



MANAGERIAL ECONOMICS

Course code	<i>ECO107</i>
Course title	<i>Managerial Economics</i>
Type of course	<i>Compulsory</i>
Study level	<i>Undergraduate</i>
Department	<i>Undergraduate studies</i>
Year of study	<i>3rd</i>
Semester	<i>6th semester</i>
ECTS	<i>6, 48 contact hours, 112 self-study hours, 2 hours of consultations (direct or distant form)</i>
Lecturer	<i>Rokas Salasevicius</i>
Study form	<i>Regular, daytime</i>
Prerequisites	<i>Microeconomics</i>
Course language	<i>English</i>

Annotation

Managerial Economics is a practical course that discusses most important managerial problems and provides tools how those problems should be solved. We will start with the overview: how a company should select business model, what KPIs to track to improve its performance, how to analyze revenue and costs. Then we will go into more detailed topics: customer value management, sales & marketing cost optimization, investment decisions, decisions under uncertainty.

The course is a synthesis of economic theory and decision making in practice. Quantitative tools rather than intuition should be used when making important managerial decisions. Emphasis is placed on learning from case studies and solving real life problems. Some mathematical techniques are used in this course, but understanding the logic of decisions is more emphasized.

Aims of the Course

The *Managerial Economics* course is organized for bachelor students of economics. It aims to discuss central decision problems the managers face in a day to day business environment and to provide the economic analysis tools for making these decisions. The course not only concentrates on economic analysis and its tools, but also puts emphasis on managerial decision-making.

Subject Learning Outcome (SLO)	Study methods	Assessment methods
SLO1. Elucidate on the characteristics, scope and techniques of managerial economics	Lectures, seminars, individual study, group study	Midterm test, participation, group project, final exam
SLO2. Be able to explain the application of managerial economics in various aspects of decision making	Lectures, seminars, individual study, group study	Midterm test, participation, group project, final exam
SLO3. Develop skills for strategic decision making	Lectures, seminars, individual study, group study	Midterm test, participation, group project, final exam
SLO4. Acquire problem solving skills	Lectures, seminars, individual study, group study	Midterm test, participation, group project, final exam
SLO5. Be able to make managerial decisions supported by quantitative methods	Lectures, seminars, individual study, group study	Midterm test, participation, group project, final exam

Teaching and learning methods

The course is taught in English and is designed to achieve its aims through a combination of lectures and seminars, including solutions of managerial problems, case study analysis and discussions. Lectures and seminars are designed to encourage active participation, co-operative and creative work, interactive communication and critical thinking.



Quality Issues

The lecturer assures a variety of teaching and learning methods, interim knowledge assessment, supply of learning material to students and discussions of individual and group work in class during and after the course.

Cheating Issues

The ISM regulations on academic ethics, including cheating (see, *ISM Bakalauro studijų reglamentas*) are fully applied in the course during the entire semester.

Weekly Course Content

Week/Date	TOPICS	COURSE HOURS		READING
		Theory	Practice	
Week 1	Lecture #1: Overview of different business models and understanding their impact on company results Understanding the business model of a company is key to improve financial performance; we will review several different business models of successful international companies (Netflix, Youtube) & startups (Vinted, Trafi, CG Trader) and discuss their implications to business results.	2	2	Handouts and articles
Week 2	Lecture #2: Estimating market size of your business: Understanding the market size of your business whether it is an established company or a start-up is crucial for success of your company; we will discuss theoretical and practical approaches how to estimate the market size of your business, and review several examples how market size can be estimated for selected companies (Uber, Airbnb, Deeper, others).	2	2	Handouts and articles
Week 3	Lecture #3: Business control through a set of KPIs: A set of structured KPIs is one of the most important tools managers can use to better understand and control business results; we will discuss theoretical and practical approaches how to analyse business trends, explain deviations in revenue and costs; what tools to use to perform the analysis.	2	2	Handouts and articles;
Week 4	Lecture #4: Demand Analysis and Revenue Optimization We will make a deep dive into revenue part of the business: determinants of demand, price elasticity of demand, optimal pricing, information gathering and forecasting, theory and practice.	2	2	Handouts and articles Book: Chapters 3,4,5
Week 5	Lecture #5: Customer Value Management We will review a concept of customer lifetime value, discuss different ways how to increase the value of the customers, discuss the role of contracts and loyalty programs to estimate whether they bring positive results to the business.	2	2	Handouts and articles
Week 6	Mid-Term Exam Topics 1 to 5 inclusive	2	2	
Week 7	Lecture #6: Cost Analysis and Optimal Decisions We will make a deep dive into cost part of the business, review relevant costs: the cost of production; SR&LR costs; returns to scale; economies of scope; the learning curve; optimal decisions; we will discuss practical examples how companies are analysing and optimizing costs.	2	2	Handouts and articles Book: Chapters 6,7
Week 8	Lecture #7: Sales and Marketing Costs We will make a deep dive into sales and marketing costs; we will discuss practical cases how to estimate the impact of marketing costs on your business and decide on optimal marketing spend; we will also discuss the importance of sales channels and review practical cases how to effectively manage your sales channels.	2	2	Handouts and articles

Week 9	Lecture #8: Investment Decisions We will discuss the approach how to make investment decisions; we will review the present value concept as well as go through some practical examples how investment decisions should be made.	2	2	Handouts and articles Book: Chapter 19,
Week 10	Lecture #9: Decision Making Under Uncertainty We will discuss how to make business decisions under uncertainty, we will review basic probability theory, expected value concept, talk about risk aversion and practically see how this impacts our decisions.	2	2	Handouts and articles Book: Chapter 8
Week 11	Lecture #10: Game theory, Auctions and Competitive Bidding We will discuss the fundamentals of game theory, advantages of auctions; bidder strategies; expected auction revenue; competitive procurement)	2	2	Handouts and articles Book: Chapter 17
Week 12	Lecture #11: Rationality and Behavioral Economics Economists assume that people are rational. We will analyze few experiments to determine when people act rationally or not and discuss possible outcomes.	2	2	
Total:		24	24	

Course assignments and evaluation

TYPE	TOTAL HOURS	EVALUATION, %
Group work and presentations	27	20
Performance in lectures and seminars	12	10
Mid-Term Exam	28	30
Final Exam	45	40
Consultation	2	
Total:	114	100

Course requirements:

Group work and presentations. A group of 3 to 4 students will have to perform the assigned case study analysis and to present it during the seminar. It will account for **20** percent of the final grade. Detailed guidelines and other information will be provided during the course.

Mid-Term Exam. The Mid-Term Exam will be held on the 7th week of the semester and will account for **30** percent of the final grade. It will cover topics 1 to 6 inclusive. Students will have to answer multiple choice or/and open questions and to solve some mathematical tasks.

Participation in lectures and seminars. In order to ensure a high quality of studies and to promote active participation during the course, lecturer will assess the performance of students. Every week (without any notice in advance) students will have to be prepared to answer oral or written questions, asked by lecturer. It will account for **10** percent of final grade.

Final Exam. It will be held at the end of semester and count **40** percent of the final grade. The exam will cover topics 7 to 13 inclusive. Students will have to answer multiple choice or/and open questions and to solve some mathematical tasks. For detail exam regulations, see *ISM Bakalauru studiju reglamentas*.

The retake of exam will be held at the end of semester and count **70** percent of the final grade. It will cover all topics (from topic 1 to topic 13 inclusive). Evaluation received for homework and participation in lectures will not be annulled and cannot be retaken.

Literature:

1. Samuelson, W. F. and Marks, S.G. (2006). Managerial Economics, 5th edition. New York: John Wiley & Sons, Inc. (*ISM library*)
2. Paul G. Keat, Philip K.Y. Young (2005). Managerial Economics. Economic Tools for Today's Decision Makers, 5th edition. Upper Saddle River: Prentice Hall. (*ISM library*)



3. Baye, M. R. (2010). *Managerial Economics and Business Strategy*, 7th edition. Boston: The McGraw-Hill Companies, Inc. (*ISM library*)

Extra material for *Managerial Economics* course will be found on *ISM* intranet.