

**The Wharton School
University of Pennsylvania**

MKTG 754 (WEMBA - EAST): Pricing Policy

Spring 2012

Tentative – Subject to some change

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Course Objectives

This course provides an opportunity for the participants to develop a systematic framework for assessing and formulating pricing strategies. Pricing decisions are affected by economic, marketing, organizational, and psychological factors, and must be made within a prescribed legal framework. Each of these presents an interesting aspect of the pricing problem. The course revolves around understanding how one may go about making effective pricing decisions while keeping in mind these factors. To achieve this objective, we will learn appropriate concepts, methods, and explore new approaches for formulating a pricing strategy and setting prices.

The course will use a combination of lectures, case discussions, and exercises. Assignments will be in the form of readings, case preparation for class discussion, problem sets, and case write-ups.

Required Materials

1. Bulkpack (hereafter referred to as **BP**)
2. Raju and Zhang, Smart Pricing, Wharton School Publishing

In addition, a number of problem sets and handouts will be distributed in class. Some readings will also be put on the webCafé.

Process

Case Discussions

For all case discussions, it will be assumed that each participant has read and is fully prepared to discuss the case in class. The objective is to play the role of the decision maker in the case and use only the data and information available in the case to do the relevant analyses and make recommendations.

Lecture/Discussions

These sessions will allow us to examine principles, models, theories, and their application to pricing decisions. I urge you to share with the class your previous experiences with the application of these principles (both successful and unsuccessful experiences) whenever possible.

GRADING

Class Participation	10%
Problem Sets/Case Write-ups	60%
Final Exam	30%

Class Participation: Effective class participation requires good preparation, listening to other points of view, and sharing your thoughts in class with others in a manner that enhances the overall learning experience. You cannot participate if you are not present. Therefore, you are expected to attend all classes.

Case Write-ups: The one page case write-ups will require you to focus on a particular aspect of the case. The question to focus on is described in the Course Schedule. The case write ups are to be done individually and submitted individually. There are four cases. Curled Metals, Tweeter, and Burroughs-Wellcome are 10 points each. Cambridge Software is 20 points.

Problem Sets: Problem sets give you an opportunity to apply some of the concepts and methodologies that will be developed in class lectures and case discussions. I shall hand out solutions to the problem sets in class. There are five problem sets. The purpose of these problem sets is to illustrate various techniques. The students are expected to attempt these problems sets often before the techniques are discussed in class. The purpose of this is to stimulate thinking and learning, and gain a greater appreciation for pricing methods. The evaluation of the problem sets will keep in mind this objective. The problem sets are to be done individually, and submitted individually. Problem sets carry different weights towards your grade depending on the level of complexity and work required to complete the problem set.

Final Exam: The final examination will consist of problems that will test your ability to apply the concepts covered in the course. The final examination is scheduled on April 14, 2012 during class time. More details about the examination will be provided in the class.

Honor Code: Students taking the course are required to accept the following rules.

- I shall not share the materials distributed in MKTG754 class with anyone else.
- I shall not use materials obtained from others who have taken this course in the past.
- I agree with the rules set forth regarding case write-ups, problem sets, and the final exam.

Course Schedule

- March 3:** **1. Course Overview/ Role of Costs and Margins in Pricing Decisions**
 2. Pricing a Radically New Product

Prepare: **Curled Metals Case [HBS Case: 9-709-434] in [BP]**

Case Write-up Question: What price would you charge for the Curled Metals Pad and why?

DUE: Problem Set 1 [in BP and on webCafé]

- March 16:** **1. Measuring Elasticity and Willingness to Pay**
 2. Principles of Price Engineering

Raju/Sajeesh: “Estimation of Consumer Reservation Price” [webCafé]

DUE: Problem Set 2 [on webCafé]

- March 30:** **1. Product Line Pricing**

Prepare: **Cambridge Software Corporation[HBS Case 9-197-072] in [BP]**

Case Write-up Questions:

- If Cambridge Software Corporation were to offer only one version of Modeler, which version should it offer? At what price?
- How many different versions of the Modeler should CSC offer? At what prices?

- 2. Temporal Pricing and Temporary Price Discounts**

Supplementary Readings [on webCafé]

The Effect of Price-Promotions....

EDLP vs. Hi-Lo....

Package Coupons.....

DUE: Problem Set 3 [on webCafé]

- March 31:** **1. Psychological Aspects of Pricing**
 2. Competitive Pricing

Prepare: **Tweeter [HBS Case 9-597-028] in [BP]:**

Case Write-up Question: Should Tweeter continue to offer the price matching guarantee? Please justify your recommendation

DUE: Problem Set 4 [on web café]

- April 13:**
- 1. Legal and Ethical Aspects of Pricing**
 - 2. Prepare: Burroughs Wellcome and AZT (A) [HBS Case 9-792-004] in [BP]**

Case Write-up Question: Take on the role of Mr. Shepperd and prepare a one page (250-300 words) opening statement for a press conference outlining Burroughs Wellcome's response to ACT UP's most recent demonstrations.

Please be prepared to present your opening statements to the class. This presentation should be no more than 3-4 minutes. At the end of the presentation, the presenter will take questions from the audience who will take on the roles of shareholders, the press, AIDS activists and others.

DUE: Problem Set 5 [on web café]

- April 14: IN-CLASS FINAL EXAMINATION**