

4. Bundling question. Suppose movie theatre have 2 movies- movie A and B. There 2 types of customers, type one and type two (there is only 2 customers in the market). There are 2 situations. Please identify should the movie treater sell movie separately to sell them together?

Situation 1

	Customer type 1	Customer type 2
Willingness to pay for A	9,000	10,000
Willingness to pay for B	3,000	2,000
Willingness to pay for A&B		

If sell separately		
For movie A	Charge price at	
	Sell to	
	Revenue from selling A	
For movie B	Charge price at	
	Sell to	
	Revenue from selling B	
Total revenue from sell separate		
If sell A&B in bundle		
Charge price at		
Sell to		
Total revenue from sell in bundle		

Situation 2

	Customer type 1	Customer type 2
Willingness to pay for A	9,000	10,000
Willingness to pay for B	500	2,000
Willingness to pay for A&B		

If sell separately		
For movie A	Charge price at	
	Sell to	
	Revenue from selling A	
For movie B	Charge price at	
	Sell to	
	Revenue from selling B	
Total revenue from sell separate		
If sell A&B in bundle		
Charge price at		
Sell to		
Total revenue from sell in bundle		

Is that always profitable to sell in bundling? _____