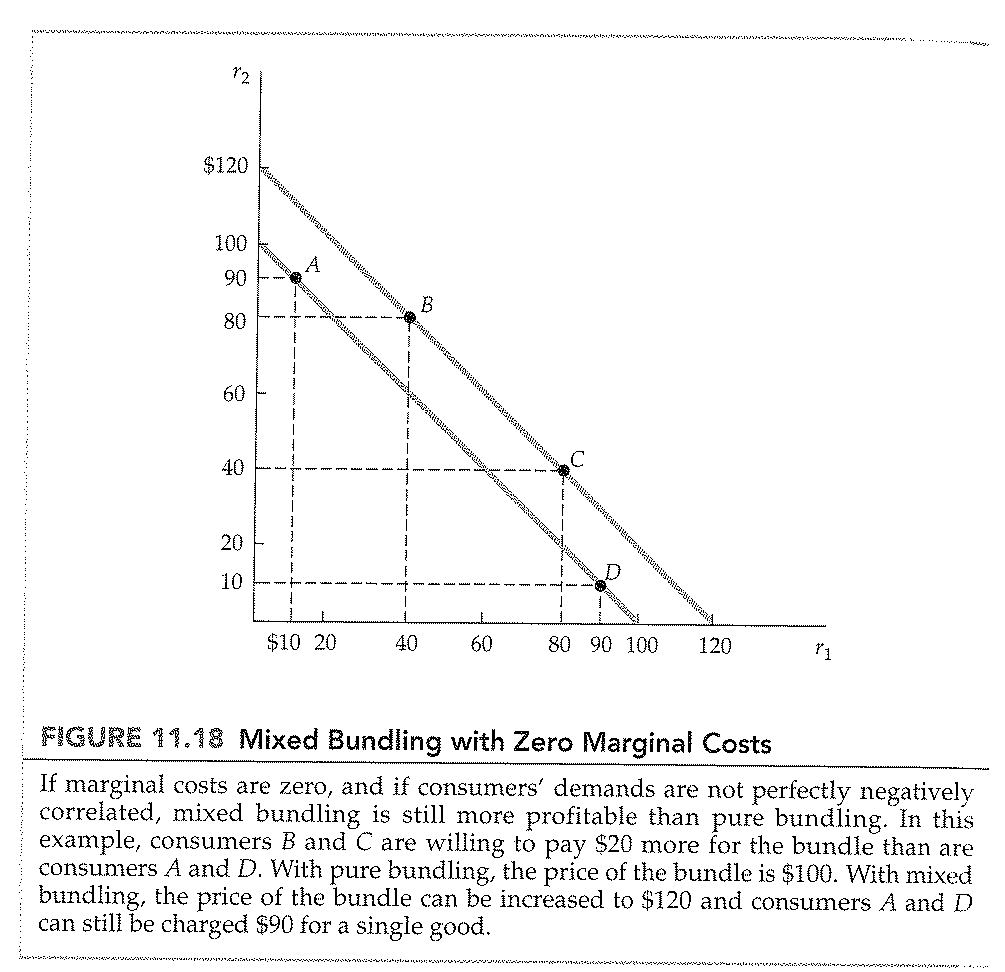
**Mixed versus pure bundling**



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**CHAPTER 11: Pricing with Market Power**

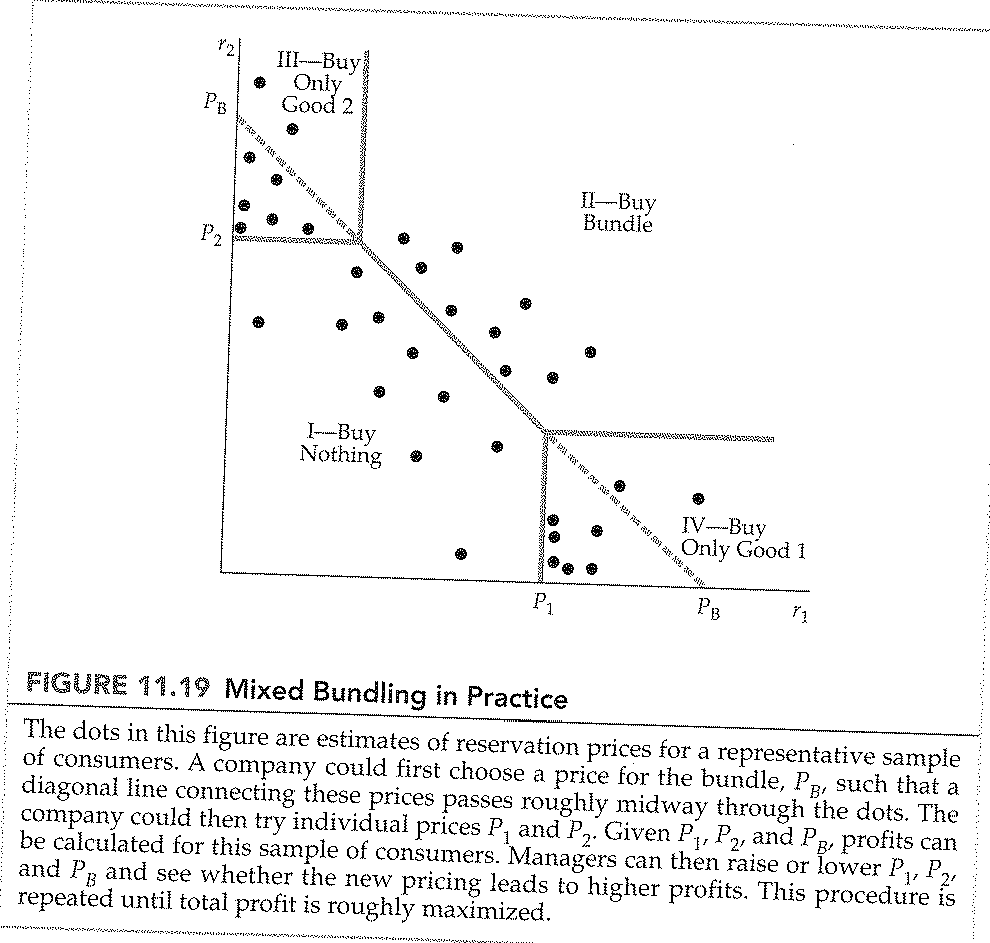
**Mixed bundling with zero marginal costs**



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**CHAPTER 11: Pricing with Market Power**

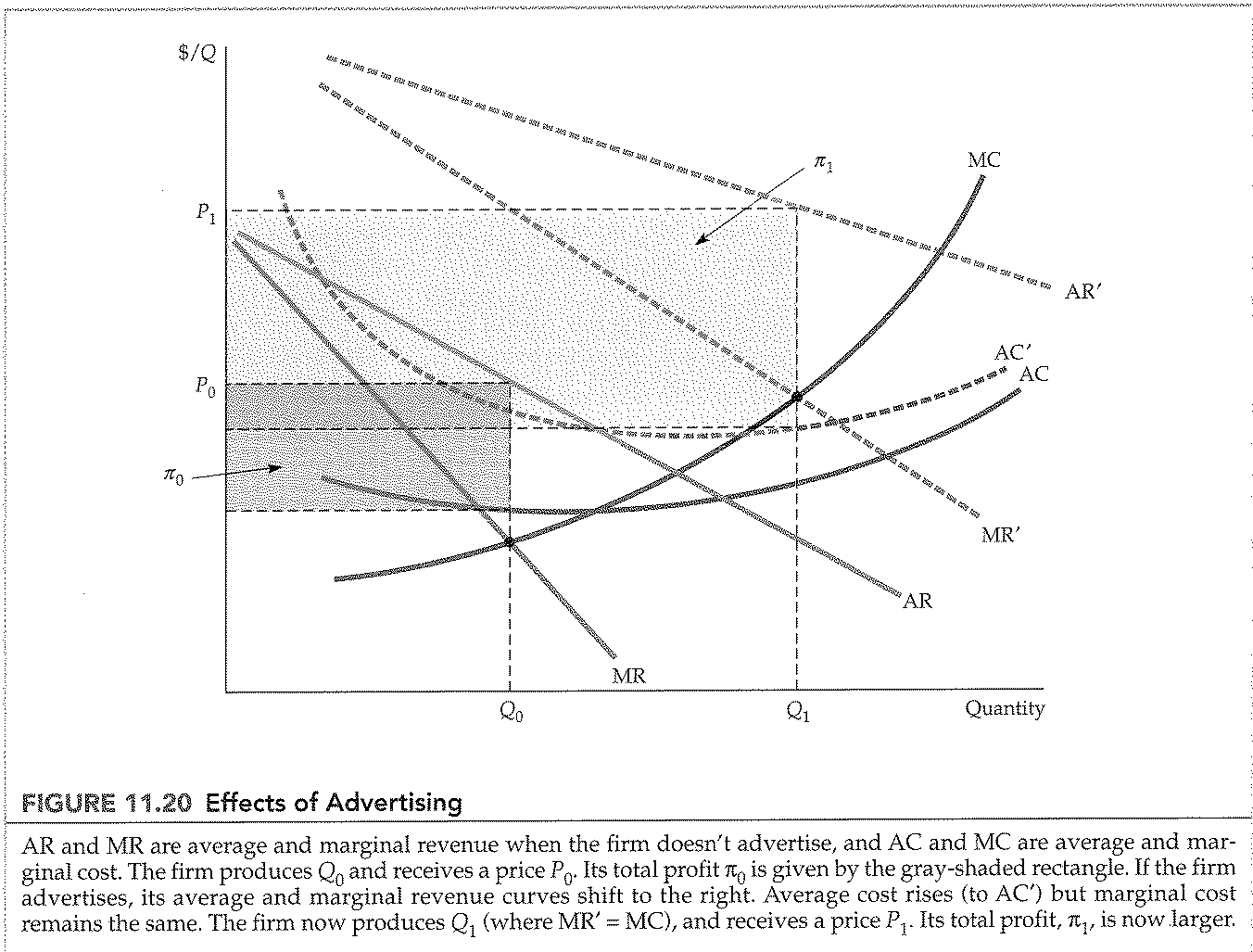
**Mixed bundling in practice**



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**CHAPTER 11: Pricing with Market Power**

**Effects of advertising**



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