MKTG 754 **Fall 2007**

Pricing Strategies

Prof. Z. John Zhang
Office: JMHH 754 (215-898-1989)
zjzhang@wharton.upenn.edu
Office Hours: Tuesday 3-5 pm
Classroom: JMHH 345

This course is designed to equip you with the concepts, techniques, and latest thinking bearing on pricing issues, with an emphasis on ways in which you can help a firm to improve its pricing. The first half of the course covers the fundamental analytical tools, theories and conceptual frameworks needed for formulating pricing strategies. From this part of the course, you will learn not only how to analyze costs, customers, and competitors in order to formulate proactive pricing strategies, but also specific ideas that you can use to help a firm to improve its pricing. The second half of the course focuses on commonly-used pricing tactics. This part of the course will help you to gain insights into successful pricing strategies in various industries and discuss how to improve a firm's pricing through a sophisticated pricing structure. The topics of discussion include price promotions, price bundling, price discrimination, versioning, nonlinear pricing, pricing through a distribution channel, dynamic pricing, etc.

Upon successful completion of this course, you will (a) gain in-depth knowledge of current pricing practices in diverse industries, (b) learn the state-of-the-art analytical framework for making proactive pricing decisions, (c) master the basic quantitative techniques for analyzing and making profitable pricing decisions, and (d) improve your acumen for strategic thinking, so that you can excel in today's competitive business environment.

Required materials for the course include *The Strategy and Tactics of Pricing* by Thomas T. Nagle and John Hogan (NJ: Prentice Hall, 2006, 4th ed.) and *Pricing Strategy*, ed. by Z. John Zhang (McGraw-Hill Customer Publishing, 2005). Both are available at the University bookstore.

Your performance in the course will be evaluated on the basis of your attendance and class participation (25%), a group case write-up (10%), two individual homework assignments (15% each), and a group project (35%).

Attendance and Participation

Since we will cover critical material that is not in your assigned readings, your attendance is strongly encouraged. To provide such incentives, 25% of your final grade depends on your attendance and participation. You can skip *one* class without being penalized if you have a really good reason and ask for prior permission. However, your physical presence is only

a necessary condition for the full grade. You must come prepared and ready to share your ideas.

Assignments

There is a group case write-up, accounting for 10% of your final grade. The case is: *Tweeter etc.*. To complete this assignment, you can form groups of four (maximum five). Each group is required to turn in one completed assignment (5 pages at maximum excluding tables and charts) and all members get the same grade unless a free-riding problem is reported. The two homework assignments, each accounting for 15% of your final grade, are designed to polish up your quantitative skills. They are the assignments that must be independently completed by each individual.

Group Project

You are also expected to complete a project with your group, which accounts for 35% of your final grades (15 pages maximum excluding tables and charts). The project will give you the opportunity to reflect on what you have learnt in the class and apply them to some practical problems or problems of interest to you. The details of the project will be discussed in class. Again, all people in the same group will get the same grades unless there is a serious free-riding problem. The project is due in class on **December 6**.

To make sure that you do spend adequate time on the project, you are required to turn in a progress report in class on **November 8**, briefly describing what your group plans to do and what you have done up to that point. An unacceptable progress report will reduce the final grade from the maximum 35% to 25%.

Schedule and Assignments

Date	Subject	Assignments
October 25	Pricing Tactics vs. Pricing Strategy	Nagle & Hogan, Ch. 1 and Ch. 2; Shim and Sudit (1995); *Basic Quantitative Analysis for Marketing*; Distribute Project Guide.
October 30	Pricing for Profit	Nagle & Hogan, Ch. 6 and Ch. 9; Urbany (2001); Dolan (1995); Distribute case questions.
November 1	Price Sensitivity	Nagle & Hogan, Ch. 7; Distribute HWI.
November 6	Estimating Consumer Reservation Price	Anderson *et al* (1993); Jedidi and Zhang (2002); Nagle & Hogan, Ch. 13.
November 8	Value Pricing	Nagle & Hogan, Ch. 3 and Ch. 5; **Progress Report Due**.
November 13	Pricing Psychology	Thaler (1985); **HWI Due**.
November 15	Pricing at Exxonmobil	Dr. Alec Sargent, the Global Pricing Manager; Distribute HWII.
November 20	*Tweeter etc.*	Zhang (1995); Nagle & Hogan, Ch. 10; **Case Assignment Due**.
November 27	Nonlinear Pricing	Essegaier, Gupta, and Zhang (2002); Distribute Case Questions.
November 29	Channel Pricing	Nagle & Hogan, Ch. 11; Buzzell *et al* (1990); **HWII Due**.
December 4	Price Discrimination	Nagle & Hogan, Ch. 4; Shaffer and Zhang (2002).
December 6	*Southwest Airlines*	**Project Due**.