



Course and Examination Fact Sheet: Autumn Semester 2021

9,266: The Economics of Strategy

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Decentral - Written examination (with defined exam duration) (70%, 90 mins.)

Examination time: term time

Decentral - examination paper written at home (in groups - all given the same grades) (20%)

Examination time: term time

Decentral - Active participation (10%)

Examination time: term time

Attached courses

Timetable -- Language -- Lecturer

[9,266,1.00 The Economics of Strategy](#) -- Englisch -- [Gärtner Dennis](#)

Course information

Course prerequisites

The target audience for this course are masters' students in management or in economics with a strong interest in connecting rigorous microeconomic reasoning with business practices. To learn effectively from this course, students must have passed an intermediate undergraduate course in microeconomics (such as HSGs compulsory Micro II), game theory, or introductory industrial organization. Specifically, the course makes use of basic tools in game theory (Nash equilibrium, backward induction), basic calculus and algebra (the "first order approach" to maximization, solving systems of equations), and rudimentary probability theory (such as: what is the probability that a random variable with is evenly distributed over $[0,1]$ exceeds 0.7?).

If in doubt about your technical fitness for this course, you might find it useful to flip through some pages in the course's main textbook (Belleflamme & Peitz). Also, the first two course weeks are specifically designed to clarify required technical skills.

Learning objectives

You will learn to use microeconomic logic and game theory in particular to effectively analyze, predict and recommend business strategies and marketing decisions. You will become acquainted with a range of important work-horse models in specific areas such as pricing, advertising, etc. In the wider scheme of things, you will be introduced to the skill of modeling, i.e. of building a model which captures the crucial aspects of a problem and deriving well-structured insights and conclusions from this. Ultimately, this will put you in a position to analyze also business problems other than the ones covered in class.

Course content

This course will make you a better business strategist, and a wittier marketer. It will introduce you to the analytical power of using a microeconomist's analytical toolkit, particularly game theory, to analyze issues traditionally associated with business administration and marketing in particular, such as:

- Why is popcorn so expensive at the movies?
- Why does Spotify not charge listeners per (played) song?
- Why and when does it make sense to sell different goods in "bundles"?
- What are the pros and cons of differentiating my product from my competitor's product?
- What is the economic role of advertising, and when is it reminiscent of an arms race (so a ban would benefit all)?
- Who really benefits from "price-matching guarantees"?



The course starts with a review of how microeconomics and game theory can inform the very basic question of how to optimally price a product, with competition and without. Having established this, we will embark on a series of extensions from the following topic areas:

- product differentiation
- advertising
- personalized pricing and price discrimination
- versioning
- price comparison sites
- bundling
- price-matching guarantees
- network goods
- two-sided markets

A particular emphasis will be given to recent topical issues relating to the digital economy.

Also, the above list of topics is preliminary and adaptable: students are encouraged to voice their personal interests, which will be accommodated where possible. The definitive schedule will be announced in class and published on StudyNet/Canvas.

Course structure and indications of the learning and teaching design

Most of the course will be delivered in lecture format, with each lecture dedicated to one of the topic areas outlined above. In these sessions, we will meet to discuss these topic areas on the basis of a set of slides (and supplementary reading) made available beforehand.

These lecture sessions will be augmented by two or three separate sessions in which we discuss problem sets to be handed out to you beforehand.

Course literature

The primary resource for this course will be slides and problem sets, to be made available via StudyNet/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

Occasional further supplementary reading will be indicated on StudyNet/Canvas.

Additional course information

In the case of the President's Board having to implement new directives due to the SARS-CoV-2 pandemic in AS2021, the course information listed above will be changed as follows:

- Content and structure of the course will be retained as far as possible.
- The lecturer will inform via StudyNet on the changed implementation modalities of the course.

The examination information listed below can be changed as follows:

- The written examination will be replaced by a term paper.

Examination information

Examination sub part/s

1. Examination sub part (1/3)

Examination time and form

Decentral - Written examination (with defined exam duration) (70%, 90 mins.)

Examination time: term time



Remark

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Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

none

Examination languages

Question language: English

Answer language: English

2. Examination sub part (2/3)

Examination time and form

Decentral - examination paper written at home (in groups - all given the same grades) (20%)

Examination time: term time

Remark

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Examination-aid rule

Term papers

Written work must be written without outside help according to the known citation standards, and a declaration of authorship must be attached, which is available as a template on the StudentWeb.

Documentation (quotations, bibliography, etc.) must be carried out universally and consistently according to the requirements of the chosen/specified citation standard such as e.g. APA or MLA.

The legal standard is recommended for legal work (cf. by way of example: FORSTMOSER, P., OGOREK R., SCHINDLER B., Juristisches Arbeiten: Eine Anleitung für Studierende (the latest edition in each case), or according to the recommendations of the Law School).

The reference sources of information (paraphrases, quotations, etc.) that has been taken over literally or in the sense of the original text must be integrated into the text in accordance with the requirements of the citation standard used. Informative and bibliographical notes must be included as footnotes (recommendations and standards e.g. in METZGER, C., Lern- und Arbeitsstrategien (latest edition)).

For all written work at the University of St.Gallen, the indication of page numbers is mandatory, regardless of the standard chosen. Where page numbers are missing in sources, the precise designation must be made differently: chapter or section title, section number, article, etc.

Supplementary aids

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Examination languages

Question language: English

Answer language: English



3. Examination sub part (3/3)

Examination time and form

Decentral - Active participation (10%)

Examination time: term time

Remark

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Examination-aid rule

Active classroom participation

In the "Active classroom participation" examination form, regular participation in class is assessed.

The assessment criteria can be as follows:

- Requests to speak enrich the discussion (productive) / requests to speak disturb the discussion (counterproductive);
- Requests to speak are correct/requests to speak are incorrect;
- Requests to speak are frequent/average/rare;
- No requests to speak, but students follow the lesson/no requests to speak and students do not noticeably follow the lessons.

Supplementary aids

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Examination languages

Question language: English

Answer language: English

Examination content

The written exam will cover the material covered in class and made available through lecture slides, individual notes, book chapters, problem sets and solutions (as published/announced via StudyNet/Canvas by the last day of lectures).

The group examination paper will be a problem set to be completed during the break.

Examination relevant literature

There is no required textbook for this course, but useful supplementary reading will be indicated, including book chapters from the aforementioned book (Belleflamme and Peitz (2015), Industrial Organization: Markets and Strategies, Cambridge University Press) and supplementary academic articles.

All additional material will be made available before the respective lecture.



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 (CW51) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 42 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 34 (Thursday, 26 August 2021);
- Examination information (regulations on aids, examination contents, examination literature) for decentralised examinations: in CW 42 (Monday, 18 October 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 42 (Monday, 18 October 2021);

Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the registration period in CW 45 (Monday, 8 November 2021).