

*Report on "Pricing Damaged Goods" by Preston McAfee.*

This paper provides a useful further analysis of the damaged goods phenomenon, first highlighted in Economics by Deneckere and McAfee (1996). It turns out that there are many ways in which firms are able to crimp high-quality products, enabling the prospect of price discrimination without designing an entirely new product.

The basic model builds on that in Deneckere and McAfee (1996), and is within the general Mussa-Rosen world. Basically, there are two potential products, available at identical marginal cost. Some additional assumptions on the shape of marginal revenue are made (it's assumed decreasing for both products). This structure is enough to get many results.

The current analysis is strong in the many useful examples that are provided throughout the paper. These really make the theoretical results much more interesting and relevant.

As far as the theoretical insights, I especially like those regarding what the optimal crimps look like. In particular, an advantage of the model specification is that it allows an interesting way to compare two different potential crimps of a product. Several examples that appear in line with the theory are presented, and as suggested just above add to the paper.

The author also provides conditions under which it is optimal to crimp a product or not. Some previous work in the literature has done this, too. However, a nice additional piece here is that several special cases/applications are considered. For example, the author shows how we can interpret coupon strategies easily within the framework.

Overall, it's a good paper. Nothing earthshattering, but it does provide some new and useful insights, and lots of supporting documentation.

I think there might be an error in the first table about the package travel times. You may wish to doublecheck the entries and/or text. It's possible I misread the text, but checking is probably a good idea.