(Tentative)

NEW YORK UNIVERSITY
Leonard N. Stern School of Business

B70.2353.30 PRICING STRATEGIES

(Professor Yuxin Chen)

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Course Description and Objectives

Pricing is one of the most important but least understood marketing decisions. This course is
designed to equip you with the concepts, techniques, and latest thinking on assessing and
formulating pricing strategies. We will learn the process of making pricing decisions and explore
innovative approaches for setting prices. The emphasis of the course is on ways in which you can
help firms in diverse industries to improve their pricing.

The teaching format of this course consists of lectures, in-class discussions, case studies and
group project. The course starts with the fundamental analytical tools, theories and conceptual
frameworks needed for formulating pricing strategies. From this part of the course, you will learn
how to analyze costs, customers, and competitors in order to formulate proactive pricing
strategies. The next part of the course focuses on commonly used pricing approaches. The topics
of discussion include segmented and targeted pricing, pricing in marketing mix, channel pricing
strategy, international pricing, pricing and product life cycle, etc., as well as the strategies of
designing optimal pricing package and effectively communicating price changes. The course
concludes with the discussion on the ethical and legal aspects of pricing practice. Throughout the
semester, we will discuss and examine pricing practices associated with various industries,
include pricing of consumer product, pricing of industrial product, pricing of informational
goods, pricing of service, etc.

Upon successful completion of this course, you will

(a) be familiar to the concepts, theory and latest thinking on pricing strategy,

(b) learn the state-of-the-art frameworks for analyzing pricing issues,

(c) gain a solid understanding of pricing practices across different industries, and

(d) master the essential techniques for making profitable pricing decisions with strategic thinking.
Course Material


Case Pack: We will discuss a number of cases during the course, the purpose of which is to learn how to make pricing decisions in actual business situations.

Handouts and additional course material will be distributed in class.

Grading

The grades for the course will be computed from the following components:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Case Analysis</td>
<td>40%</td>
</tr>
<tr>
<td>--- 3 Case Write-ups</td>
<td>(24%)</td>
</tr>
<tr>
<td>--- 6 one-page synopses</td>
<td>(16%)</td>
</tr>
<tr>
<td>Group Assignments</td>
<td>45%</td>
</tr>
<tr>
<td>--- Presenting a Pricing Puzzle</td>
<td>(9%)</td>
</tr>
<tr>
<td>--- Group Project Report</td>
<td>(24%)</td>
</tr>
<tr>
<td>--- Group Project Presentation</td>
<td>(12%)</td>
</tr>
<tr>
<td>Class Participation</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

The final grade is calculated on the weighted value of all components.

Class Participation

Each one of you is expected to contribute to class discussions. Attendance is a necessary but not sufficient condition for a good participation grade.

Please try to come to class on time and do not leave early. Otherwise, your class participation grade will be negatively affected. If for some reason you do have to come late and/or leave early, please let me know in advance and try to minimize the disruption to your classmates. I would like to thank you in advance for the cooperation.

The criteria for evaluating effective class participation include:

1. Is the participant well prepared? Do comments show evidence of analysis of the case? Do comments add to our understanding of the situation? Do comments show an understanding of theories and concepts presented in class lectures or reading materials?

2. Is the participant a good listener? Are the points made relevant to the discussion? Are they linked to the comments of others? Is the participant willing to interact with other class members?
3. **Is the participant an effective communicator? Are concepts presented in a concise and convincing fashion?**

Your grade for class participation is not a direct function of the amount of “air time” you take up. In general, credit will be given more on the basis of quality than quantity. In situations where multiple students have raised their hands to speak, I will try to call on the student with the least cumulative air time to that date.

You are expected to use name cards regularly in class. Cold calling is possible even though I am usually reluctant to do that.

**Cases**

Cases will allow us to examine in detail the application of particular concepts and principles in real company settings. We will use a total of nine cases during the course of the semester. The study questions for each case will be distributed in class prior to the date of the case discussion.

Among all the cases, five are “regular” cases to be discussed in detail in class. The five regular cases are

- *The Medicines Company*
- *Tweeter etc*
- *Value Pricing at Proctor & Gamble (A)*
- *Biopure Corporation*
- *Pricing for Profit: The U.K. Credit Card Industry in the Late 1980s (A)*

You are required to submit **three case write-ups** for the regular cases. You have the freedom to choose any three out of the five regular cases listed above. Each case write-up should provide your own thoughts on the study questions. The length of each case write-up should be about 4 pages but no more than 5 pages. It can be in a Q&A format.

The four remaining cases are mini-cases. They are:

- *La Grande Alliance: Restaurant Francais*
- *Beauregard Textile Company*
- *The Case of the Pricing Predicament, Cambridge Software Corporation*

Those cases will be discussed more briefly than the regular cases. For each of the mini cases and the two regular cases not chosen for write-up, you need to submit a one-page synopsis. Therefore, you need to submit **one-page synopses for six cases** in total. The one-page synopsis should summarize the pricing problem the company was facing and point out the difficulties associated with making optimal pricing decision in the context of the case. You will get full credit for the one-page synopsis as long as I can see that you have read and prepared to discuss the case. I will not return the one-page synopsis to you if it is satisfactory (i.e. when full credit is given).

**A case write-up or a one-page synopsis for each case is due at the beginning of the class when the case is discussed.**
Group Assignments

During the course of the semester, you will be involved in a group project and two group presentations. As the first step, you must form teams. The size of the teams will depend on class enrollment and will be announced in class.

Each group will work on a project. 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. Peer evaluation of group members will be collected in the end of the semester. Usually, all members in the same group will get the same grades unless there is a serious free-riding problem.

For the project, each group should select an industry, a firm, or a business unit within a firm, and intensively study either its pricing policy or a specific pricing decision (either made in the recent past or under current consideration). Since the group project will involve a considerable amount of time and effort, it is vitally important that you work on a project that you find interesting. For the project, you can use publicly available information and/or your own research. Each group needs to submit an 8-12 pages written report and make a project presentation (about 15 minutes) at the end of the semester.

You are required to turn in a 1-2 page progress report in class on March 22, briefly describing what your group plans to do and what you have done up to that point.

Besides the group project and project presentation, each group is required to present a “pricing puzzle” in the mid-term. The “pricing puzzle” can be any pricing phenomenon or practice that puzzles you or you think others (your classmates and me) might be puzzled about. The “pricing puzzle” can be related to your project for the semester but this is not necessary. The presentation of a “pricing puzzle” is expected to be 5-10 minutes followed by class discussions.

More details about the requirements of project and presentations will be discussed in class.

Remarks

All written materials must be typed, double-spaced, have one-inch margins, and use a reasonable font (10-12 point).

Assignments must be turned in on the dates specified in the syllabus. Except in the event of a documented medical difficulty, late assignments will not be accepted.

Note that all relevant deadlines are indicated in the course schedule.

Feedback

If you have any questions or concerns regarding the course content, teaching, grading or if you have any suggestions for improvement in the above areas, please do not hesitate to discuss them with me.
### Tentative Course Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Suggested Readings/Deadlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2/8 W</td>
<td>Introduction&lt;br&gt;The Role of Price and Pricing</td>
<td>Ch. 1, 2</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Ch. 9</td>
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<tr>
<td>2</td>
<td>2/15 W</td>
<td>Pricing and Costs&lt;br&gt;Pricing and Competition</td>
<td>Ch. 8, 10&lt;br&gt;Mini Case: La Grande Alliance&lt;br&gt;Mini Case: Beauregard Textile&lt;br&gt;&lt;strong&gt;(Due: List of group members)**</td>
</tr>
<tr>
<td>3</td>
<td>2/22 W</td>
<td>Pricing and Value to Customers&lt;br&gt;Case Discussion: Medicines</td>
<td>Ch. 3&lt;br&gt;Ch. 13</td>
</tr>
<tr>
<td>4</td>
<td>3/1 W</td>
<td>Segmented and Targeted Pricing</td>
<td>Ch. 4&lt;br&gt;Mini Case: Cambridge Software</td>
</tr>
<tr>
<td>5</td>
<td>3/8 W</td>
<td>Design and Implementation of Pricing Policy&lt;br&gt;Case Discussion: Tweeter</td>
<td>Ch. 6 and 7&lt;br&gt;Mini Case: Pricing Predicament</td>
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<tr>
<td>6</td>
<td>3/15 W</td>
<td><strong>Spring Break, No Class</strong></td>
<td></td>
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<tr>
<td>7</td>
<td>3/22 W</td>
<td>Presentation and Discussion of Pricing Puzzles</td>
<td><strong>Due: Report on Project Progress</strong></td>
</tr>
<tr>
<td>8</td>
<td>3/29 W</td>
<td>Pricing and Distribution Channel&lt;br&gt;Case Discussion: Value Pricing at Proctor&amp;Gamble (A)</td>
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<tr>
<td>9</td>
<td>4/5 W</td>
<td>Pricing in Marketing Mix&lt;br&gt;Case Discussion: Biopure</td>
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<tr>
<td>10</td>
<td>4/12 W</td>
<td>International Pricing&lt;br&gt;Pricing and Product Life Cycle</td>
<td>Ch. 12</td>
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<tr>
<td>11</td>
<td>4/19 W</td>
<td>Pricing Structure and Pricing Package&lt;br&gt;Case Discussion: U.K. Credit Card Industry</td>
<td>Ch. 4, 6, and 7 (revisit)</td>
</tr>
<tr>
<td>12</td>
<td>4/26 W</td>
<td>Communication of Prices&lt;br&gt;Ethical and Legal Aspects of Pricing</td>
<td>Ch. 5&lt;br&gt;Ch. 14</td>
</tr>
<tr>
<td>13</td>
<td>5/3 W</td>
<td>Final Presentation&lt;br&gt;Recap</td>
<td><strong>Due: Final Report of Group Project</strong></td>
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</table>
Appendix

Peer Evaluation Form

Please fill out the following form to determine each person’s contribution. Rate yourself and each of your group members on the following parameters:

the effort spent on the project
the quality of inputs

Use the following 5-point scale for this purpose. Enter the number from this scale that you think most appropriately describes each person’s contribution on the two parameters.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
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<th>4</th>
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<tbody>
<tr>
<td>Poor</td>
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<td></td>
<td>Excellent</td>
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</table>

<table>
<thead>
<tr>
<th>Effort</th>
<th>Quality of inputs</th>
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Your name: ____________________________  ____  ____
Member #1: ____________________________  ____  ____
Member #2: ____________________________  ____  ____
Member #3: ____________________________  ____  ____

Please make any comments that you have regarding this group on the back of this sheet. This is due with your final project report.