

Lecture-2

Q.1
Ans

Game theory is a general framework to help decision-making when firms' payoff depends on actions taken by other firms. Because decision interdependence is a prime characteristic of oligopoly markets, game theory concepts have a wide variety of applications. A game theory strategy is a decision rule that describes the actions taken by a decision maker at any point in time.

So the managerial use of game theory would be:-

⇒ developing and effective competitive strategies.

Because the decision could be taken on the basis of the research and framework set by the contribution. Therefore the game

theory gives a better outcome for the manager to develop and come up with a good competitive strategy against the other opposition firm.

ii) The game theory helps the managerial decision of setting the price. According to rules set in this theory and framework framed. The manager can easily come with some important decision and set the perfect ~~price~~ price for the product that would out for releasing. Thus this is one point in managerial use of Game theory.

iii) The other managerial use of Game theory would be the level of product quality that would be set. The quality is always the maintain criteria of every industry. Because the quality of being good then naturally the customers

would attract more.

o. (v) The managerial use of Game theory could also aim and be beneficial in research and development, so that they could come up with excellent new ideas and provide greater opportunities and good name and reputation of the industry.

→ Game theory also helps in managerial use as to put out the right way of advertising. The industry use the best means and best content to put out the product and showcase the best angle of their industry. Therefore this helps in the managerial use too.