

**Pricing Strategies**

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Office Hours: Tuesdays and Thursdays Noon-1:00 pm or by appointment

Class Time: MKTG 754402/ MKTG 254402 TR 1:30-3:00 pm (JMHH 355)

MKTG 754004 TR 3:00-4:30 pm (JMHH 355)

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 part 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 part 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 wars, price promotions, price bundling, price discrimination, versioning, nonlinear pricing, pricing through a distribution channel, value pricing, pricing psychology, 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) understand 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 *Smart Pricing: How Google, Priceline, and Leading Business Using Pricing Innovation for Profitability* by J. Raju and Z. John Zhang (Wharton School Publishing, 2010). The book is available at <http://www.amazon.com/Smart-Pricing-Businesses-Innovation-Profitability/dp/013149418X>. If you prefer, you can also find the book in Japanese, Spanish, Portuguese, Korean, and Chinese (simplified or complex). Digital and audio versions are also available at [amazon.com](http://amazon.com). The recommended reference book is, if you are willing to pay the price, *The Strategy and Tactics of Pricing* by Thomas T. Nagle *et al* (NJ: Prentice Hall, 5th ed.). All cases and additional readings will be available through [study.net](http://study.net).

Your performance in the course will be evaluated on the basis of your attendance and class participation (15%), two individual homework assignments (15% each), a group case writeup and in-class presentation (20%) and a group project and in-class presentation (35%).

## Attendance and Participation

Since we will cover critical material that is not in your assigned readings, your attendance is required and 15% of your final grade will depend on your attendance and participation. However, your physical presence is only a necessary condition for the full grade. You must come prepared and ready to share your ideas. Because my expectations are that there will be high in-class involvement, no electronic devices are allowed for use in the classroom for your own good and the good of everyone else. This includes tablets, laptops, cellphones, etc.. Please print out the class slides in advance if you wish to take notes. If this is a undue hardship for you, please consider dropping the class.

## Individual Assignments

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 Assignments

There is a group case write-up, accounting for 20% of your final grade. The case is: *Computron*. To complete this assignment, you can form groups of four or five. Each group is required to turn in one completed assignment (5 pages at maximum excluding tables and charts) and make an in-class presentation. All members get the same grade unless free-riding is reported to be a problem in your group.

You are also expected to complete a project with your study group, which accounts for 35% of your final grades (15 double-spaced pages maximum excluding tables and charts). The project assignment will be given 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 on December 8 in class. No, there is no final exam for this class!

To make sure that you do spend adequate time on the project, you are required to turn in a two-pager progress report on November 15 in class, briefly describing what your group plans to do, what you expect to deliver in the project, 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	Current Pricing Practices and The Right Approach	Raju and Zhang pp. 1-18; <i>Basic Quantitative Analysis for Marketing</i> ; <u>Distribute Project Guide.</u>
October 27	Art of Price War and Pricing for Profit	Raju and Zhang, Ch. 7; <u>Distribute <i>American Airlines' Value Pricing</i> Case questions.</u>
November 1	Price Sensitivity: Why and How It Matters?	Raju and Zhang, Ch. 6; <u>Distribute HWI.</u>
November 3	Estimating Consumer Reservation Price	Jedidi and Zhang (2002); Miller, et al (2011); Raju and Zhang, Ch. 5.
November 8	<i>American Airlines' Value Pricing</i>	Raju and Zhang, Ch. 1; <u>Distribute <i>Computron Group Case Writeup Questions.</i></u>
November 10	Value Pricing in Action: Pricing Pharmaceuticals, etc.	Raju and Zhang, Ch. 4; <b>HWI due.</b>
November 15	Pricing Psychology	Thaler (1985); Raju and Zhang, Ch. 8; <b>Progress Report Due.</b>
November 17	Dynamic Pricing	<u>Distribute HWII.</u>
November 22	Your presentation on <i>Computron</i>	<b>Case Assignment Due in class.</b>
November 29	Omni-Channel Consumers and Channel Pricing	Raju and Zhang, Ch. 9.
December 1	Nonlinear Pricing	Essegaier, Gupta, and Zhang (2002).
December 6	Fundamental Principles for Pricing Decisions (You Don't Want to Leave School Without!)	Raju and Zhang, Ch. 2 and Ch. 10; Shaffer and Zhang (2002); <b>Homework II Due.</b>
December 8	Project Presentations	<b>Project Due in class.</b>