

Course Syllabus

ECO380H5F – Managerial Economics: Competitive Strategy

Department of Economics
University of Toronto Mississauga
Fall 2022

Contact Information

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Contact Hours

Time: Thursday 1:00-3:00pm
Location: DH 2070

Communication

If you have questions about course materials, you should ask them during lectures or office hours. You will get prompt response to your questions. You can also post questions on the Quercus discussion board. Emails are reserved for personal, short questions.

- *If you email me, you must use your University email address and include the course code in the subject line.*
- *I will do my best to answer your questions within 48 hours.*

Course Objectives and Learning Outcomes

Why are some industries more profitable than others? Why are some firms profitable while others are not? How can firms create, capture, and maintain their profits in the face of competition? This course will use a series of real-world examples, together with theoretical insights from game theory, to answer these questions. The first part of the class will be devoted to the building blocks of strategy, including industry analysis, positioning, and sustainability of competitive advantage. Next, we will use game theoretical tools to analyze strategic interaction among firms, such as strategic pricing, entry, and competitive bidding. The final weeks of the class will cover economies of scale and scope and technological competition. At the end of the course, students should be able to identify and categorize major strategic problems in business environment, and suggest and evaluate candidate strategies.

Course Materials

Required Text: D. Besanko, D. Dranove, M. Shanley, and S. Schaefer, *Economics of Strategy*, Wiley, 7th edition, 2016 (BDSS). Available for purchase at UTM bookstore.

Other useful but not required books:

- P. McAfee, *Competitive Solutions*, Princeton University Press, 2002.
- Brandenberger, and B. Nalebuff, *Co-Opetition*, Currency & Doubleday, 1996.
- Church and Ware, *Industrial Organization: A Strategic Approach*, 2000, Online.

Weekly readings include assigned journal articles and business reports. Read them before class in order to be ready for class discussion. All subscription required contents (such as articles from WSJ and NYTimes), if the posted direct links do not work, are available online via [university library](#). The UTM library assembles some business periodicals here: <https://utm.library.utoronto.ca/flc/business-periodicals>.

Course Outline (Tentative)

Week 1, September 8

Economics and Strategy

Reading: BDSS, Introduction, Economics Primer
Michael Porter, "What is Strategy," *Harvard Business Review* 74(6), 1996 (google it!).
"Welcome to Planet Apple," *Business Week*, July 9, 2007, Issue 4042, p88-92.
"Steve Jobs of Apple Dies at 56," *The New York Times*, October 5, 2011.

Week 2, September 15

Industry Analysis

Reading: BDSS, Chapter 5, 8
"The Justice Department wants to stop the US Airways-American merger. Here's why." *Washington Post*, August 13, 2013.
"Justice Dept. Clears Merger of 2 Airlines," *The New York Times*, November 12, 2013.
"Hiroshi Yamauchi, Who Steered Nintendo to Dominance, Dies at 85," *The New York Times*, September 19, 2013.

Week 3, September 22

Strategic Positioning

Reading: BDSS, Chapter 9
"Southwest Airlines: The Hottest Thing in the Sky," *Fortune*, March 8, 2004.
"Low-Cost Airlines: Turbulent Skies," *The Economist*, July 8, 2004.
"Twitter CEO Dick Costolo Struggles to Define Vision," *The Wall Street Journal*, November 6, 2014.

Week 4, September 29

Sustaining Competitive Advantage

Reading: BDSS, Chapter 11
“Southwest Airlines, Once a Brassy Upstart, Is Showing Its Age,” *The Wall Street Journal*, April 1, 2014.
“The Bulldozer of Bentonville Slows,” *The Economist*, February 17, 2007.
“Wall Street Analysts Predict the Slow Demise of Walmart and Target,” *The Huffington Post*, July 30, 2014.
“Has Apple Peaked?” *CNN Money*, July 10, 2015.

Week 5, October 6

Problem set 1 due October 8

Strategic Commitment

Reading: BDSS, Chapter 7
“Luxury-Home Developers’ Latest Pitch: Unspoiled Nature,” *The Wall Street Journal*, November 5, 2015.
Lieberman, Marvin B., and David B. Montgomery, “First-Mover Advantages,” *Strategic Management Journal* 9 (1988): 41-58.
Judith Chavaler, “When It Can Be Good to Burn Your Boats?” *The Financial Times*, Mastering Strategy Supplement, October 25, 1999: 12.

Reading Week, October 13

Week 6, October 20

Entry and Exit

Reading: BDSS, Chapter 6
“Nutrasweet’s Bitter Fight,” *The New York Times*, November 19, 1999.
“BellSouth Drops Bid for Lin, Clearing the Way for McCaw,” *The Los Angeles Times*, December 12, 1989.
“Mike’s Bluff,” www.Gainesville.com, February 3, 2008.
“Target to Exit Canada after Failed Expansion,” *Wall Street Journal*, January 15, 2015.

Week 7, October 27

Midterm

Week 8, November 3

Dynamics of Pricing Rivalry

Reading: BDSS, Chapter 5, 7

Rafi Mohammed, “[Falling Oil Prices Don’t Make OPEC Irrelevant](#),” *Harvard Business Review*, December 11, 2014.

Week 9, November 10

Competitive Bidding

Reading: Easley and Kleinberg, “[Auctions](#),” Chapter 9, *Networks, Crowds, and Markets*, 2010

Week 10, November 17

Problem set 2 due November 19

Firm Boundaries

Reading: BDSS, Chapter 1-4
Oliver Williamson, “[The Vertical Integration of Production: Market Failure Considerations](#),” *The American Economic Review* P&P 61(2), May 1971, 112-123.

Week 11, November 24

R&D Competition and Network Effects

Reading: BDSS, Chapter 11
Besen and Farrell, “[Choosing How to Compete: Strategies and Tactics in Standardization](#),” *Journal of Economic Perspectives*, 1994, 117-131.
Shapiro and Varian, “[The Art of Standards Wars](#),” *California Management Review*, Winter 1999, 41(2), 8-32.
Chris Anderson, “[The Long Tail](#),” *The Wired Magazine*, October 1, 2004.
Robert H. Frank, “[Winners Take All, but Can’t We Still Dream?](#)” *The New York Times*, February 22, 2014.

Week 12, December 1

Two-Sided Markets

Reading: Marc Rysman (2009): “[The Economics of Two-Sided Markets](#),” *Journal of Economic Perspectives* 23(3), 125-143.
Eisenmann, Parker and Van Alstyne (2006): “[Strategies for Two-Sided Markets](#),” *Harvard Business Review*, October 2006 (google it!).

Evaluation

There will be three problem sets, one midterm (online) and one final (in-person).

Test/Assignment	Date	Time	Weight	Location
Midterm	October 27 (week 7)	1-3pm	25%	In class
Problem Set 1	October 8 (week 5)	11:59pm	15%	Quercus
Problem Set 2	November 19 (week 10)	11:59pm	15%	Quercus
Problem Set 3	Will not be collected or graded			
Final Exam	Exam Period, TBA		40%	TBA
Class Participation			5%	

In order to help you determine whether you have met the prerequisite to take the course, I will post a Background Quiz in blackboard. Materials covered in the background quiz will be repeatedly drawn in class and in tests. This quiz will not be collected or graded: students are responsible for their own mastery of the solutions.

Problem sets. There will be three problem sets. The first two will be collected and graded by myself.

- Each problem set accounts for 15%, and is due at the midnight (11:59pm) of the due date.
- There will be four possible grades for each timely submitted assignment: “V+” (15%), “V” (12%), “V-” (8%) and “F” (5%). Missing submission will get the default grade of zero.
- You can work alone or join a study group for the problem sets. There is no penalty for group work. Each study group can have up to four group members, and each group needs to turn in only one solution for each problem set.
- If you work alone, the grade on your submitted assignment will be your grade. If you work as a group, your grade is the grade on the assignment submitted by your group, with the following exception. If your group has 3-4 members (including you) and all your group members (excluding you) write to me that you do not sufficiently contribute to the group work, you will get the grade of 0, regardless of your group grade.

Class participation. Active in-class participation is very important for your learning in this course. Every student is required to attend every lecture. I may randomly check class attendance.

Submission of Course Work

Problem sets. You must submit your solutions through Quercus course website.

- Late submission will be subject to a late penalty of 20% per day (including weekends) of the total marks for the assignment. Assignments submitted five calendar days beyond the due date will be assigned a grade of zero. Assignments handed in AFTER the work has been returned to the class cannot be marked for credit. Accommodations due to late registration into the course will NOT be approved.
- If you require an extension of time please request this at least 5 business days in advance. Asking for an extension the day before, or the day of, is not a sufficient amount of time.

- Computer viruses, crashed hard drives, broken printers, lost or corrupted files, incompatible file formats, faulty inter-net, battery problems, and similar mishaps are common issues when using technology, and are not acceptable grounds for a deadline extension.
- It is every student's responsibility to ensure that their online submission is submitted successfully by the due date. Accommodations will not be made for unsuccessful submissions due to, but not limited to, i) the system timing out, ii) submitting the incorrect document(s), iii) poor internet connection / no internet connection etc.

Missed Term Work

Students who miss a test/assignment because of circumstances beyond their control (e.g. illness or an accident) can request that the Department grant them special consideration. The following steps must be completed in order to be considered for academic accommodation for any missed quiz/test/assignment.

1. Your absence must be declared on ACORN on the day of the missed test, or by the day after, at the latest.
2. You must notify your professor by e-mail within one week of the missed test.
3. Complete an online [Special Consideration Request](#) within one week of the missed test. The University is temporarily suspending the need for a doctor's note or medical certificate for any absence from academic participation. However, this policy may change at any point during the course.
4. Consult the Office of the Registrar should your absence be lengthy or affect multiple courses.

The request that you submit represents an appeal from you, requesting the opportunity to account for that portion of your grade in some other manner. If the request is not received, or if the request is deemed unacceptable, you will receive a grade of zero for the missing test. If the request is granted – that is, your reason for missing the test is considered acceptable by the professor – then the missing test will not account for your final grade. In this case, the weight of the midterm will be shifted to the final which will account 65% of your final grade.

Note that it is your responsibility to ensure that your email account is working. Claims that a Departmental decision was not received will NOT be considered as a reason for further consideration. Note that holidays and pre-purchased plane tickets, family plans, your friend's wedding, lack of preparation, or too many other tests/assignments are not acceptable excuses for missing a quiz, a test or an item of term work.

Students who cannot complete their final examination due to illness or other serious causes must file an [online petition](#) within 72 hours of the missed examination. Late petitions will NOT be considered. Students must also record their absence on ACORN on the day of the missed exam or by the day after at the latest. Upon approval of a deferred exam request, a non-refundable fee of \$70 is required for each examination approved.

Students **CANNOT** petition to re-write a quiz/test once the test has begun. If you are feeling ill, please do not start the online or in-class test, seek medical attention immediately, and the policy on Missed Term Work will apply.

Regrade Request

All tests (midterm and final) will be graded by our TA. A written request for a re-grade of the midterm must be submitted within one month after the date of the return of the test. If your request is granted, the whole

test rather than the requested parts may be regraded and hence your new score may be lower than the old one after regrading.

Privacy and Use of Course Materials

Course videos and materials belong to your instructor, the University, and/or other sources depending on the specific facts of each situation, and are protected by copyright. Do not download, copy, or share any course or student materials or videos without the explicit permission of the instructor.

Technology

Plagiarism Detection Tool

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (<https://uoft.me/pdt-faq>).

Students are permitted, under our conditions of use, to opt-out of using the University's plagiarism detection tool. If you choose not to submit your assignment through the plagiarism detection tool, you should let me by email before **September 22, 2022 (the third class)**. In this case, you can directly submit your writing assignments to me and your assignments need to include annotated bibliographies and all website addresses of all sources cited in your assignment. I may also require a short meeting asking you pointed questions regarding your research methodologies.

Supplement

The [Supplement to Course Syllabi](#) (dated **August 9, 2022**) of UTM's Department of Economics should be understood to be an integral part of this syllabus. It describes

- time zone information;
- information regarding prerequisites and exclusions;
- your responsibility to adhere to the [Code of Student Conduct](#);
- your responsibility to adhere to the [Code of Behaviour on Academic Matters](#);
- expectations regarding academic integrity, including examples of violations;
- technology requirements for online learning;
- your responsibility to avoid course conflicts;
- your responsibility to honour the copyright of course materials;
- your right to receive accommodations for religious observances;
- the equity statement for this course;
- your academic rights;
- some resources that are available to students, including [Accessibility Services](#).