

VORTRAG

“Optional-Contingent-Product Pricing in Marketing Channels“

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22.10.2015, 16:30 Uhr, SR 1

Abstract:

The paper studies a manufacturer-retailer framework where the manufacturer sells a base product in two different formats:

- as a traditional product directly to the consumers
- as a digital product via the retailer.

In addition the retailer sells an optional contingent product that the consumer can utilize to consume the digital product. A prime application of this setting is the book market, with the base product in formats paper book and ebook. The optional contingent product is the ereader.

An option for the retailer is to apply a loss-leader pricing strategy on the digital base product to support demand of the contingent product. We find that the profitability of the digital base product has two contradictory effects on the optimality of such a strategy. A further aim is to compare wholesale pricing with agency pricing.