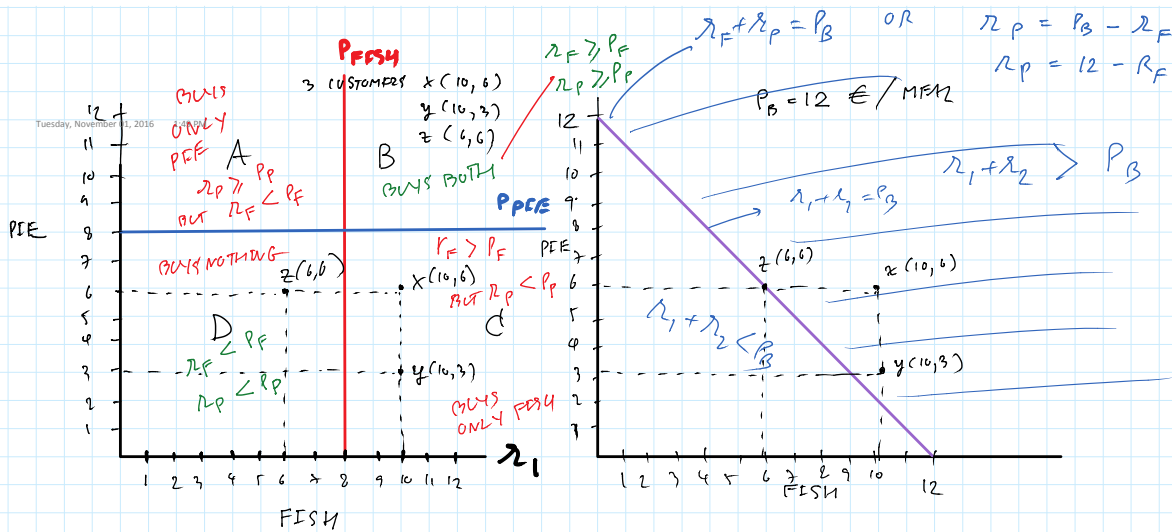




- X & Y BUY ONLY FISH
 - Z WILL NOT BUY
- CS'S X = $10 - 8 = 2 \text{ €}$
 CS'S Y = $10 - 8 = 2 \text{ €}$
 THE FIRM'S REVENUE = $8 + 8 = 16$

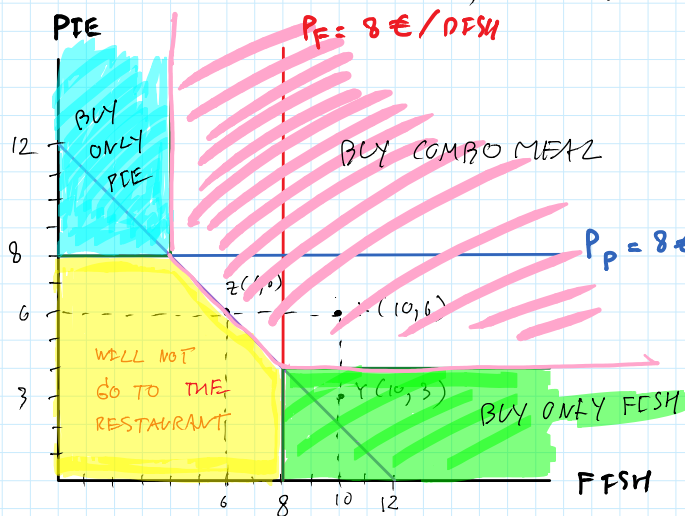
- X & Y & Z WILL BUY
- X'S CS = $16 - 12 = 4 \text{ €}$
 Y'S CS = $13 - 12 = 1 \text{ €}$
 Z'S CS = $12 - 12 = 0 \text{ €}$
 THE FIRM'S TR = $12 \cdot 3 = 36 \text{ €}$

$\infty + \infty$

$\infty + \Delta$
 $\infty + \Delta$
 $\infty + \Delta$

REMARK W/ A LA CARTE, Z BUYS NOTHING.

W/ FIXED-PRICE MEAL, Z BUYS THE PACKAGE OF FISH & PPF.



$P_B = 12 \text{ € / MEAL}$

$P_F = 8 \text{ € / FISH}$

$P_P = 8 \text{ € / PPF}$

CONSIDER X.

- X CAN BUY EITHER COMBO MEAL OR ONLY FISH

IF COMBO, X'S CS = $16 - 12 = 4 \text{ €}$

IF BUY FISH ONLY, X'S CS = $10 - 8 = 2 \text{ €}$

SO, X WILL DECIDE TO GO FOR COMBO MEAL.

CONSIDER Y: SAME SITUATION LIKE X.

IF BUY COMBO MEAL, Y'S CS = $13 - 12 = 1 \text{ €}$

IF BUY FISH ONLY, Y'S CS = $10 - 8 = 2 \text{ €}$

SO, HE IS BETTER OFF BY ORDERING ONLY FISH.

- WHICH PRICING SCHEME DELIVERS HIGHER Π DEPENDS ON

- WTP OF YOUR CUSTOMERS' FOR F AND FOR P

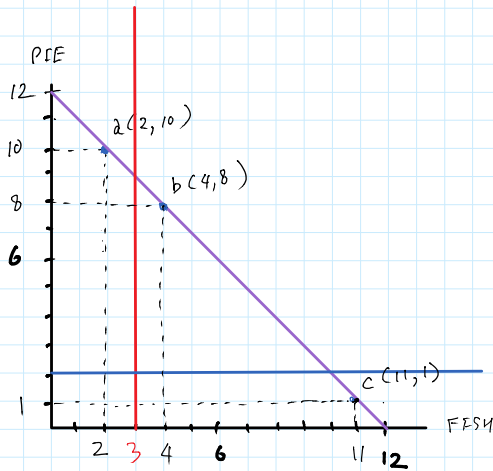
- YOUR COST OF PRODUCTION FOR THESE DISHES'

- BEING ABLE TO SELL MORE WILL GIVE HIGHER PROFITS IF

REVENUES' RESES MORE THAN COSTS

LET'S INTRODUCE COST OF PRODUCING FISHES AND PIES €.

COST OF FISH = 3 €/FISH



① SELLING SEPARATELY (A LA CARTE)

$$P_F = 9, P_P = 9$$

SOLUTION: $P_F = 11, P_P = 8$

$$c \text{ WILL BUY FISH} \Rightarrow \pi_F = (11 - 3) \cdot 1 = 8 \text{ €}$$

$$a, b \text{ WILL BUY PIE} \Rightarrow \pi_P = (8 - 2) \cdot 2 = 12 \text{ €}$$

$$\pi_{\text{TOTAL}} = 8 + 12 = 20 \text{ €}$$

$$\infty \text{ } \infty \text{ } \infty \text{ } \infty \text{ } \infty \text{ } \infty$$

② SELLING AS A PACKAGE (FIXED-PRICE MEAL) → "PURE" BUNDLING

$$P_B = 12 \text{ € / MEAL}$$

so, a, b, and c will purchase.

$$\pi_B = (12 - 5) \cdot 3 = 21 \text{ €}$$

$$a \infty + \infty$$

$$b \infty + \infty$$

$$c \infty + \infty$$

③ MIXED BUNDLING

A LA CARTE

8

FIXED-PRICE MEAL ARE OFFERED.

$$P_F = 9, P_P = 9, P_B = 9$$

$$P_F = 10.99, P_P = 9.99, P_B = 12$$

SOLUTION

FOR a : WILL BUY ONLY PIE AS HE WILL GAIN $CS = 10 - 9.99 = 0.01 \text{ €}$.

FOR b : WILL BUY A COMBO MEAL → HIS $CS = 0 \text{ €}$

FOR c : WILL BUY ONLY FISH AS HE WILL GAIN $CS = 11 - 10.99 = 0.01 \text{ €}$

$$\begin{aligned} \pi_{\text{TOTAL}} &= \begin{matrix} a & c & b \\ \downarrow & \downarrow & \downarrow \\ (9.99 - 2) & (10.99 - 3) & (12 - 5) \\ = 7.99 & + 7.99 & + 7 \\ = 22.98 \text{ €} \end{matrix} \end{aligned}$$

• MIXED BUNDLING GENERATES EVEN HIGHER PROFITS THAN PURE BUNDLING EVEN THOUGH WE SELL ONLY 2 SETS OF DISHES HERE

(W/ PURE BUNDLING, WE SELL 3 SETS OF DISHES)

(WHY?)

B/C : IN PURE BUNDLING, (a) W/ LOW VALUATION ON FISH

= 2 €

B/C : IN PURE BUNDLING, (a) W/ LOW VALUATION ON FISH
(COMPARED W/ THE COST OF MAKING FISH) = 3 € (= 1 €)

(c) W/ LOW VALUATION ON PEE
(COMPARED W/ THE COST OF MAKING PEE) = 2 €

W/ PURE BUNDLING, SELLING FISH TO a & PEE TO c
DO NOT BENEFIT YOU