Lecture 23-24

- Capturing consumer surplus
- Price discrimination
- Intertemporal price discrimination
- Two-Part tariff
- Bundling
- Advertising
Price Discrimination

• First-Degree: (Figure 11.3)
  Charge each consumer his/her reservation price

• Second-Degree: (Figure 11.4)
  Charge different prices for different quantities or “blocks” of the same good

• Third-Degree: (Figure 11.5)
  Divide consumers into different groups and charge each group (i) so that \( MR_i = MC \)
  (Examples 11.1 and 11.2)
Intertemporal Price Discrimination

- Third-Degree discrimination by dividing consumers into different consumption time zones:
  - Figures 11.7
  - Peak-Load pricing (Figure 11.8)

- Examples:
  - Best-Selling Novel
  - Long-distance phone calls
  - Electricity use
Two-Part Tariff

- **Entrance fee:**
  Cover the fixed cost

- **Usage fee:**
  Cover the marginal cost

- **Advantage:**
  - General (Figure 11.9)
  - Two consumers (Figure 11.10)
  - Many consumers (Figure 11.11)

- **Examples:**
  - Polaroid cameras
Exercises

- Q4
- Q5
- Q7
- Q8
- Q10