Tutoring Service and Price Discrimination (and Elasticity) Context Rich Problem

You and your friends at the College decide to set up a tutoring service of all subjects called Tutoring By The Best and you become the one in charge of economics. You are discussing the pricing plan and there seems to be a conflict between two groups of tutors: one group says that the fee should be set as high as possible so each student will generate the highest possible revenue while the other group says that the fee should be as minimal as possible in order to attract the maximum number of students interested in getting tutored. The two sides turn to you to provide a viable solution as the economist of the group. You try to recall what you learned in your economics course and vaguely remember that it is no clear-cut either-or answer to a dilemma like this. What side, if any, would you take and why? If you will not take any sides but rather offer an alternative solution, what would it be and how would you explain the suggestion to your fellow tutors? Keep in mind that most of these tutors, though very smart in their own areas of expertise, have never taken economics before and you should avoid the use of too much economic jargon or technicalities.

Please keep your response to no more than one and no less than half a page.