

Public Abstract

First Name:Chenhang

Middle Name:

Last Name:Zeng

Adviser's First Name:Oksana

Adviser's Last Name:Loginova

Co-Adviser's First Name:Xinghe

Co-Adviser's Last Name:Wang

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This dissertation comprises three essays on the same topic: advance selling of new to-be-released products.

The first essay studies the retailer's optimal strategy in a two-period model where the demand uncertainty comes from both the market size and the distribution of consumers' valuations. I find that there are three types of advance selling strategies: advance selling at a deep discount, advance selling at a moderate discount and no advance selling. I also characterize the conditions under which the retailer adopts advance selling and perform comparative statics analysis.

The second essay studies the retailer's optimal advance selling strategy in a model with the presence of experienced consumers. We divide consumers into two groups, experienced and inexperienced. Pre-orders from experienced consumers lead to a more precise forecast of future demand by the firm. We show that the firm will always adopt advance selling and that the optimal pre-order price may or may not be at a discount to the regular selling price.

The third essay investigates advance selling at a price premium. I show that advance selling at a price premium always yields more profit for the retailer compared with advance selling at the regular selling price. In addition, I analyze conditions under which the retailer is more likely to implement advance selling at a price premium instead of a price discount. Sensitivity analysis is also presented to show how the retailer's optimal advance selling price premium and optimal total profit are affected by some important parameters in the model.