

## Online Restaurant Promotions

- 1) Restaurants have high fixed costs and low marginal costs. How might restaurants want to change prices over the course of the day, or the week? In practice, do restaurants use this type of pricing? Why, or why not?
- 2) In principle, why would a restaurant want to give away coupons? Why not just reduce the price? How should a firm design the coupon? For example, is a coupon stating “\$10 off a dinner entrée any weekend” a good idea?
- 3) What attracts restaurants to these online promotion schemes?
- 4) You own a new restaurant. You are considering whether you should promote yourself (a) through a TV ad, (b) through flyers delivered to local houses, or (c) through an online network such as Restaurant.com. What are the pros and cons of each?
- 5) Which restaurants are *not* suitable for online promotion? Which restaurant would best fit Restaurant.com and which best fit Rewards Network? For example, consider a successful Indian restaurant, a new branch of the olive garden, a cheap falafel store, a high-end sushi restaurant, a struggling Italian restaurant, and anything else you may care to invent.
- 6) Restaurant.com and Rewards Network are network goods. First, define a network good. Network goods often have trouble getting off the ground (“mobilizing”) because no-one wants to be the first to join (e.g. no-one wants to buy an electric car if there are no charging points, no-one wants to buy the first fax machine). How did these companies overcome this mobilization hurdle?