

**Pricing Strategies**

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Office Hours: Wed. 10 am-Noon  
Class Time: Wednesdays, 3:30 pm-6:30 pm  
Classroom: TBD

This is a very hands-on and issues and contexts-oriented pricing course 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 industry pricing practices, 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.

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, data rich business environment.

*Before you read further, please note that for this class, there will be many in-class group exercises and projects in classroom (TBD), or in Zoom breakout rooms when we must, such that you will have no chance to use electronic devices except during breaks. If this is a undue hardship for you, please consider dropping this class for your own good as well as for the good of everyone else in the 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 even 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 (25%), a homework assignment (20%), and a group project plus presentation(55%).

## **Attendance and Participation**

Since this is an interactive and hands-on class and also since we will cover critical material that is not in your assigned readings, your in-person attendance is strongly encouraged whenever possible. To provide such incentives, 25% of your final grade depends on your attendance and participation and on your contributions to the class. You must come prepared and ready to share your skills and ideas.

## **Homework Assignment**

The homework assignment, accounting for 20% of your final grade, is an individual assignment designed to expand your skills in some common quantitative analysis in pricing. This homework is due on **February 22**.

## **Group Project**

You are also expected to complete a project with your group, which accounts for 55% of your final grades (10 double-spaced pages maximum excluding tables and charts). Out of the 55 points, 25 points will be awarded based on your written work and 20 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 exciting pricing problems from the real world. The details of the project will be described and discussed in a separate project guide. 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 26**.

To make sure that you do spend adequate time on the project, you are required to turn in two progress reports, respectively on **February 8** and **April 5**. The requirements for these progress reports will be discussed in class. An unacceptable progress report will reduce the final project grade by 5%. In other words, each progress report is worth 5 points.

Time	Subject	Assignments
January 18	Current Pricing Practices	Raju & Zhang, Introduction; <i>Basic Quantitative Analysis for Marketing</i> .
January 25	Monetizing Innovations: Smart Value Pricing	Raju & Zhang, Ch. 9.
February 1	Functional Value and Smart Value Pricing	Raju & Zhang, Ch. 4.
February 8	Art of Price War and Smart Price Changes	Raju & Zhang, Ch. 3; Nagle Chapter 10; <b>Progress Report I Due.</b>
February 15	Price Sensitivity and Pricing Decisions	Raju & Zhang, Ch. 5.
February 22*	Measuring Consumer Willingness to Pay	Raju & Zhang, Ch. 1; <b>Homework Due.</b>
March 1	Pricing Psychology	Raju & Zhang, Ch. 8; Thaler (1985).
March 15	Pricing Luxury Goods	Dahlhoff and Zhang (2020).
March 22	<i>American Airlines' Value Pricing</i>	Read the HBR Case
March 29	Choosing Pricing Structures	Raju & Zhang, Ch. 2 and Ch. 7.
April 5	<i>Cambridge Software Corp</i> and Product Line Pricing	Shapiro and Varian (2001); <b>Progress Report II Due.</b>
April 12	Dynamic Pricing ( <i>Computron</i> )	Raju & Zhang, Ch. 6.
April 19	Price Engineering in the Age of Big Data and AI	Shaffer and Zhang (2002); Raju & Zhang, Ch. 10.
April 26	Pricing Projects	<b>Project due for All.</b>

### **Cases (available through study.net)**

- Basic Quantitative Analysis for Marketing (HBR 584-149)
- *American Airlines' Value Pricing* (HBS Case 9-594-001)
- *Cambridge Software Corp* (HBS Case 191072-PDF-ENG)
- *Computron* (HBS Case 9-597-063)