**Chapter 6**

1. Pricing is an extent decision. Reduce price (increase quantity) if MR > MC. Increase price (reduce quantity) if MR < MC. The optimal price is where MR = MC.
2. Elastic Demand (|e| > 1): Quantity changes more than price. Inelastic Demand (|e| < 1): Quantity changes less than price.
3. MR > MC implies that (P - MC)/P > 1/|e|; that is, the more elastic demand is, the lower the price.
4. Four factors make demand more elastic: 1) Products with close substitutes (or distant complements) have more elastic demand.  2) Demand for brands is more elastic than industry demand. 3) In the long run, demand becomes more elastic. 4) As price increases, demand becomes more elastic.
5. Income elasticity, cross-price elasticity, and advertising elasticity are measures of how changes in these other factors affect demand.
6. Stay-even analysis can be used to determine the quantity change required to offset a price change. The stay-even quantity is %ΔQ=%ΔP/(%ΔP+margin)

**Chapter 12**

1. After acquiring a substitute product 1) raise price on both products to eliminate price competition between them. 2) raise price more on the low-margin (more price elastic demand) product. 3) reposition the products so that there is less substitutability between them.  4) After acquiring a complementary product, reduce price on both products to increase demand for both products.
2. If ﬁxed costs are large relative to marginal costs, capacity is ﬁxed, and MR > MC at capacity, then set price to ﬁll available capacity.
3. If demand is unknown, and the costs of underpricing are smaller than the costs of over-pricing, then underprice, on average, and vice-versa.
4. If promotional expenditures make demand more elastic, then reduce price when you promote the product, and vice-versa.
5. Psychological biases suggests “framing” price changes as gains rather than as losses.