

# BUSML 7207

## Pricing Strategy

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Lecture: Thursday 6:15pm – 7:30pm

Room: Gerlach 265

Office hours: Thursday 5:00pm - 6:00pm, after class, or by appointment

### 1. Course Description

Prices are everywhere. For every product and service, a company needs to determine a price. Of all the marketing mix decisions, the pricing decision is the one that directly brings revenues to the company. Yet, pricing is also the least understood of all marketing mix decisions. This course provides a framework to set the right price and introduces various pricing tactics to obtain a competitive advantage.

The objective of this course is to introduce a framework, concepts, and techniques for assessing and formulating pricing strategies. We will learn the factors that influence pricing decisions, which involve economic, strategic and behavioral considerations. The course covers tools to assess consumer's willingness to pay, and how this information can be used to improve pricing decisions. The course also covers popular and innovative pricing tactics, such as price segmentation, versioning, bundling, subscriptions, and freemium. Throughout the course, we will use examples and case studies to illustrate how pricing concepts are applied in practice.

#### *Course learning outcomes*

Generally, on completion of this course, students should be able to:

- Apply the Value Based Pricing Framework to formulate pricing decisions.
- Understand how to estimate consumers' willingness to pay and its role in pricing decisions.
- Explain the impact of psychological factors on consumers' willingness to pay.
- Use different pricing tactics to improve pricing effectiveness, such as price segmentation, promotions, versioning, bundling, and subscriptions.
- Understand the role of ethics and legal issues in pricing decisions.

#### *Method of instruction*

This course consists of in-person lectures and offline self-learning. During the in-person lectures, we will discuss pricing concepts and tactics that companies use. You are expected to think critically and share your opinions about the various pricing concepts and tactics and how they can be used in practice. As outlined in the course grading section, your class participation will be graded. To exercise your critical thinking and to improve the quality of your class participation, you will need to be prepared for each class. This means you should always read the assigned materials ahead of time. For offline learning, students watch asynchronous pre-recorded videos at your own pace. Additional reading materials, exercises, and discussion topics will be provided on Carmen to facilitate learning.

## **Course materials**

### **Books:**

1. Nagle, Thomas T., and Georg Müller, *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably*, ISBN-13: 978-1138737501
2. Smith, Tim J., *Pricing Strategy*, ISBN-13: 978-8131528389

Cases: Harvard case (Coursepack: <https://hbsp.harvard.edu/import/1085204>)

Course slides: Lecture slides and other materials will be posted on the course website (Carmen).

## **2. Course Grading**

### **Assignment weights**

Quizzes	20%
Individual Class Participation	20%
Team project	30%
Take-home Exam	30%

### **Quizzes**

The course has 5 quizzes which will include both multiple-choice questions and short-essay questions. Quiz questions usually cover materials addressed in lectures for a specific week. Quizzes are open-book and have no time limit.

### **Take-home exam**

The take-home exam will include both multiple-choice questions and short-essay questions. Exam questions can cover materials addressed in lectures, the book, and cases during the whole course. However, be advised that topics discussed during the lectures are most important. Exam is open-book but with a strict time limit.

### **Individual class participation**

Class participation is evaluated on the quality and the frequency of your comments, i.e., on your contribution to the learning experience of the class. Cold/Warm-calling will be used in this course when necessary, so students should be prepared for each lecture.

Classroom discussion is not just an opportunity for students to demonstrate that they have read and thought carefully about the material, but also a method of integrating the experience and unique perspectives of the student professionals in the online classroom. Guidelines for effective class participation include:

- Be willing to go beyond simple repetition of facts from the readings to include your own analysis and conclusions. The risk of being “wrong” or controversial is far outweighed by value of the subsequent discussion. “Wrong” answers are often the best contributions to the discussion as they may highlight area that should be reviewed!
- Be on point and pay attention. Your comments should be relevant to the ongoing discussion and connected with the ongoing discussion of peers.
- Be thoughtful in your comments. Discussion is meant to improve understanding, and insightful comments assist in exploring the topic deeply.
- Be able to incorporate and connect to material from past sessions. The coursework is cumulative, and hence the discussions should be cumulative as well.

There will be three levels in evaluating class participation:

- *Very Good*: The student provides great additional insights, is responsive to questions that came up during the lectures, and asks questions.
- *Good*: The student is responsive to questions that came up during the lectures, and asks questions.
- *Unsatisfactorily*: The student disrupted the class (e.g., by chatting, not switching off mobile, arriving late multiple times), the student is absent or does not pay attention.

Optional session questions assigned before each class are an additional method for assessing preparedness and contributing to class. These questions will be posted as an assignment on Carmen one week before the due date. If you have to be absent for a session, these discussion questions can be used as a make-up for that session's participation.

### ***Team project***

In the team project you will self-select into teams of 1-4 people for the purposes of an industry analysis project. These teams should meet regularly outside of class to discuss the material and ways to apply it to real world phenomenon. Each team will select a specific company or industry which offers unique pricing challenges. Throughout the course, you will investigate in detail the pricing decisions of this firm or industry of your choice. You are encouraged to select a firm or industry with which at least one of your team members has some experience. In this project, which is like a pricing consultancy project, you may provide some potential ideas for handling pricing challenges and/or recommend a new pricing strategy for a new or existing product/service. Details and requirements of the team projects will be provided on Carmen and will be discussed in class. As this is a team project, the team needs only to submit one document.

For the team project, everyone will receive the same grade. As in professional projects, every team member should invest appropriate time and effort. If I receive notification that one individual is not actively participating, I will give you the opportunity to evaluate your teammates' contribution towards the end. Based on the peer evaluation, I may adapt the grades of individual students to fairly represent their input.

### ***Grade appeals***

Grades on exams and the team project are intended to reflect the student performance. The instructor does not change grades or round up (except for clerical/math errors). If you believe that a grade does not reflect the quality of your performance you have the option to appeal the grade. To do so, submit a written explanation of your reasoning within one week after the return of your assignment or exam. This document need not be long, but must clearly identify the issue. Grade appeals must be submitted in writing, and will not be accepted after the deadline of one week. I do carefully consider all grade appeals, but note that I will typically re-grade the entirety of the exam or writeup.

As required by graduate program policies, grading in this course must be and will be based on relative rather than absolute standards. Scaling is achieved using the average grade across all students, and grades will be set such that this average is at or below a 3.6. No extra credit or makeup work will be offered. Once the final course grading scale is set, it is set. Even if a student misses the next letter grade by one point, the grade stands.

### 3. Class Schedule

DATE	TOPIC	ASSIGNMENTS AND READINGS
Oct 19	Introduction	
Oct 20 - 25	Value-based pricing	Readings: <ul style="list-style-type: none"> <li>• Book 1 Chapters 1 and 2</li> <li>• Case 1: The Springfield Nor'easters</li> </ul> Due: Quiz 1
Oct 26	Assessing Customer Value I	
Oct 27 - Nov 1	Assessing Customer Value II	Readings: <ul style="list-style-type: none"> <li>• Book 1 Chapters 6 and 8</li> <li>• Case 2: A practical guide to conjoint analysis</li> </ul> Due: Quiz 2
Nov 2	Assessing Customer Value III	Due: Team formation
Nov 3 - 8	Psychological Influences I	Readings: Book 1 Chapter 3 Due: Quiz 3
Nov 9	Psychological Influences II	
Nov 9 - 15	Price Discrimination I	Readings: <ul style="list-style-type: none"> <li>• Book 1 Chapter 4</li> <li>• Case 3: Pink Tax</li> </ul> Due: Quiz 4
Nov 16	Price Discrimination II	
Nov 17 - 29	Product Portfolio Pricing	Readings: <ul style="list-style-type: none"> <li>• Book 2 Chapter 12</li> <li>• Book 1 Chapter 7</li> <li>• Case 3: Skudge Foods Inc.</li> </ul> Due: Quiz 5
Nov 30	Pricing, Technology, and Managerial Concerns	
Dec 1 – Dec 8	Take-home exam	Due: team project

### 4. Communication

Students may always come to the office hours for questions about course material. To discuss other matters, or to see me at another time, please email to setup an appointment. I will use Carmen and email to share information outside of class.

Should in-person classes be canceled due to severe weather or other reasons, I will notify you as to which alternative methods of teaching will be offered to ensure continuity of instruction for this class. Communication will be via Carmen or email.

### 5. Honor Code

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students

have read and understand the University's Code of Student Conduct and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's Code of Student Conduct and this syllabus may constitute "Academic Misconduct".

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's Code of Student Conduct is never considered an "excuse" for academic misconduct, so I recommend that students review the Code of Student Conduct, specifically, the sections dealing with academic misconduct.

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. If COAM determines that a student has violated the University's Code of Student Conduct (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

In this course, it is also expected that each student will behave in a manner that is consistent with the Fisher Honor Statement, which reads as follows: "As a member of the Fisher College of Business Community, I am personally committed to the highest standards of behavior. Honesty and integrity are the foundations from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a future leader in the community and business environment, I pledge to live by these principles and celebrate those who share these ideals."

## **6. Students with Disabilities**

Any student who feels he or she may need an accommodation based on the impact of a disability should contact me privately to discuss specific needs. Please contact the Office for Disability Services at 614-292-3307 in room 098 Baker Hall to coordinate reasonable accommodations for students with documented disabilities. It is the student's responsibility to discuss this with me well in advance of an assignment due date or exam.

**Course-specific Copyright Policy:** Material provided by the instructor may not be re-posted anywhere without the explicit permission of instructor. See University Copyright Policy.