

**Pricing Strategies**

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Office Hours: Wed. 10 am-Noon  
Class Time: TR, 8:30-10:00 (Section 402)  
TR 10:15-11:45 (Section 002)  
Classroom: TBD

This is a 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 competition 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.

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. There will also be light readings from press on current events related to pricing.

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 (20%), a homework assignment (20%), a group case writeup (20%, no more than five double spaced pages) and a group project (40%).

## **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, 20% 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 **March 30**.

## **Group Case Writeup**

There is a group case write-up, accounting for 20% of your final grade. The case is *Cambridge Software*. To complete this assignment, you be assigned to a group of four (maximum five). Each group is required to turn in one completed assignment (5 double-spaced pages at maximum excluding tables and charts) and all members get the same grade unless a free-riding problem is reported.

## **Group Project**

You are also expected to complete a project with your group, which accounts for 40% of your final grades (10 double-spaced pages maximum excluding tables and charts).

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 20**, which is the last class for the course!

To make sure that you do spend adequate time on the project, you are required to turn in two short progress reports, respectively on **March 23** and **April 11**. The requirements for these one-page 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                                                                    |
|----------|---------------------------------------------------------|--------------------------------------------------------------------------------|
| March 14 | Current Pricing Practices                               | Raju & Zhang, Introduction; <i>Basic Quantitative Analysis for Marketing</i> . |
| March 16 | Monetizing Innovations: Smart Value Pricing             | Raju & Zhang, Ch. 9.                                                           |
| March 21 | Functional Value and Smart Value Pricing                | Raju & Zhang, Ch. 4.                                                           |
| March 23 | Art of Price War and Smart Price Changes                | Raju & Zhang, Ch. 3; Nagle Chapter 10; <b>Progress Report I Due.</b>           |
| March 28 | Price Sensitivity and Pricing Decisions                 | Raju & Zhang, Ch. 5.                                                           |
| March 30 | Measuring Consumer Willingness to Pay                   | Raju & Zhang, Ch. 1; <b>Homework Due.</b>                                      |
| April 4  | Pricing Psychology                                      | Raju & Zhang, Ch. 8; Thaler (1985).                                            |
| April 6  | Pricing Luxury Goods                                    | Dahlhoff and Zhang (2020).                                                     |
| April 11 | <i>American Airlines' Value Pricing</i>                 | Read the HBR Case; Raju & Zhang, Ch. 6. <b>Progress Report II Due</b>          |
| April 13 | Choosing Pricing Structures                             | Raju & Zhang, Ch. 2 and Ch. 7.                                                 |
| April 18 | <i>Cambridge Software Corp and Product Line Pricing</i> | Shapiro and Varian (2001); <b>Case Writeup Due.</b>                            |
| April 20 | Price Engineering in the Age of Big Data and AI         | Zhang (2008); Raju & Zhang, Ch. 10. <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)