

Econ 106T: The Economics of E-Commerce and Technology

http://www.econ.ucla.edu/sboard/teaching/tech_12/tech_12.html

Professor: Simon Board.

Office: Bunche 9253.

Office Hours: M,W 16:00-17:00.

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Lecture 1: T,R 9:30-10:45, Public Affairs 2270.

Lecture 2: T,R 11:00-12:15, Public Affairs 2270.

Lab lecture 1: F 9:00-9:50, Public Affairs 2270.

Lab lecture 2: F 11:00-11:50, Public Affairs 2270.

Teaching assistants:

Andraz Kavalar – akavalar@ucla.edu – Labs 1A and 2A

Siwei Kwok – sikwok@ucla.edu – Labs 2B and 2C

Kenneth Mirkin – kmirkin@ucla.edu – Labs 1B and 1C

Description

This class analyzes the information economy through the use of economic theory and case studies. It will identify the critical features that differentiate the information economy from traditional industries, and examine business strategies. The class will discuss topics such as network effects, switching costs, and reputation mechanisms. Evaluation is through case studies, presentations and a final paper.

Prerequisites: Econ 11, Econ 41, Econ 101.

Important dates:

- Friday 9th Nov - Final project proposal due
- Thurs 22nd Nov - Thanksgiving
- Friday 7th Dec - Final project due
- Monday 10th Dec - Final for Lec 1, 11:30-2:30pm
- Thursday 13th Dec - Final for Lec 2, 3:00-6:00pm

Grading

Main class grading:

40% Case write-ups

- Short answer questions due each Friday morning, at end of lab lecture.
- Individual write-ups.
- We will grade 5 of these (I'm not telling you which)
- Drop lowest grade; others are 10% each.

30% Final project

- Write a mini case study of a firm you pick
- Write in group of 2-3 in your lab section
- Every group writes on a different firm
- The project proposal is due Nov 9th
- Present your project in last two lab sections
- It is due on last class (Friday Dec 7th)

30% Final

- 3 hour case write up
- Closed book, but you are allowed 10 sides (5 pages) of notes
- Write on the exam, so don't need blue book
- Lec 1 on Mon 10th Dec, 11:30-2:30pm; Lec 2 on Thursday 13th Dec, 3:00-6:00pm

Lab grades:

100% Participation

- Case presentations and case discussions, from both the lab lecture and the lab section
- Attendance is compulsory

Timetable

There will be 20 regular lectures. These are every Tuesday and Thursday, with the exception of Thanksgiving.

On Fridays, there will be Labs consisting of Lectures and Sections. These have three aims: to provide applications for the concepts developed in the lectures; to inform you about different

industries; and to help develop your rhetorical and presentation skills. The labs will consist of (1) Tutorials on professional development, (2) Case discussions and (3) Presentations. We are also fortunate to be joined by a number of esteemed alumni. Because of the importance of participation, **attendance to the lab lectures and sections is compulsory**. There may be changes, but I anticipate the schedule will be as follows.

Date	Guest	Lecture	Section
28th Sep	-	Tutorial - Introduction to Cases	
5th Oct	James Min	Case - Zappos, HBS 9-610-015	Present - Zappos
12th Oct	Emily Taylor	Tutorial - Professional Development	Case - Facebook, HBS 9-808-128
19th Oct	Matthew Pierce	Tutorial - Effective Communication	Case - Restaurant Promotions, HBS 9-909-034
26th Oct	Kerry Edelstein	Tutorial - Online Marketing	Case - Electronic Arts HBS 9-804-140
2nd Nov	-	Case - The Ladders, HBS 9-908-061.	Present - Huffington Post, HBS N9-810-086
9th Nov	Barry Eggers	Case - Netflix, HBS 9-607-138	Present - Microsoft adCenter, HBS 9-908-049
16th Nov	Terry Kramer	Case - Android, Stanford SM-176	Present - Sermo, HBS 9-809-142
23rd Nov	Mr Butterball	Gobble, Gobble	—
30th Nov	-	Case - eHarmony, HBS 9-709-424	Present - final projects
7th Dec	-	Case - Yelp, HBS 9-709-412.	Present - final projects

Acknowledgements

This class has been greatly improved by input from Eric Budish, Peter Coles and Terry Kramer.

Reading

We will not be following a textbook precisely. I recommend you buy Shapiro and Varian's "Information Rules". You will also find McAfee's "Competitive Strategy" useful.

Introduction

- Shapiro and Varian (1999): "Information Rules", Ch. 1

Industry Analysis

- McAfee (2002): "Competitive Strategy", Ch. 2.
- Porter (2008): "The Five Competitive Forces that Shape Strategy", Harvard Business Review.

Competitive Advantage

- McAfee (2002): "Competitive Strategy", Ch. 3 and 4.
- Porter (1996): "What is Strategy?", Harvard Business Review.

The Nature of Information Goods

- Shapiro and Varian (1999): "Information Rules", Ch. 2.
- Jonathan Levin (2010): "The Economics of Internet Markets", Working Paper, Stanford University.
- The Economist: "A World of Hits", Nov 26th 2009; and "Economics Focus: Profiting from Obscurity", 7th May 2005.

Monetization - Pricing and Advertising

- Shapiro and Varian (1999): "Information Rules", Ch. 2-3.
- McAfee (2002): "Competitive Strategy", Ch. 11.
- Cabral (2000): "An Introduction to Industrial Organization", Ch. 13 on Advertising.
- Edelman (2009): "Priced and Unpriced Online Markets", Journal of Economic Perspectives.
- Evans (2009): "The Online Advertising Industry: Economics, Evolution, and Privacy", Journal of Economic Perspectives.

Switching Costs and Lock-in

- Shapiro and Varian (1999): “Information Rules”, Ch. 5-6.
- Klemperer (1995): “Competition when Consumers have Switching Costs”, Review of Economic Studies.

Network Effects

- Shapiro and Varian (1999): “Information Rules”, Ch. 7-9.
- Eisenmann (2007): “Platform-Mediated Networks: Definitions and Core Concepts”, HBS 9-807-049.

Platform Markets

- Rysman (2009): “The Economics of Two-Sided Markets”, Journal of Economic Perspectives.
- Jonathan Levin (2010): “The Economics of Internet Markets”, Section 3.
- Eisenmann (2007): “Platform-Mediated Networks: Definitions and Core Concepts”, HBS 9-807-049.
- Eisenmann and Hagiu (2007): “Staging Two-Sided Platforms”, HBS 9-808-004.
- Eisenmann, Parker and Van Alstyne (2006): “Strategies for Two-Sided Markets”, Harvard Business Review.
- Ellison and Ellison (2005): “Lessons About Markets from the Internet”, Journal of Economic Perspectives.

Innovation

- Cabral (2000): “An Introduction to Industrial Organization”, Ch. 16 on Research and Development.
- Bower and Christensen (1995): “Disruptive Technologies: Catching the Wave”, Harvard Business Review.

Dynamic Pricing

- McAfee (2002): “Competitive Strategy”, Ch. 11.
- Bulow (1982): “Durable Goods Monopolists”, Journal of Political Economy.
- Marmorstein, Rossomme, and Sarel (2003): “Unleashing the Power of Yield Management in the Internet Era: Opportunities and Challenges”, Californian Management Review, 45, 147–167.
- Scott Friend and Patricia Walker (2001): “Welcome to the New World of Merchandising”, Harvard Business Review.

Reputation Mechanisms

- Dellarocas (2007): “Reputation Mechanisms”, in Handbook on Economics and Information Systems, edited by T. Hendershott, Elsevier.
- Jin and Kato (2006): “Price, Quality and Reputation: Evidence from An Online Field Experiment”, RAND Journal of Economics.
- Morgan and Brown (2006): “Reputation in Online Markets: The Market for Trust,” California Management Review.