

Pricing Strategies

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Office Hours: Wed. 10 am-Noon
Class Time: Wednesdays, 3:00 pm-6:00 pm
Classroom: JMHH 255

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 understanding and 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 how to design your pricing structure. This part of the course will help you to gain insights into successful pricing tactics in various industries and discuss how to improve a firm's pricing through a thoughtful, sophisticated pricing structure. The topics of discussion include price promotions, 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.

Before you read further, please note that for this class, no electronic devices are allowed for use in the classroom for your own good as well as for the good of everyone else in the class unless you have my prior permission. They include 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 drop this class!

Required materials for the course include *Smart Pricing* by J. Raju and Z. John Zhang (NJ: Pearson Education and Wharton Publishing) available at the University bookstore and also at <http://www.amazon.com/Smart-Pricing-Businesses-Innovation-Profitability/dp/013149418X>. All cases are available through study.net and rest of the reading assignments are available in Canvas.

If you'd like more readings, you could check out *The Strategy and Tactics of Pricing: New International Edition*, 5th Edition, by Thomas T. Nagle, John Hogan, and Joseph Zale.

Your performance in the course will be evaluated on the basis of your attendance and

class participation (20%), two group short presentations (10% each), one in-class individual quizz (25%), 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, 20% of your final grade depends 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. If you are not committed to coming to each class, please drop the class!

Assignments and Quizzes

There are two short group presentations: one on *Tweeter* and one on Airbnb. Each accounts for 10% of your final grade. To complete this assignment, you can form groups of four (maximum five). all members get the same grade unless a free-riding problem is reported. One in-class quizz, accounting for 25% of your final grade, is designed to test your learning in class and from assigned reading materials.

Group Project

You are also expected to complete a project with your group, which accounts for 35% of your final grades (15 double-spaced pages maximum excluding tables and charts). Out of the 35 points, 20 points will be awarded based on your written work and 15 points will be based on your in-class presentation.

The project will give you the opportunity to reflect on what you have learned 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 **April 25**.

To make sure that you do spend adequate time on the project, you are required to turn in a progress report in class on **February 7**, 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%.

Time	Subject	Assignments
January 17	Current Pricing Practices	Raju & Zhang, Introduction; <i>Global Pricing and Sales Study 2017</i> ; <i>Basic Quantitative Analysis for Marketing</i> .
January 24	Art of Price War and Incremental Break-Even Analysis	Raju & Zhang, Ch. 3; Nagle Chapter 10.
January 31	Value Pricing: Theory and Practice	Raju & Zhang, Ch. 9 and Ch. 4; Distribute case questions.
February 7	Price Sensitivity Analysis and Augmented Conjoint Analysis	Raju & Zhang, Ch. 5; Jedidi and Zhang (2002); Progress Report Due in Class.
February 14	Loss Leader Pricing: Costing and Profit Analysis for Pricing	Chen, Hess, Wilcox and Zhang (2000); Raju & Zhang, Ch. 7.
February 21	<i>American Airlines' Value Pricing</i> and Product Line Pricing	"Versioning: The Smart Way to Sell Information," Shapiro and Varian, HBR On Point, September 2001.
February 28	Pricing Psychology	Raju & Zhang, Ch. 8; Thaler (1985).
March 14	Managing Price Competition and <i>Tweeter etc.</i>	Raju & Zhang, Ch. 1; Zhang (1995); Case presentation in Class.
March 21	<i>In-class Quizz</i>	
March 28	Dynamic Pricing (<i>Computron</i>)	Raju & Zhang, Ch. 6.
April 4	Pricing Financial Services and Nonlinear Pricing	Essegaier, Gupta, and Zhang (2002); Raju & Zhang, Ch. 2.
April 11	Pricing Movies and Channel Pricing	Desai, <i>et al</i> , (December 2012).
April 18	Airbnb and Principle of Price Engineering	Shaffer and Zhang (2002); Raju & Zhang, Ch. 10; Presentation in Class.
April 25	Project Presentations	Project due in class for All.

Cases (available through study.net)

- Basic Quantitative Analysis for Marketing (HBR 584-149)
- *American Airlines' Value Pricing* (HBS Case 9-594-001)
- *Tweeter etc.* (HBS Case 9-597-028)
- *Computron* (HBS Case 9-597-063)