Last time

Claims ① Max(revenue) ≠ Max Π

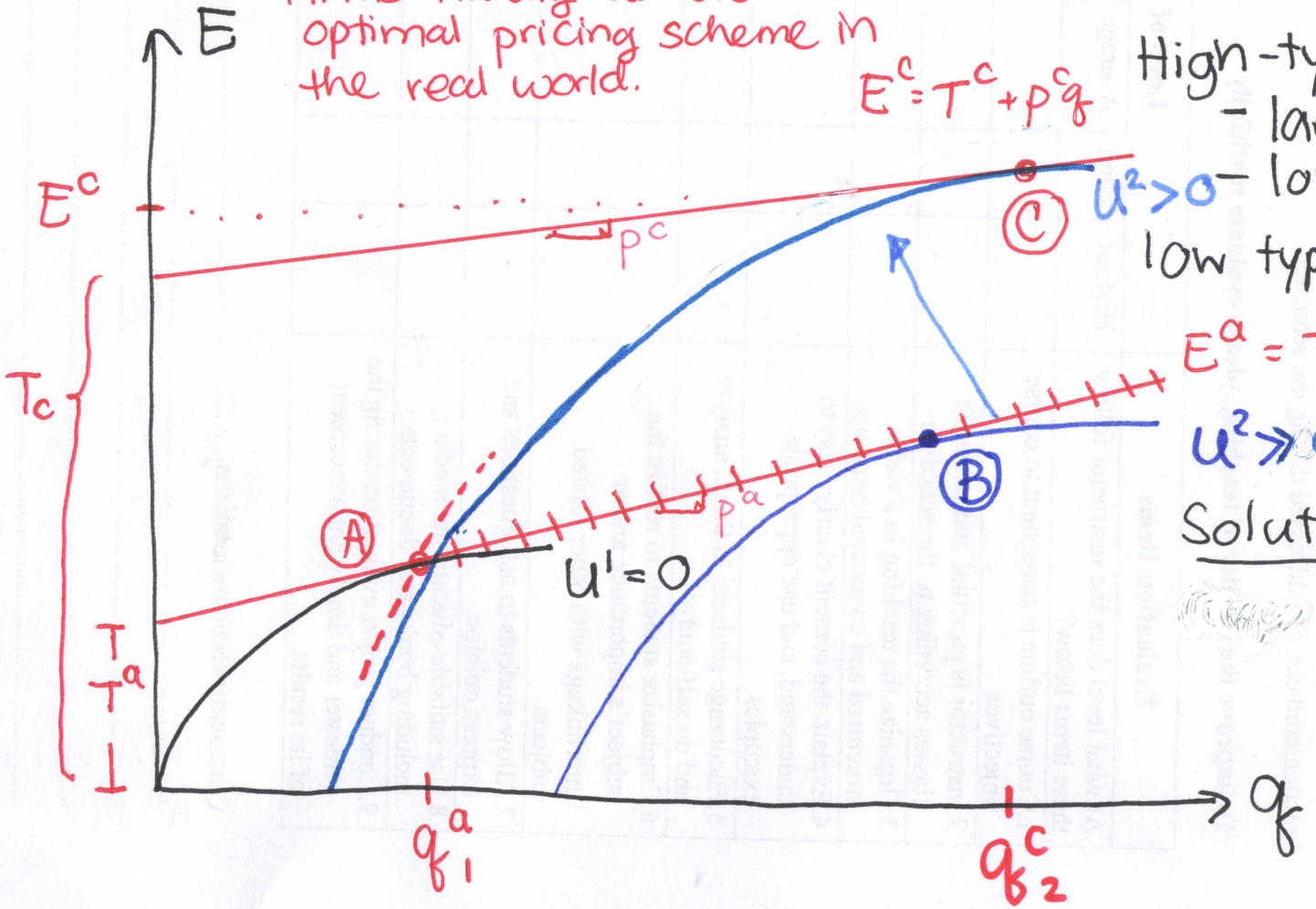
② When offering two two-part tariff, firm earns more Π when charging higher fixed fee (T) from the high type and lower price (p)

Under an optimal condition, slope of the two-part tariff for the high type would be flatter. But in reality, this not neccessarily the case. Firms hardly achieve an optimal pricing scheme in the real world.

Ex: Ins. Market

High-type (high-risk)
- larger fixed fee
- lower co-pay

low type → the opposite



Solution Company offers

Package ⓐ $\{E_1^a, q_1^a\}$

Package ⓒ $\{E_2^c, q_2^c\}$