

# Pricing

2014-2015

<b>Course Code</b>	MKT 5640
<b>Module</b>	Module C 2014-15
<b>Instructor</b>	Stephan Sorger
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<b>Availability</b>	On-campus availability: 12-1:30PM on class days  Off-campus availability: Saturdays at 12-1 PM at 160 Spear, SF, by appointment.  Other times as arranged
<b>Class Times &amp; Rooms</b>	See <a href="https://mycourses.hult.edu/">https://mycourses.hult.edu/</a>

## Course Description

There is no decision that marketing managers make that affects profitability more than choosing the right price for goods and services.

Pricing is dynamic—it changes from one day to the next. Competitors change their strategies, customers' perception of value has its ups and downs, and the firm's cost structure changes too.

In this course, students will learn the complexity of pricing decisions and will gain confidence in how to set prices in competitive marketing environments.

## Learning Objectives

### Key (Assessed) Learning Outcomes

On completion of this course, students should understand and be able to do the following:

<b>1</b>	Compare and contrast the main alternative pricing strategies. Demonstrate, using relevant examples, that successful pricing is much more than just “charging the price the market will bear”; rather that it is a strategic driver of long-term business growth and profitability.
<b>2</b>	Analyze how organizations of all types, in all sectors, can and should plan and actively manage pricing, based on a unique market position, adding value and communicating this consistently to target audiences.
<b>3</b>	Explain why it is vitally important to employ a proactive, strategic approach to pricing of products and services rather than a purely reactive policy of attempting to optimize prices tactically.

### Supplemental Learning Outcomes

While not assessed, it is anticipated that students will be able to:

<b>4</b>	Use sensitivity analysis to estimate outcomes where elasticity is unknown, such as pricing at market entry.
<b>5</b>	Employ pricing tactics to implement the firm's pricing objectives.
<b>6</b>	Know how to manage price changes to the firm's advantage.

## Teaching and Learning

This class will use a combination of lectures, cases analysis, projects and an important online price simulation.

You will learn a general framework for pricing decisions and also the tactics that firms use at market introduction and in maturity.

## Method and weighting of assessment

Assessment form	1000 points total
Final Exam	400 points
In-Class Quizzes: 8 quizzes x 20 points each	160 points
Mini-Case Presentations: 2 mini-cases x 150 points each	300 points
Class Participation	140 points

In this course, students are evaluated by the following means of assessment.

<b>Assignment</b>	Final Exam
<b>Weighting (% of final grade):</b>	400 points
<b>Learning Outcome(s) Assessed:</b>	Students will demonstrate their understanding of concepts and terminology taught throughout the course, as well as the application of pricing principles.
<b>Description of Assignment:</b>	The final exam will consist of multiple choice and/or short answer questions.
<b>Quality Indicators (how will it be graded; what constitutes a good assignment):</b>	Student performance on the final exam will measure their comprehension on the subjects taught in the course.

<b>Assignment</b>	In-Class Paper Quizzes
<b>Weighting (% of final grade):</b>	160 points
<b>Learning Outcome(s) Assessed:</b>	Students will demonstrate their understanding of concepts and terminology taught in specific modules of the course.
<b>Description of Assignment:</b>	Quizzes are administered during class in a paper-based format. No online quizzes are permitted.
<b>Quality Indicators (how will it be graded; what constitutes a good assignment):</b>	Quizzes will consist of brief questions to assess reading of course materials. Make-up quizzes are only permitted if student has an absence that has been approved by university administration.

<b>Assignment</b>	Mini-Case Presentations (Group Assignments)
<b>Weighting (% of final grade):</b>	300 points
<b>Learning Outcome(s) Assessed:</b>	Students will demonstrate their ability to apply the knowledge learned in the course in a typical industry setting, along with the ability to comment on the case in an intelligent manner.
<b>Description of Assignment:</b>	<p>The mini-case presentations ask students to dive more deeply into essential aspects of pricing, such as the ability to apply and interpret relevant pricing models to typical marketing situations.</p> <p>Student teams will present their findings of the case during in-class presentations.</p>
<b>Quality Indicators (how will it be graded; what constitutes a good assignment):</b>	<p>Grading methodology: Students will present their case findings during class. Students will present as a group. Each student in the group will receive the group's overall score. Professor will grade the case in real-time as the presentations are made.</p> <p>Grading will be done in accordance with mini-case presentation rubric, available in myCourses.</p>

<b>Assignment</b>	Class Participation
<b>Weighting (% of final grade):</b>	140 points
<b>Learning Outcome(s) Assessed:</b>	Much of this course is hands-on learning, such as in-class discussions of practical applications of concepts during lectures.

<b>Description of Assignment:</b>	It is expected that students will be in the classroom during the assigned class times and will actively participate in individual and team exercises.
<b>Quality Indicators (how will it be graded; what constitutes a good assignment):</b>	<p>Class participation is made up from two components: Attendance and discussions.</p> <p>Attendance: 70 points max.</p> <p>70 points: Attended all classes punctually 60 points: Late 10 minutes or more to 1 class 50 points: Late 10 minutes or more to 2 classes 40 points: Late 10 minutes or more to 3 classes 30 points: Late 10 minutes or more to 4+ classes</p> <p>Even if absences are excused, being late to the class is not.</p> <p>Discussions: 70 points max = 7 points max per class x 10 classes (final exam session not included).</p> <p>70 points: Leads class in discussions in every session 60 points: Regular contributor with relevant examples 50 points: Occasional participation 40 points: Rare participation; Superficial comments 0 points: Disrupts class; Discusses irrelevant topics</p> <p>Discussion is monitored by a class scribe/TA, who will monitor participation during the class. In the event that a TA is not used, the professor will select a volunteer to act as scribe at the start of each class. Volunteer scribes get full participation credit for the class. Volunteer scribes will assess participation, with a maximum of 7 points of participation in each class.</p>

## Attendance, Participation and Student Responsibilities

Every school has expectations for behavior and performance in the classroom, although the expectations might vary by school or country. The expectations take the form of guidelines, policies, and procedures, which, if not followed, might have serious consequences for a student. Important expectations for Hult students are set forth in the Student Handbook and summarized below.

### Attendance

Students are expected to attend all scheduled classes, examinations, class presentations, simulations, exercises, field research visits, discussion groups, plant visits, lectures, and special programs. An absence for any reason

except those qualifying for an excused absence as described in the Student Handbook will be considered an unexcused absence.

Students who miss more than 20% of scheduled classroom/activity hours because of unexcused absences (e.g. more than two meetings of a 10-meeting course, or more than 4 meetings of a 20-meeting course) will fail the course. Students who miss substantial portions of a course because of excused absences will receive an Incomplete grade for the course and will be required to make up missed work or re-take the course. If a student misses a class or other required activity, it is his or her responsibility to review, with classmates, the material covered, and to consult with the Instructor prior to the next class meeting regarding any possible make-up requirements.

Classes begin promptly according to the published schedule. It is the responsibility of each student to be in class on time. Classroom attendance will be recorded. To eliminate disruption, students are requested not to enter or leave the classroom when class is in session. Switching cohorts to accommodate class attendance is not allowed except in the presence of extenuating circumstances and with the prior approval by the course Instructor and the Registrar's Office.

Attending group meetings and participating in the assigned study teams are required components of the program and are considered an important part of the experiential learning process. Group member feedback evaluations will be administered by individual Instructors to assess each team member's participation and attendance for group projects. Students are expected to participate orally in class and in online forums and team activities.

## Academic Integrity

Any work submitted by a student in this course for academic credit must be the student's own work. The Hult policy on plagiarism applies to all work done at the School. In addition, any failure to abide by examination rules will result in failure of the exam, and may lead to failure of the course and School disciplinary action. Please consult the Student Handbook for further details.<sup>1</sup>

## Accommodating Special Needs

Hult provides disability related accommodations. Planning for accommodations with school Registrars at the beginning of the academic year is necessary, as set forth in the Student Handbook.

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<sup>1</sup> These web sites provide helpful guidance regarding plagiarism and how to cite sources:  
<http://library.acadiau.ca/tutorials/plagiarism/>, [http://www.plagiarism.org/learning\\_center/citation.html](http://www.plagiarism.org/learning_center/citation.html)

## Essential Reading

- Nagle, T; Holden, J; and Zale, J. “The Strategy and Tactics of Pricing.” 5<sup>th</sup> Edition, 2011. Prentice-Hall. Print and Kindle versions available. ISBN-13: 978-0136106814;
- Articles assigned for this course.

## Recommended Reading

- “Barrons” features a good overview of economic activity in the U.S. and abroad, along with impacts from different pricing methodologies.
- Dolan, Robert J. and Simon, Hermann. “Power Pricing: How Managing Price Transforms the Bottom Line.” 1997. Free Press. Provides a different voice, and more on international pricing.
- Mohammed, Rafi. “The 1% Windfall.” 2010. Harper Collins. How successful companies use price to profit and grow.
- Price Intelligently blog. [www.priceintelligently.com/blog](http://www.priceintelligently.com/blog)
- SAAS Pricing eBook: [www.priceintelligently.com/saas-pricing-page-blueprint](http://www.priceintelligently.com/saas-pricing-page-blueprint)
- SAAS Growth Strategies: [www.sixteenventures.com](http://www.sixteenventures.com)
- Venture Capital: Brad Feld: [www.feld.com](http://www.feld.com)
- You should also have on hand a basic marketing textbook, such as Kotler and Keller, “Marketing Management” in any recent edition. One copy will be available at the Hut for reference.

**Class Schedule (see myCourses for dates and times)**

Class	Topic	Reading
1	Syllabus Review	Syllabus
	Economics Review	Economics module slides
	Chapter 1: Strategic Pricing	Chapter 1 reading due: Pages 1-15 (15 pages)
	Mini-Case 1 Preparation	In-class preparation for mini-case 1 presentation: 15 min.

Class	Topic	Reading Due
2	Mini-Case #1 Presentations: Strategic Pricing	Case 1A Due: Team 1 Pricing to the Demand Curve (Approx. 1-1/2 pages) <a href="http://cdixon.org/2012/07/04/pricing-to-the-demand-curve/">http://cdixon.org/2012/07/04/pricing-to-the-demand-curve/</a> Case 1B Due: Team 2 Forbes: "A Strategic [Pricing] Mistake That Haunts JC Penney." (Approx. 1-1/2 pages) <a href="http://www.forbes.com/sites/panosmourdukoutas/2013/09/27/a-strategic-mistake-that-haunts-j-c-penney/">http://www.forbes.com/sites/panosmourdukoutas/2013/09/27/a-strategic-mistake-that-haunts-j-c-penney/</a> Case 1C Due: Team 3 Forbes. "When Altering Your Company's Pricing Strategy, Consider Consumers' Shopping Patterns." (Approx. 2 pages) <a href="http://www.forbes.com/sites/prospernow/2012/06/04/when-altering-your-companys-pricing-strategy-consider-consumers-shopping-patterns/2/">http://www.forbes.com/sites/prospernow/2012/06/04/when-altering-your-companys-pricing-strategy-consider-consumers-shopping-patterns/2/</a>
	Quiz 1: Chapter 1 and 2	Read material to prepare for quiz: Chapters 1 and 2
	Chapter 2: Value Creation	Chapter 2 reading due: Pages 17-45 (28 pages)
	Mini-Case 2 Preparation	In-class preparation for mini-case 2 presentation: 15 min.

Class	Topic	Reading Due
3	Mini-Case #2 Presentations: Value Creation	Case 2A Due: Team 4 Price Intelligently blog: Value Metric (Approx. 3 pages) <a href="http://www.priceintelligently.com/blog/bid/195287/The-Value-Metric-Optimize-Your-Pricing-Strategy-for-High-Growth">http://www.priceintelligently.com/blog/bid/195287/The-Value-Metric-Optimize-Your-Pricing-Strategy-for-High-Growth</a> Case 2B Due: Team 5 Seth Godin blog: Cost vs. Value (Approx. 1 page) <a href="http://sethgodin.typepad.com/seths_blog/2014/02/most-of-all-money-is-a-story.html">http://sethgodin.typepad.com/seths_blog/2014/02/most-of-all-money-is-a-story.html</a> Case 2C Due: Team 6 Entrepreneur: "To Keep Your Startup Alive, Keep Creating Value." (Approx. 2 pages) <a href="http://www.entrepreneur.com/article/238779">http://www.entrepreneur.com/article/238779</a>



Quiz 2: Chapter 3	Read material to prepare for quiz: Chapter 3
Chapter 3: Price Structure	Chapter 3 reading due: Pages 47-70 (23 pages)
Mini-Case 3 Preparation	In-class preparation for mini-case presentation: 15 min.

Class	Topic	Reading Due
4	Mini-Case #3 Presentations: Price Structure	Case 3A Due: Team 7 Entrepreneur: 2 Simple Rules to Follow for Segmentation (Approx. 2 pages) <a href="http://www.entrepreneur.com/article/237083">http://www.entrepreneur.com/article/237083</a> Case 3B Due: Team 8 Forbes: VW's Market Segmentation Pricing (Approx. 2 pages) <a href="http://www.forbes.com/sites/timworstall/2013/10/20/apples-market-segmentation-difficulties-with-the-new-iphones/">http://www.forbes.com/sites/timworstall/2013/10/20/apples-market-segmentation-difficulties-with-the-new-iphones/</a> Case 5C Due: Team 9 Forbes: Tata Motors Looks to Improve Passenger Car Sales by Penetrating the Compact Segment (Approx. 2 pages) <a href="http://www.forbes.com/sites/greatspeculations/2014/06/13/tata-motors-looks-to-improve-passenger-car-sales-by-penetrating-the-compact-segment/">http://www.forbes.com/sites/greatspeculations/2014/06/13/tata-motors-looks-to-improve-passenger-car-sales-by-penetrating-the-compact-segment/</a>
	Quiz 3: Chapter 4	Read material to prepare for quiz: Chapter 4
	Chapter 4: Price and Value Communication	Chapter 4 reading due: Pages 72-93 (21 pages)
	Mini-Case 4 Preparation	In-class preparation for mini-case presentation: 15 min.

Class	Topic	Reading Due
5	Mini-Case #4 Presentations: Price and Value Communication	Case 4A Due: Team 10 Netflix 2011 Price Change Announcement (Approx. 2 – 1/2 pages) <a href="http://www.forbes.com/sites/theyec/2011/12/28/5-business-lessons-from-the-netflix-pricing-debacle/">http://www.forbes.com/sites/theyec/2011/12/28/5-business-lessons-from-the-netflix-pricing-debacle/</a> Case 4B Due: Team 11 Intuit Reverses TurboTax Deluxe Price Increases (Approx. 2 – 1/2 pages) <a href="http://www.forbes.com/sites/janetnovack/2015/01/29/intuit-cries-uncle-will-roll-back-turbotax-deluxe-changes/">http://www.forbes.com/sites/janetnovack/2015/01/29/intuit-cries-uncle-will-roll-back-turbotax-deluxe-changes/</a> Case 4C Due: Team 12 BBC News: Vodafone Price Rises (Approx. 2 pages) <a href="http://www.bbc.com/news/business-27523813">http://www.bbc.com/news/business-27523813</a>

Quiz 4: Chapter 5                      Read material to prepare for quiz: Chapter 5

Chapter 5: Pricing Policy              Chapter 5 reading due: Pages 96-117 (21 pages)

Mini-Case 5 Preparation              In-class preparation for mini-case presentation: 15 min.

Class	Topic	Reading Due
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6	Mini-Case #5 Presentations: Pricing Policy	Case 5A Due: Team 1 Forbes: Best Buy Pricing Policy vs. Amazon.com (About 2 pages) <a href="http://www.forbes.com/sites/walterloeb/2014/11/20/amazon-s-pricing-strategy-makes-life-miserable-for-the-competition/">http://www.forbes.com/sites/walterloeb/2014/11/20/amazon-s-pricing-strategy-makes-life-miserable-for-the-competition/</a> Case 5B Due: Team 2 Forbes: Pricing Policy for Uber and Lyft (Approx. 2 pages) <a href="http://www.forbes.com/sites/timworstall/2015/01/03/so-uber-and-lyfts-surge-pricing-worked-just-perfectly-on-new-years-eve-then/">http://www.forbes.com/sites/timworstall/2015/01/03/so-uber-and-lyfts-surge-pricing-worked-just-perfectly-on-new-years-eve-then/</a> Case 5C Due: Team 3 Forbes: Gillette Pricing Policy in the Digital Age <a href="http://www.forbes.com/sites/ciocentral/2012/12/19/razor-and-blades-pricing-strategies-in-the-digital-age/">http://www.forbes.com/sites/ciocentral/2012/12/19/razor-and-blades-pricing-strategies-in-the-digital-age/</a>
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Quiz 5: Chapter 6                      Read material to prepare for quiz: Chapter 6

Chapter 6: Price Level                  Chapter 6 reading due: Pages 118-139 (21 pages)

Mini-Case 6 Preparation              In-class preparation for mini-case presentation: 15 min.

Class	Topic	Reading Due
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7	Mini-Case #6 Presentations: Price Level	Case 6A Due: Team 4 Entrepreneur: Sticker Shock (Approx. 2 pages) <a href="http://www.entrepreneur.com/article/223816">http://www.entrepreneur.com/article/223816</a> Case 6B Due: Team 5 Forbes: Best Buy Price Matching Strategy (Approx. 2 pages) <a href="http://www.forbes.com/sites/greatspeculations/2013/03/06/best-buys-price-matching-strategy-helps-as-turnaround-efforts-drag-on/">http://www.forbes.com/sites/greatspeculations/2013/03/06/best-buys-price-matching-strategy-helps-as-turnaround-efforts-drag-on/</a> Case 6C Due: Team 6 Forbes: Coach Brand Image and Pricing (Approx. 2 pages) <a href="http://www.forbes.com/sites/greatspeculations/2014/07/01/can-coach-rebuild-its-brand-image-with-new-promotional-strategies/">http://www.forbes.com/sites/greatspeculations/2014/07/01/can-coach-rebuild-its-brand-image-with-new-promotional-strategies/</a>
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Quiz 6: Chapter 7                      Read material to prepare for quiz: Chapter 7

Chapter 7: Pricing Over the Product Life Cycle              Chapter 7 reading due: Pages 141-155 (14 pages)

Mini-Case 7 Preparation

In-class preparation for mini-case presentation: 15 min.

Class	Topic	Reading Due
8	Mini-Case #7 Presentations: Pricing Over the Product Life Cycle	Case 7A Due: Team 7 Pricing over Product Life Cycle (Approx 2 pages) <a href="http://www.forbes.com/sites/prospernow/2013/09/24/is-your-marketing-life-cycle-flatlined/">http://www.forbes.com/sites/prospernow/2013/09/24/is-your-marketing-life-cycle-flatlined/</a> Case 7B Due: Team 8 Apple Product Launch Pricing (Approx 2 pages) <a href="http://www.inc.com/karl-and-bill/3-strategies-to-adopt-from-apple.html">http://www.inc.com/karl-and-bill/3-strategies-to-adopt-from-apple.html</a> Case 7C Due: Team 9 How China's Xiaomi Manages over Product Life Cycle (Approx 2 – 1/2 pages) <a href="http://www.forbes.com/sites/bigbangdisruption/2014/04/03/big-bang-disruption-how-chinas-xiaomi-manages-catastrophic-success/">http://www.forbes.com/sites/bigbangdisruption/2014/04/03/big-bang-disruption-how-chinas-xiaomi-manages-catastrophic-success/</a>
	Quiz 7: Chapter 11	Read material to prepare for quiz: Chapter 11
	Chapter 11: Competition	Chapter 11 reading due: Pages 244-267 (23 pages)
	Mini-Case 8 Preparation	In-class preparation for mini-case presentation: 15 min.

Class	Topic	Reading Due
9	Mini-Case #8 Presentations: Competition	Case 8 Due: Team 10 Competition in the Ride-Sharing Industry (About 3 pages) <a href="http://www.businessinsider.com/anthony-weiner-on-uber-and-the-taxi-industry-2014-4">http://www.businessinsider.com/anthony-weiner-on-uber-and-the-taxi-industry-2014-4</a> Case 8B Due: Team 11 Drug Price War: Pharmaceuticals and Pricing (Approx. 2 – 1/2 pages) <a href="http://www.forbes.com/sites/matthewherper/2014/12/22/drug-price-war-takes-pharma-back-to-the-future/">http://www.forbes.com/sites/matthewherper/2014/12/22/drug-price-war-takes-pharma-back-to-the-future/</a> Case 8C Due: Team 12 Entrepreneur: How to Survive a Price War (Approx. 2 pages) <a href="http://www.entrepreneur.com/article/222528">http://www.entrepreneur.com/article/222528</a>
	Quiz 8: Chapter 12	Read material to prepare for quiz: Chapter 12
	Chapter 12: Measurement of Price Sensitivity	Chapter 12 reading due: Pages 269-300 (31 pages)

Class	Topic	Reading Due
10	Management by the Numbers Simulation: Linear Demand Pricing	Teams execute the Management by the Numbers simulation for Pricing I: Linear Demand

<b>Exam Time</b>	01:00	<b>Exam Date</b>	see mycourses
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Class 11 consists of the final exam.

The final exam is closed book, with no reference sheets allowed.