Pricing represents a double-edged sword. Poor pricing decisions can lead to disastrous consequences. On the other hand, strategic pricing decisions can generate large windfalls. Boosting price realization by a single percent can increase net income for a large corporation by 12% (Dolan and Simon 1996). Unfortunately, many organizations fail to reach their full profit potential due to managers who lack a clear understanding of how to improve upon historical pricing practices within their companies and industries.

Managers who do understand how to make effective pricing decisions can have profound impacts on their organizations. This course gives students the means to approach pricing problems and to develop a pricing strategy and corresponding tactics that can maximize shareholder value. While each industry is unique in some ways, there are enough commonalities in pricing problems across industries to develop a set of rich insights applicable to a broad audience.

The learning objectives of this course are simple. At the end of this course you should be able to:
1. Help a company raise its effective price.
2. Leverage your organization’s unique insights and qualitative knowledge to develop and implement a strategic pricing plan.

It should be noted that “set the right price” is purposefully absent from the learning objectives. Strategic pricing is not about coming to a number. It is about building a process to integrate multiple perspectives within an organization to properly make and evaluate pricing decisions. Each class is designed to further build a student’s pricing toolbox and provide insights into the theory and practice of effective pricing. Please see Appendix A for specific class-by-class learning objectives.

**CLASS MEETINGS:**
Tuesdays and Thursdays 3:30 pm - 5:20 pm  
Location: Paccar Hall room 395

**PROFESSOR:**  
Jeffrey D. Shulman, Ph.D.

**OFFICE & OFFICE HOURS:**
Scheduled by appointment via e.mail. 
Office location: Paccar Hall room 552

**CONTACT INFORMATION:**
Jeffrey D. Shulman, Ph.D.  Phone: (206) 221-4804  Email: jshulman@uw.edu
COURSE WEB SITE:
Canvas.uw.edu

COURSE FORMAT:
The course will use a mix of lectures and case discussions. Class participation is strongly encouraged. You are invited to highlight insightful linkages between class material and your past experience as a professional and a consumer, to raise challenging questions and issues related to the pricing topics being reviewed, and to participate actively in discussion of problems and cases.

POLICIES

Class Attendance
Class attendance is critical to participation in the learning experience and is expected aside from circumstances related to (1) illness or (2) a critical work event that cannot be rescheduled. Regardless of the rationale for missing class, please note that you are responsible for the learning experience that takes place in your absence; please work within your team to address any material you may have missed.

Professionalism
Each student is expected to be fully engaged in class content and respectful of fellow students’ attempts to do the same. During class discussions you should be willing to support your point of view and—at the same time—be willing to listen hard to what others have to say, even when their view differs from yours. You are encouraged to consider the impact of comments that may be distracting from the class such that each comment you offer potentially adds value to the overall dialogue in each class and over the entire quarter.

Technology
While you are free to use technologies that are directly related to class (e.g., a notebook computer for note taking or accessing a supporting Excel file or web page), please otherwise refrain from use of computer, phone, and tablets during class, other than use that would facilitate the purpose or objectives of the class. Use of technology other than for engaging in the activities associated with the class is distracting for you, your fellow students, and your instructor. Please also note that participation grades are based on quality of participation in class; high quality participation requires all of your attention and focus during class time.

The Honor Code
I employ the principles and procedures espoused by Foster School of Business MBA Honor System to maintain academic integrity in the course. The Honor Code of the Foster School expressly prohibits cheating, attempted cheating, plagiarism, and lying to administration or faculty as it pertains to academic work. Suspected violations of the Honor Code will be handled in compliance with the University of Washington Student Conduct Code (http://www.washington.edu/students/handbook/conduct.html) as outlined in Washington Administrative Code 478-120.
ASSIGNED MATERIALS

Assigned materials will be critical for you to get the most out of this course.


It will be assumed that students have done the required reading for each class, have analyzed assigned case materials, and are prepared to discuss these in the class.

GRADING

<table>
<thead>
<tr>
<th>Contribution to Discussion</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Writing Assignments</td>
<td>25%</td>
</tr>
<tr>
<td>Team AnswerDash Presentation &amp; Write-up</td>
<td>30%</td>
</tr>
<tr>
<td>Team Pricing Practicum Project</td>
<td>35%</td>
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</tbody>
</table>

The assignments in this course are designed to engender several skills and processes used in approaching pricing problems.

Collaboration

Pricing decisions are often made in management teams. Team members should raise thoughtful points, respectfully challenge assumptions, and work to build consensus regarding the beliefs about the market and how to use these beliefs in the pricing strategy. Team members must come to meetings prepared to make informed contributions to the process. As such, students will be evaluated on their contribution to discussion. Quality of comments will be weighted more heavily than the quantity of comments. Coming to class prepared by having read the required readings will be useful in generating insightful contributions to discussion. I will take every measure to promote a warm environment in which students feel at ease in participating in discussions. I call upon the students to do their part in welcoming their peers’ points of view.

Estimation of Value to Customer

When launching a new product, a manager cannot use historical sales data to guide the pricing decision. However, a manager can use knowledge of the customer’s value drivers and the knowledge of the product’s attributes to inform the pricing decision in an Economic Value Estimation. Through the Individual AnswerDash EVE Assignment, students will apply the concept of Economic Value Estimation to a real pricing problem.

Price Structure

Deciding for what, when, and whom to charge is equally, if not more, important as choosing the price. On the individual AnswerDash Price Structure assignment, you will think through
various approaches that a local start-up could potentially take. You will then meet directly with
the management team and learn about the market reaction to the approaches they have taken.
You will hear from a Seattle angel investor about price structures he has seen, and apply his
learning in your team strategic recommendations in the team **AnswerDash** presentation.

**Pricing Research Methods**
Managers can use survey techniques to predict response to pricing decisions. In the **Pricing
Practicum Project**, student teams will design, implement, and analyze the results of a *monadic
pricing study* and a *conjoint study*. You will have an exciting opportunity to get real market
feedback and see how well this feedback aligns with your pricing research findings.

**Making Pricing Decisions with Limited Information**
It is common to feel under-informed when making pricing decisions. It is important to be able to
use limited information effectively and determine what information can and should be collected
to make better informed decisions. The **Pricing Practicum Project** is designed to engender a
structured approach to learning from the market.

**Integrating Pricing Knowledge**
The pricing problems that managers face do not always look like problems they have seen solved
before. The key to solving complex problems is applying the appropriate frameworks. Students
will practice determining which frameworks to apply to two complex situations. The **Pricing
Practicum Project** and the **AnswerDash Presentations**, give students the opportunity to
integrate the pricing concepts learned throughout the course and choose how to approach unique
problems.

**SCHEDULE**
The purpose of this course is to equip students with a process to make informed, strategic pricing
decisions. The course is organized around the Strategic Pricing Pyramid and its applications to
channel pricing, new product pricing, and competitive dynamics. Please see Appendix A for a
list of specific learning objectives associated with each class session.

The following schedule includes the topics, the reading assigned, and the assignments due. All
readings not found in the textbook will be posted on the canvas site.
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topics</th>
<th>Reading</th>
<th>Assignments Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10/1/15</td>
<td>Introduction to Strategic Pricing</td>
<td>NHZ Chapter 1</td>
<td>Overview</td>
</tr>
<tr>
<td>2</td>
<td>10/6/15</td>
<td>Strategic Pricing Exercises</td>
<td></td>
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<tr>
<td></td>
<td>10/8/15</td>
<td>Economic Value Estimation (EVE)</td>
<td>NHZ Chapter 2</td>
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<tr>
<td>3</td>
<td>10/13/15</td>
<td>Price Response Estimation: Conjoint Analysis</td>
<td>NHZ Chapter 12</td>
<td>Pricing Practicum Idea Presentations</td>
</tr>
<tr>
<td></td>
<td>10/15/15</td>
<td>AnswerDash Discussion &amp; Price Elasticity</td>
<td></td>
<td>AnswerDash EVE Individual Assignment due</td>
</tr>
<tr>
<td>4</td>
<td>10/20/15</td>
<td>Pricing Panel</td>
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<tr>
<td></td>
<td></td>
<td>Guest speakers: Derek Pai, Principal Product Manager, AWS</td>
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<td></td>
<td></td>
<td>Kirill Gil, Account Director, CommerceHub</td>
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<td></td>
<td></td>
<td>Doug Coutts, Partner, OTB Solutions</td>
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<tr>
<td>4</td>
<td>10/22/15</td>
<td>Price Structure: Price Metrics</td>
<td>NHZ Chapter 3</td>
<td>Pricing Panel Individual Writing Assignment Due</td>
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<td></td>
<td>Price Structure</td>
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<tr>
<td></td>
<td>Date</td>
<td>Topic</td>
<td>Reading Material</td>
<td>Assignment</td>
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<tr>
<td>5</td>
<td>10/27/15</td>
<td>Price Structure: Price-Offer Configuration</td>
<td>“How to Make After-Sales Services Pay Off”</td>
<td>Pricing Practicum Written Assignment #1</td>
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<td></td>
<td>10/29/15</td>
<td>Price Structure: Behavioral Pricing</td>
<td>NHZ pp 87-93</td>
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<tr>
<td>6</td>
<td>11/3/15</td>
<td>Site Visit: AnswerDash</td>
<td>Class meets at Fluke Hall room 302</td>
<td>AnswerDash Price Structure Individual Assignment</td>
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<tr>
<td></td>
<td>11/5/15</td>
<td></td>
<td>Price Structure</td>
<td>Guest Speaker: T.A. McCann, TechStars mentor and founder at RivalIQ</td>
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<tr>
<td>7</td>
<td>11/10/15</td>
<td>Price and Value Communication</td>
<td>NHZ Chapter 4, pp.72-86</td>
<td>Value Communication</td>
</tr>
<tr>
<td></td>
<td>11/12/15</td>
<td>Pricing Policy</td>
<td>NHZ Chapter 5 “Shedding the Commodity Mindset”</td>
<td>Pricing Policy #2</td>
</tr>
<tr>
<td>8</td>
<td>11/17/15</td>
<td>Pricing New Products</td>
<td>NHZ Chapter 6</td>
<td>Price Level</td>
</tr>
<tr>
<td></td>
<td>11/19/15</td>
<td>Answer Dash Presentations</td>
<td>Submit AnswerDash Presentation Deck and Memo on Canvas AND bring paper copy</td>
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<tr>
<td>Date</td>
<td>Topic</td>
<td>Notes</td>
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<td>11/24/15</td>
<td>Managing Competitive Dynamics</td>
<td>NHZ Chapter 11 “How to Fight a Price War”</td>
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<td>NO CLASS THANKSGIVING HOLIDAY</td>
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<tr>
<td>12/1/15</td>
<td>Live Case Exercise</td>
<td>Live Case Write-up Individual Assignment Due</td>
<td></td>
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<tr>
<td>12/3/15</td>
<td>Life-Cycle Pricing</td>
<td>NHZ Chapter 7</td>
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<tr>
<td>12/8/15</td>
<td>When and How to Fight a Price War</td>
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<tr>
<td>12/10/15</td>
<td>Final Presentations</td>
<td>Pricing Practicum Final Presentation</td>
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</tbody>
</table>
## Appendix A: Class-by-Class Learning Objectives

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
<th>Specific Learning Objectives</th>
</tr>
</thead>
</table>
| 10/6       | Introduction to Strategic Pricing | At the end of this class, you should be able to:  
1. Know the five-steps of strategic pricing  
2. Understand the underlying purpose of the five-step process  
3. Recognize the drawbacks of alternative pricing methods |
| 10/8       | Economic Value Estimation      | At the end of this class, you should be able to:  
1. Identify customer value drivers  
2. Estimate economic value  
3. Use economic value to optimize price and value communication |
| 10/13      | Price Response Estimation      | At the end of this class, you should be able to:  
1. Determine whether to implement a conjoint study  
2. Design, implement, and interpret a ratings-based conjoint  
3. Identify customers/markets that are more price elastic |
| 10/22 to 10/29 | Price Structure          | At the end of these classes, you should be able to:  
1. Raise effective prices by amending price structure  
2. Create customer value via price structure  
3. Attract new customers without diminishing value from existing customers |
| 11/10      | Value Communication           | At the end of this week, you should be able to:  
1. Develop an appropriate value communication strategy |
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>At the end of this class, you should be able to:</th>
</tr>
</thead>
</table>
| 11/12 | Pricing Policy                | 1. Choose a pricing policy to maximize long-run profitability  
                                           2. Exercise control over pocket prices  
                                           3. Price dynamically while maintaining perceived fairness |
| 11/17 | New Product Pricing           | 1. Decide whether to err on the side of pricing too low or pricing too high                                      |
| 11/24 | Managing Competitive Dynamics | 1. React to price wars  
                                           2. Avoid competition on price  
                                           3. Anticipate competitive reactions to pricing decisions                                                   |
| 12/3  | Life Cycle Pricing            | 1. Strategically adapt prices over the life cycle of the product                                               |
| 12/8  | When and How to Fight a Price War | 1. Assess whether your industry is ripe for a price war  
                                           2. Launch a successful price war                                                                             |
| 12/10 | Team Presentations            | 1. Price a new product  
                                           2. Adapt pricing strategy to market feedback  
                                           3. Communicate price structure and value to consumer  
                                           4. Increase effective prices                                                                                 |