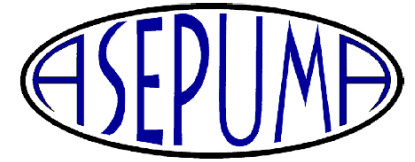


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Decision analysis in a model of sports pricing under uncertain demand

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ABSTRACT

We consider a model, due to ANDERSEN and NIELSEN, concerning the behavior of a risk-averse sports team under uncertainty in demand: the team chooses a value for the price of its ticket, but the ticket demand is stochastic at the moment of decision. For this model, we carry out a decision analysis by studying several comparative-static effects not considered by the authors in their paper.

Specifically, we examine the effect of changes in the teams risk aversion, and also the effect of a variation in the risk of the random demand. Furthermore, we enhance the model by considering a proportional profit tax, and we study the effect of a variation in the tax rate. We derive some conditions under which the sports team finds optimal to reduce the ticket price as a consequence of a rise in the tax rate.