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How is the Pie Divided?

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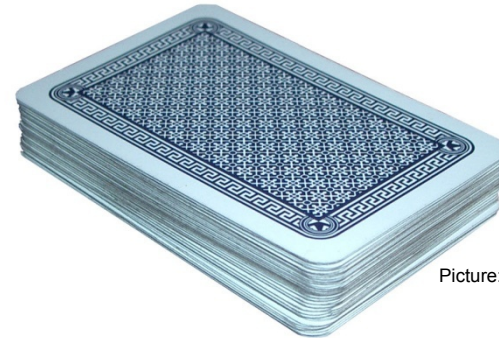
**A Card Game:  
Version #1**

Player #0 holds 23 black cards

Players #1 - #26 hold 1 red card each

A pair of cards is worth \$100

(one black and one red card, with no additional requirements)



Picture: Wikimedia Commons

How might the negotiations proceed?

**A Card Game:  
Version #2**

Player #0 holds 23 black cards

Player #1 holds 12 red cards

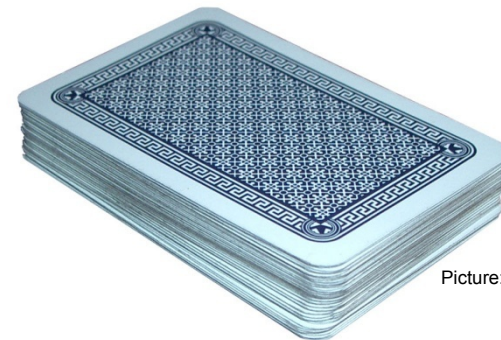
Player #2 holds 6 red cards

Player #3 holds 4 red cards

Player #4 holds 3 red cards

Player #5 holds 1 red card

A pair of cards is worth \$100  
(one black and one red card, with no additional requirements)



Picture: Wikimedia Commons

How might the negotiations proceed?

## Examples of Undersupply

“The [NFL] league likes to leave one prominent city without a football franchise, like an empty seat in musical chairs”\*

“When the decision [about hosting the 2012 summer Olympics] is announced Wednesday in Singapore, there will be cheers for the winner and tears for the losers. But the also-rans may have a reason to smile: at least they won’t have to pay.” \*\*

[Sir William] Lyons used to say: “One car less than the market needs is good business. One car more is a disaster.” \*\*\*



Picture:  
Wikipedia

\* John Vrooman, Vanderbilt University, in “In a League of Its Own,” *The Economist*, 04/27/06

\*\* “Winners Lose in Olympic Bid,” by Gordon T. Anderson, *cnnmoney.com*, 07/05/05

\*\*\* Bob Berry, Jaguar public relations and publicity manager at the time of the 1961 launch of the E-type; in *Classic Cars*, February 2006, p.47

## **Undersupply: Size as Well as Division of the Pie**

“It’s a tough balancing act. The rich don’t want to wait, but if you have a product you don’t have to wait for it isn’t exclusive, and nobody wants it.

Ferrari’s problem is a good one to have. Porsche over-built their Carrera GT, and in an embarrassing move had to scale back production at the end of the model life because dealers already had too many. Mercedes also over-estimated the appeal of the McLaren SLR, and built too many and now dealers can’t give them away. Ferrari knows they need to err on the side of caution, and limit production.

I think it is better to annoy a few impatient customers and make them wait rather implode your entire market and exclusivity.

That said, they need much more transparency on their waitlist, since people do think you can buy your way to the top....

Maserati looks like we’ll have our own waitlist problem with the new GranTurismo. Instead of getting 400 this year, we might get less than 200, and we already have a dozen people who insist they must have the first one.”

-- Tim Filippo, Marketing Manager, Maserati North America,  
Stern MBA 2004

