• Price wars are bad, especially with high fixed costs.

• They reduce current profits and erode customers’ perception of product quality.

• Price wars are not inevitable. For example, the French and the Germans fight every fifty years but not every year.

• But collusion is illegal.

• Of course predatory pricing is illegal too.
• Differentiation reduces price sensitivity and thus the temptation to start a price war.

• Differentiation of products starts with segmentation of customers.

• Products may be differentiated in quality or variety.

• Even if the base product is homogeneous, it may be bundled with a differentiated “product”.
• If you differentiate by bundling; the design of the bundle should depend on your resources.

• Bundle with your strong resources – unless you risk destroying them in the process

• Use advertising to create additional differentiation, still based on your resources.
• Price discrimination is a very common practice

• Some versions are illegal

• Effective 3\textsuperscript{rd} degree price discrimination can make a lot of money in a lot of industries
  
  - airlines: classes, times
  - grocery coupons
  - quality-tiered products