

Course Code: ECON5110
Course Title: Managerial Economics
Instructor: Yuk-fai Fong
Email: yfong@ust.hk
Course Credit: 2-credit
Course Grading: Letter Grade

COURSE OVERVIEW

Managerial economics covers microeconomics and game theory. To effectively manage a company, a manager needs to have a good understanding of demand, supply, cost, pricing, market power, and competition. With good understanding of managerial economics, the manager is better equipped to help his/her company create value for consumers and capture a healthy share of the created value in a competitive environment.

Apart from their own standalone applications, the analysis and methods acquired in this course will help you more effectively learn other business subjects such as accounting, marketing, corporate finance, human resource management and competitive strategy.

COURSE OBJECTIVES / LEARNING OUTCOMES

1. Establish economic thinking by explaining an observation as an individual's optimal choice based on cost-benefit analysis, which requires consideration of objectives, alternatives, constraints, and tradeoffs
2. Understand the concepts of demand, cost, supply, and pricing in various market structures such as perfect competition, monopoly and oligopoly
3. Establish strategic thinking by using game theory to explain an observation as the outcome of interactive decision making among rational parties
4. Acquire the ability to make effective business decisions based on economic and strategic thinking

COURSE OUTLINE

Week 1: Introduction
Understanding Consumer Preferences and Market Demand
Case "citizenM: Radical innovation in the hotel industry" [LBS164-PDF-ENG]

Week 2: Demand and Supply Analysis

Week 3: Market Power and Pricing

- Week 4: Oligopoly Market and Game Theory
Online Simulation: “Universal Rental Car – Pricing Simulation V2” [7005-HTM-EN]
- Week 5: Merger, Acquisition, and Strategic Alliance, I
Case “Whole Foods Market and Wild Oats Merger” [UV1019-PDF-ENG]
- Week 6: Merger, Acquisition, and Strategic Alliance, II
Case “UNIQLO’s Technology-driven Fashion Retailing”
Case “The Walt Disney Company” [MH0070-PDF-ENG]
- Week 7: Network Economics and Platform Competition
Case “Meituan dianping China’s super service app” [20/661C]
Case “Shein: An Ultra-Fast-Fashion Retailer’s Digital Strategies” [21/719C]
- Week 8: Final Exam

GRADING / ASSESSMENT

Your final grade depends on

Lecture attendance	10%
Participation and contribution	15%
Group Projects	30%
Final exam	45%
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Total	100%

Participation and Contribution

The minimum attendance requirement by HKUST MBA is 75%.

Students are expected to actively participate in class discussion and contribute in other ways. Please listen carefully to others’ discussion and offer your opinion. Both quantity and quality of your contribution count, but quantity counts only when it is of good quality.

Another way to contribute is to offer comments or suggestions outside of the classroom. I am particularly interested in two types of information which helps continuously improve the course:

- (1) Recommendation of supplementary materials. You may draw upon your professional experience, reading of the literature, history, war, politics, philosophy, psychology, anthropology, animal behavior, jokes, quotes, idioms, proverbs, poems, pictures, cartoons, articles, news, books, short videos, movies, etc.

- (2) Comments about lecture contents: what business economic topics or phenomena you really want to understand; among the topics we cover, which is interesting, boring, difficult or too easy, which topic can be removed, etc.

Group Projects

Assignments must be strictly your group's original work. You may not discuss these assignments with any person other than your group members. If your analysis contains any information from outside sources, you must properly cite the sources.

Group Project 1: Pricing Simulation and Written Assignment

You are a District Manager for Universal Rental Car, responsible for maximizing profitability through strategic pricing. Universal and a major competitor compete in the car rental market. You will set prices for both Universal in Orlando and in Miami.

This group simulation exercise consists of several simulation runs and will be conducted, before, during and after the session in Week 4 and you are required to write an analysis summarizing your learning from the simulation exercise. You will be graded based on the simulation outcomes as well as demonstration of your learning.

Group Project 2: Application of Concepts Taught in this Course

Write a short essay (800-1200 words in the main body), applying concept(s) you have learned from this course to analyze a real-life business model/practice/event. Your analysis should be based on an actual event that took place relatively recently or is still on-going. You will be graded based on your demonstrated understanding of concepts learned in the course and appropriate applications of the concepts.

Grouping

Pre-assigned grouping is encouraged because it forces you to mingle with people who may bring different perspectives. If you prefer grouping with some particular people, please send your TA CHEN Emily K (eckuan@ust.hk) the group list with each member's full name (including family name). The deadline for submitting your group list is November 8, 2023, 23:59. Your group list does not have to be complete, and we will try our best to match incomplete groups with each other or with individuals not belonging to any group. Group size should be between 4 and 6.

Final Exam

Three hours, close book.

Date: December 16, 2023.

COURSE MATERIALS

(A) REQUIRED READING

Case “citizenM: Radical innovation in the hotel industry” [LBS164-PDF-ENG]

Online Simulation: “Universal Rental Car – Pricing Simulation V2” [7005-HTM-EN]

Case “To Enter or Not to Enter: Examining Competitive Environment of Supermarkets in Hong Kong” [ST39-PDF-ENG]

Case “UNIQLO’s Technology-driven Fashion Retailing”

Case “Whole Foods Market and Wild Oats Merger” [UV1019-PDF-ENG]

Case “The Walt Disney Company” [MH0070-PDF-ENG]

Case “Meituan dianping China’s super service app” [20/661C]

Case “Shein: An Ultra-Fast-Fashion Retailer’s Digital Strategies” [21/719C]

(B) OPTIONAL READING

Materials in this course are designed to be self-sufficient. All required readings will be posted on Moodle. However, some students may still find it helpful to have supplementary readings to reinforce/verify their understanding of course materials. For that reason, the following supplementary textbooks are provided as optional references.

Managerial Economics, by Ivan Png, Routledge, 2022, 6th edition.

Modern Industrial Organization, Global Edition, 4/E, by Dennis W. Carlton and Jeffrey M. Perloff, Pearson, Prentice Hall

INSTRUCTOR’S BIO

Professor Fong is a specialist in Microeconomics, Game Theory, and Business Strategy. He is Associate Dean (Bilingual EMBA & ExecEd Program) and Professor of Economics at HKUST Business School. He was also an Assistant Professor, Associate Professor, and Professor at the School during 2002 – 2023, and 2011 – 2019.



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Prior to his most recent return to HKUST, he was Associate Dean (Taught Postgraduate), Professor of Economics, and Professor of Management and Strategy at *HKU Business School* during 2019 - 2023. And he was an Assistant Professor of Management and Strategy at *Kellogg School of Management* in 2003 – 2011.

Professor Fong has extensive teaching experience in MBA, EMBA, MSc, ExecEd, DBA, & PhD levels

He is a Commission Member, Enforcement Committee Member, & Non-government Advisor to the International Competition Network, *Hong Kong Competition Commission*. He is also a Non-official member of the Business Facilitation Advisory Committee.

He has served as a consultant for various companies. Currently, he co-leads the quant team of Optimas Capital

OTHER REMARKS