



Course and Examination Fact Sheet: Spring Semester 2023

8,256: 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

[8,256,1.00 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 likelihood that a random variable which 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

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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

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

none

Nature of examination

analog

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

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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Nature of examination

analog

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

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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Nature of examination

analog

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). This includes topics such as:

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

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 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 (CW21) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 12 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, 26 January 2023);
- Examination information (regulations on aids, examination contents, examination literature) for decentralised examinations: in CW 12 (Monday, 20 March 2023);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 12 (Monday, 20 March 2023);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the de-registration period in CW 15 (Monday, 10 April 2023).