



## *JWI 515: Managerial Economics*

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### *Academic Submissions and Evaluation*

#### **Assignment 2: Executive Memo – Price Discrimination (Weight: 10%)**

**Due by Sunday, midnight of Week 7**

#### **Your Assignment**

It's time to crunch some numbers! Your boss has just given you an important, high priority assignment. The company's core business product has shown steadily shrinking profitability and you've been asked to address the problem by coming up with at least one new pricing technique. Your boss and the Regional VP of Finance will meet with you at the end of the month to hear your proposal.

Prior to the meeting, your boss would like to see a brief Memo that outlines your proposal and the impact you expect it to have on units sold and profits. The RVP of Finance is new to the company, so you will also need to include a section that contains a brief description of the product and its history.

#### **Instructions**

Develop a 2 to 3 page Executive Memo for your boss. Follow the directions below to create your memo. A Sample Outline is also provided, as a framework for organizing your memo.

1. Describe the company's product or service, using relevant economic terminology. Questions to address include, but are not limited to:
  - What is the product or service? What Utility or benefit does it provide to the consumer?
  - What is your company's history with this product or service?
  - What does the competition in the market look like for this product or service?
  - What actions has your company taken to remain competitive?
2. Provide **at least two** specific proposals for price discrimination:
  - Which Price Discrimination technique(s) will you use?
  - In order for your proposal to generate more profits, will you recommend Mark-up or Margin pricing? Why?
  - What is the current price? What will be the new price?
3. Explain how implementing your proposal is expected to impact consumer demand:
  - How will your proposal impact sales in the first three months?
  - How will your proposal impact sales within eighteen months?
  - What would increased sales enable the company to do differently?

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#### **Professional Formatting Requirements**

Your assignment should follow these formatting requirements:

- Typed, double-spaced, professional font (size 10-12), include headings and subheadings, with one-inch margins on all sides
- In place of a Cover page, provide the following heading on Page One of your Memo:
  - TO: *Insert Professor's Name*
  - FROM: *Insert Your Name*
  - DATE: *Insert Date Submitted*
  - RE: *Managerial Economics 515 – Assignment 2 – Insert Product or Service – Price Discrimination*

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#### **Executive Memo - Sample Outline**

Use the following Outline to organize the body of your Memo. Use the underlined headings as section headings. Use the prompts in each section to make sure you include the required content.

TO: (Your Instructor)

FROM: (Your Name)

DATE: (Submittal Date)

RE: Managerial Economics 515 – Assignment 2 – *Insert Product or Service* – Price Discrimination

#### **Introduction**

Describe the contents of your Memo

#### **Product or Service**

Briefly describe your product or service (Address the following)

What utility or benefit does it provide to consumers?

Has your company offered this product or service in the past?

Which competitors offer the same or similar products or services in the market?

How has your company tried to stay competitive in the past?

#### **Price Discrimination Proposals**

Briefly describe one price discrimination technique that you will use. (Address the following)

For this technique, will you recommend Mark-up or Margin pricing? Why?

What is the current price? What will the new price be?

How will this technique generate more profits?

Briefly describe a second price discrimination technique that you will use. (Address the following)

Answer the same questions as above for this second technique

#### **Impacts on Consumer Demand**

Explain and quantify how your proposal will impact sales within the first three months

Explain and quantify how your proposal will impact sales within eighteen months

What could the company do differently, as a result of the increased sales?

#### **Conclusion**

#### **References**

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#### RUBRIC: Assignment 2

CRITERIA	Unsatisfactory	Low Pass	Pass	High Pass	Honors
<p>1. Describe the product or service using appropriate economic terminology.</p> <p>Weight: 25%</p>	Product or service is not described using appropriate economic terminology, and/or the product or service history and the competition are not described.	Product or service is partially described using appropriate economic terminology. The product or service history and the competition are also partially described.	Product or service is sufficiently described using appropriate economic terminology. The product or service history and the competition are also sufficiently described.	Product or service is thoroughly described using appropriate economic terminology. The product or service history and the competition are also thoroughly described.	Product or service is exemplarily described using appropriate economic terminology. The product or service history and the competition are also exemplarily described.
<p>2. Provide at least two specific proposals for price discrimination, including its pricing strategy and benefits to consumers.</p> <p>Weight: 40%</p>	Specific proposals for price discrimination are not provided, and/or recommendations for markup or margin pricing are not explained. The student has not described how the proposal will generate profits.	One specific proposal for price discrimination is provided with partial detail. Recommendations for markup or margin pricing are partially explained. The student has partially described how the proposal will generate profits.	One specific proposal for price discrimination is provided with sufficient detail. Recommendations for markup or margin pricing are well explained. The student has sufficiently described how the proposal will generate profits.	Two or more specific proposals for price discrimination are provided with thorough detail. Recommendations for markup or margin pricing are thoroughly explained. The student has thoroughly described how the proposal will generate profits.	Two or more specific proposals for price discrimination are provided with exemplary detail. Recommendations for markup or margin pricing are exemplarily explained. The student has exemplarily described how the proposal will generate profits.
<p>3. Explain how implementing your proposal is expected to impact consumer demand.</p> <p>Weight: 25%</p>	Proposal's impact on consumer demand is not explained, including sales for the first three months and within twelve months. The student has not explained what increased sales would enable the company to do differently.	Proposal's impact on consumer demand is partially explained, including sales for the first three months and within twelve months. The student has partially explained what increased sales would enable the company to do differently.	Proposal's impact on consumer demand is sufficiently explained, including sales for the first three months and within twelve months. The student has sufficiently explained what increased sales would enable the company to do differently.	Proposal's impact on consumer demand is thoroughly explained, including sales for the first three months and within twelve months. The student has thoroughly explained what increased sales would enable the company to do differently.	Proposal's impact on consumer demand is exemplarily explained, including sales for the first three months and within twelve months. The student has exemplarily explained what increased sales would enable the company to do differently.

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<b>CRITERIA</b>	<b>Unsatisfactory</b>	<b>Low Pass</b>	<b>Pass</b>	<b>High Pass</b>	<b>Honors</b>
4. Clarity, logic, writing mechanics, and formatting.  Weight: 10%	Multiple mechanical errors; much of the text is difficult to understand or the text does not flow; fails to follow formatting instructions.	Several mechanical errors make parts of the text difficult for the reader to understand; the text does not flow; the discussion fails to justify conclusions and assertions.	More than a few mechanical errors; text flows but lacks conciseness or clarity; assertions and conclusions are generally justified and explained.	Few mechanical errors; text flows and concisely and clearly expresses the student's position in a manner that rationally and logically develops the topics.	Few to no mechanical errors; text flows and concisely, clearly, and exemplarily expresses the student's position in a manner that rationally and logically develops the topics.