Economics 102 Pricing Project

Here are some projects to work on: choose any one, suggest your own (or suggest modifications) and get my approval, and hand in a 4-page (double-spaced) typed report by the end of class on Friday, April 22, 2016. Late papers will not be accepted. 10 percent of the paper grade will be based on its organization, 20 percent on its mechanics including spelling and grammar, and 70 percent on its content. You are encouraged to work in teams, turning in a single report with the names of all group members.

Record and compare all the prices you collect. How do they differ? And why? Whichever project you choose, your paper must include some economic explanation that might explain the prices and price differences that you observe and record.

1. Select at least six gas stations for at least three different brands and record their posted prices (per gallon) for at least ten days (e.g. ten days in a row or every other day or once a week over ten weeks et cetera). Make sure that you also record the exact location of the gas stations in relation to direct competitors and in relation to other economic activity (e.g. four stations on one corner versus a lone interstate station). Also ensure that you record gasoline prices on the same day for all gas stations.

Compute average prices for each station and note which stations charge above and which below average. Is that related to their location? To their brand? To special circumstances?

2. Pick a particular type of appliance (e.g. washing machine, dryer, refrigerator, oven, et cetera) and pick a very specific model. Then call/visit as many retailers as possible and ask for the price of that specific model. Record the name of the business, the date and the price. Also try to include on-line retailers. Determine the variation in prices from the average.

Do the same for other "big-ticket" and "small-ticket" items. For example, (a) an automobile with the same set of features and of the same model year; (b) a gallon of skim milk in various stores; (c) a computer or other electronic equipment with the same technical specifications; (d) certain pieces of lumber or hardware; (e) and so on.

Altogether, select five products in different prices ranges (e.g. under $10, $11-$100, $101-$1000, $1001-$5000, and over $5000). Whichever price ranges you choose, it is absolutely critical that you obtain prices for the same item.

3. Suppose you want to rent an apartment. Call around or look in the newspaper and see what rents and fees are being quoted. How does that seem to vary with amenities (furnished? off-street parking? washer/dryer?) and location (downtown? West York? by the malls?). Again, make sure you ask for rent on comparable rental units (say, 2 bedrooms, kitchen, bath).

4. Select four different department stores (say, Boscovs, Sears, J.C. Penny's, Kohl's, Wal-Mart, Target, or the like). Go to the clothing section and select a particular item that has only recently
been introduced at the store (say, a dress). Over a period of ten weeks, observe how the item is being priced: initial price, when are "sales" offered and what is the dollar- amount of the discount.

5. Call a travel agent and ask for airfares for routes from Harrisburg to three major cities (e.g. Baltimore, Boston, Atlanta, and so on). When calling the agent, ask which airline(s) serve that route. Then call the airline reservation line directly and ask for the airfare for the same travel date(s). Do the same using three on-line travel agents such as Orbitz and Expedia and the airline's web site. When asked whether or not you wish to stay over the weekend, ask for both airfares. Record the quotes you get and note any "specials" or "discounts’ offered.

6. Suppose you are going out for a weekend. Call hotels/motels in a vacation spot of your choosing (for example, Poconos, Orlando, New York City, Las Vegas, Atlantic City, et cetera) and ask for a hotel/motel room price (single-room, non-smoking, arrive Friday night, leave Sunday morning). Call the hotel/motel directly; call the national reservation line (for hotel/motel chains); call a travel agent; check the hotel's web site; check two on-line travel agents such as hotels.com and orbitz.com.

7. Go to the Central or Eastern Market or some other farmers market and obtain the prices of five items from at least three vendors. Make sure you are comparing the prices of similar items such as tomatoes or ham hocks. Note the locations of the vendors with respect to one another. Compute average prices for each item and note which vendors charge above and which below average and try to explain your results.