

**COURSE DATA****Data Subject**

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|----------------------|------------------------------|
| Code | 35922 |
| Name | Applied industrial economics |
| Cycle | Grade |
| ECTS Credits | 6.0 |
| Academic year | 2023 - 2024 |

Study (s)

| Degree | Center | Acad. Period |
|---|----------------------|---------------------|
| 1314 - Degree in International Business | Faculty of Economics | 3 Second term |

Subject-matter

| Degree | Subject-matter | Character |
|---|---------------------------|------------------|
| 1314 - Degree in International Business | 32 - Industrial economics | Optional |

Coordination

| Name | Department |
|-----------------------------|--------------------------|
| CRESPO CEPAS, JUAN SALVADOR | 132 - Economic Structure |

SUMMARY

The objective of this subject is the analysis of the internal organization of the firm and its behaviour in markets with imperfect competition. Similarly, the aim is to provide students with the necessary tools to understand and analyse the determinants of the competitive structure of industries. Using Applied Industrial Economics methods as a reference framework, a three-stage procedure will be followed: i) identification of the relevant problem, ii) search for the relevant theoretical model, and, iii) empirical application of the theoretical model.

This subject is a basic element for a better understanding of the activity of firms in most of the productive sectors. Additionally, the strong interrelation between the theoretical models explained and reality stimulate reflection on which are the determinants that in practice guide the behaviour of companies.

The program is organized into six themes. The first topic presents basic concepts of Industrial Economics and Game Theory that will be used in later topics. The second topic focuses on the analysis of oligopoly models and strategic interactions between companies making intensive use of Game Theory tools. The third topic analyzes the trade-off between strategic commitment and flexibility. The fourth topic is dedicated to the study of the dynamics of price rivalry. In this topic, special attention is paid to both the existence of possible cooperation mechanisms and the possibility that companies compete in dimensions



other than price, such as quality. Topic 5 analyzes the effects of companies entering and leaving an industry. Finally, topic 6 is dedicated to the analysis of the company's innovation strategies.

Each of the topics is organized as follows. First, the economic relevance of the problem under analysis is discussed and the most relevant theoretical models are briefly presented. Most of the time allotted to the topic is then devoted to analysing the empirical applications of these models and related case studies.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

Basic knowledge of maths and microeconomics. Good level of English.

COMPETENCES (RD 1393/2007) // LEARNING OUTCOMES (RD 822/2021)

1314 - Degree in International Business

- Develop the capacity to evaluate and critically analyse international economic phenomena and agents.
- Understand the basic concepts of economic analysis that are applicable to the operation of companies and institutions in the international context.
- Understand the behaviour of economic agents and their interaction in global markets.
- Conocimiento del paradigma estructura-conducta-resultados.
- Conocimiento de los mercados de competencia imperfecta y de las relaciones estratégicas entre empresas.
- Conocimiento de las fórmulas de competencia no basadas en los precios.

LEARNING OUTCOMES (RD 1393/2007) // NO CONTENT (RD 822/2021)

1. Ability to identify real market structures different from perfect competition and their social consts.
2. Ability to use the basic concepts of Game Theory and their application to real problems.
3. Ability to understand the news from the media regarding competitive strategies of firms and their markets.



DESCRIPTION OF CONTENTS

1. Economic Concepts for Strategy. The boundaries of the firm.

- 1.1 A benchmark for the analysis of strategy
- 1.2 Horizontal boundaries of the firm.
- 1.3 Vertical boundaries of the firm.

Basic readings:

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (2017): Economics of Strategy, 7th Edition, John Wiley and Sons. Capítulos 2, 3 y 4.

Further readings:

- Cabral, L. (2017): Introduction to Industrial Organization, 2nd Edition, MIT Press. Chapters 2 and 4.
- Church, J., Ware, R. (2000): Industrial Organization. An Strategic Approach, McGraw Hill. Chapter 3.

2. Industry analysis, markets and competitive analysis

- 2.1. Competitor identification and market definition
- 2.2. Market structure and competition
- 2.3. Industry analysis

Basic readings:

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (2017): Economics of Strategy, 7th Edition, John Wiley and Sons. Chapter 5 y 8.

Further readings:

- Porter, M. (1980): Competitive Strategy, Free Press. Chapter 1.

3. Strategic commitment and flexibility

- 3.1. Strategic commitment: credibility and irreversibility
- 3.2. Strategic commitment and competition.
- 3.3. The value of flexibility

Basic readings:

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (2017): Economics of Strategy, 7th Edition, John Wiley and Sons. Chapter 7.

Further readings:

- Church, J., Ware, R. (2000): Industrial Organization. An Strategic Approach, McGraw Hill. Chapter 13.



4. The dynamics of pricing rivalry

- 4.1. The dynamics of pricing rivalry
- 4.2. Market structure and sustainability of cooperative pricing
- 4.3. Facilitating practices
- 4.4. Quality competition.

Basic readings:

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (2017): Economics of Strategy, 7th Edition, John Wiley and Sons. Chapter 7.

Further readings:

- Cabral, L. (2017): Introduction to Industrial Organization, 2nd Edition, MIT Press. Chapter 9.

5. Entry and exit decisions

- 5.1. Entry and exit decisions: basic concepts
- 5.2. Entry deterring strategies
- 5.3. Exit promoting strategies.

Basic readings:

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (2017): Economics of Strategy, 7th Edition, John Wiley and Sons. Chapter 6.

Further readings:

- Cabral, L. (2017): Introduction to Industrial Organization, 2nd Edition, MIT Press. Chapters 10, 11 y 12.

6. Innovation

- 6.1 Schumpeter and the process of creative destruction
- 6.2 The incentive to innovate
- 6.3 Competition and innovation
- 6.4 Innovation competition

Basic readings:

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (2017): Economics of Strategy, 7th Edition, John Wiley and Sons. Chapter 11.

Further readings:

- Cabral, L. (2017): Introduction to Industrial Organization, 2nd Edition, MIT Press. Chapter 15.

**WORKLOAD**

| ACTIVITY | Hours | % To be attended |
|--|---------------|------------------|
| Theory classes | 30,00 | 100 |
| Classroom practices | 30,00 | 100 |
| Development of group work | 20,00 | 0 |
| Study and independent work | 5,00 | 0 |
| Readings supplementary material | 10,00 | 0 |
| Preparation of evaluation activities | 5,00 | 0 |
| Preparing lectures | 30,00 | 0 |
| Preparation of practical classes and problem | 10,00 | 0 |
| Resolution of case studies | 10,00 | 0 |
| TOTAL | 150,00 | |

TEACHING METHODOLOGY

Lectures to introduce the main theoretical concepts. Tutorials devoted to solve exercises and discuss case studies. The tutorials will involve both/individual and group presentation and debates.

Guided self study based on the reading and considering case studies, solving practical exercise and carrying out projects both individually and in groups.

Independent self study and both oral and written tests.

EVALUATION

The written exam, whose questions will have a theoretical-practical nature, will compute 70% of the final grade. The continuous evaluation of the student, based on his / her participation and involvement in the teaching-learning process, will consist of the public presentation and discussion of case studies in class. The continuous evaluation will be valued at 30% of the final grade. Continuous assessment activities are considered non-recoverable since are activities carried out and assessed in the classroom (presentations), or they only require students to upload them to the virtual classroom (answers to selected questions related to the case studies).

TO PASS THE SUBJECT, IT WILL BE NECESSARY TO OBTAIN A MINIMUM NOTE OF 5 IN THE EXAM.



REFERENCES

Basic

- Dranove, D.S. Besanko, D., Shanley, M. & Schaefer, M. (201677): Economics of Strategy. 7th Edition. John Wiley and Sons.

Additional

- Cabral, L. (2017): Introduction to Industrial Organization, 2nd Edition, MIT Press
- Church, J., Ware, R. (2000): Industrial Organization. An Strategic Approach, McGraw Hill.
- Porter, M. (1980): Competitive Strategy, Free Press.