

Topic 3 - A few examples of price discrimination

Identification: Price discrimination occurs when

- Same cost of production for the firm
- Different prices charged per unit

Strategy:

- Auto-selection (offer menus of quantity and price, let consumer choose)
- Segmented markets (offer different prices to consumers with different observable characteristics, classified as different markets)
- Bundling (different people buy the bundle for different reasons)

Examples:

- Netflix: discrimination based on usage (different plans)
- Airline tickets: discrimination based on flexibility (same seats at different prices)
- Packs of goods in supermarkets
- Movie tickets
- Rebates and discounts (senior citizen, student...)
- Telephone plans
- Software packages
- Cable and Satellite TV (plans and bundles)

! Different prices may result from product differentiation (e.g. airline tickets for economy and business). Or two otherwise identical products may have different costs of production (e.g. fresh food at different locations). These cases are not examples of price discrimination.