Marketing 515: Pricing Strategies and Tactics  
Winter 2019

CLASS MEETINGS:

Time: Tuesdays, 6:00-9:20 pm  
Location: PCAR 295

PROFESSOR:

Sumon Datta, Ph.D.  
Office: Paccar 462  
Email: sumond@uw.edu

OFFICE HOURS:

Scheduled by appointment via email

COURSE DESCRIPTION:

Pricing is one of the most critical marketing mix decisions for a product (service or business). It is also where most managers feel least certain that they are doing a good job. Usually, this stems from the lack of a clear understanding of how to assess what value customers perceive their products to have. The resulting poor pricing decisions can not only hurt their organizations’ current profits, but also affect how the product is consumed – and that can have a lasting impact on customer relationships and erode brand equity.

A key objective of strategic pricing is to generate sustainable profits. Founded on right insights from market data, it can help manage how much of the value created for a customer is strategically given to the customer versus captured by the company. This course encourages students to cultivate an analytical approach towards pricing problems and to develop a long-term, strategic view towards pricing that can maximize stakeholder value.

At the end of this course you should be able to:

1. Evaluate your value proposition and the role of various pricing strategy determinants (company and product conditions, market and customer conditions, and competitive conditions) in influencing your organization’s pricing decisions and tactics.

2. Leverage your organization’s unique insights, data, and qualitative knowledge to develop and implement a well-informed, long-term, strategic pricing plan.

3. Increase profitability.
**COURSE FORMAT:**

Class sessions will be a combination of lecture and discussion. Students are expected to come to class having read any required readings and prepared to discuss their views on the material. 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 topics being reviewed, and to participate actively in discussion of problems.

We also have an exciting set of guest speakers who will provide insight into pricing challenges you may face in your career. The guests will lead a discussion about approaching a pricing challenge they face and will share some stories about what they have learned in their efforts to address the challenges.

**COURSE WEBSITE:**

https://canvas.uw.edu/

**COURSE MATERIAL:**

The course has a **required coursepack** that includes business cases, and assigned reading articles and notes. There is no required textbook. However, the following **optional books** can enrich your understanding of the course material:


**GRADING:**

Your total final score will be calculated as follows:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Points</th>
<th>Percent of Final Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercises (Individual)</td>
<td>200</td>
<td>20%</td>
</tr>
<tr>
<td>Case Assignments (Team)</td>
<td>400</td>
<td>40%</td>
</tr>
<tr>
<td>Pricing Project (Individual)</td>
<td>250</td>
<td>25%</td>
</tr>
<tr>
<td>Contribution to Discussions</td>
<td>150</td>
<td>15%</td>
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Based on students’ total scores, the class will be graded on a curve.

**EXERCISES (INDIVIDUAL):**

These are **short** assignments that you have to do individually, either before or during various sessions, throughout the course. The goal of these exercises is to familiarize you with some of the concepts that we will be covering in class ahead of time.
LATE SUBMISSION POLICY:

You are allowed to submit two individual exercises up to 24hrs late with a 20% penalty on your points. If you want to use this option, you have to email me before the submission deadline. Unless you use this option (and note that you can do this only twice), late submissions receive 0 credit. Late submissions are not allowed for any of the Case Assignments or the Pricing Project.

CASE ASSIGNMENTS (TEAM):

There will be three case study assignments that you’ll have to work on as a team. Teams will be formed during the first week. The purpose of these assignments is for you to apply the analytical concepts presented in the course. These cases will be available in the coursepack. For each assignment, a separate document with detailed instructions and questions will be provided. We will discuss the assignments in class the day they are due.

PRICING PROJECT (INDIVIDUAL):

This is an individual course project. You will be provided with a dataset from a business and background information about the business. Your job is to analyze this data, and using the techniques that we learned in class, provide managerial insights and develop pricing strategies. You will receive a few basic questions to get started, but this is an open-ended project. Like in most real-world situations, you have to find interesting and relevant questions to ask (and answer). A separate document with more information on this project will be provided.

CONTRIBUTION TO DISCUSSIONS:

In management decision-making, 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 sessions 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.

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. Also, you are expected to attend every class on time and to stay
for the entire class session. Please inform in advance (by email) if you are going to arrive late, leave early, or miss a particular class.

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.
### TENTATIVE SCHEDULE

The following schedule includes the topics, the reading assigned, and the assignments due.

**NOTE:** Schedule of Guest Speaker Sessions – TBA; This schedule is subject to change at the instructor’s discretion (e.g., to accommodate presentations by Guest Speakers). Any changes will be announced in a timely fashion.

<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Topic</th>
<th>Required Reading</th>
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<tbody>
<tr>
<td>1</td>
<td>1/8</td>
<td>Overview of Pricing Strategies • Introduction, Team Formation • Pricing Objectives and Strategies <strong>Required Reading:</strong> Is it Time to Rethink Your Pricing Strategy?</td>
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<tr>
<td>2</td>
<td>1/15</td>
<td>Value-based Pricing • The Elements of Customer Value • Value Proposition and Consumers’ Willingness to Pay <strong>Exercise 1 Due Before Class</strong> <strong>Exercise 2 Due in Class</strong></td>
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<tr>
<td>3</td>
<td>1/22</td>
<td>Behavioral Pricing • Price Presentation Effects • Consumer Price Search and Reference Price Effects <strong>Exercise 3 Due Before Class</strong></td>
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<tr>
<td>4</td>
<td>1/29</td>
<td>Measurement and Strategic Insights • Measurement of WTP, and Own- and Cross-Price Effects • Conjoint Analysis <strong>Required Reading:</strong> Sawtooth Whitepaper <strong>Case 1 Due:</strong> Husky Injection Molding Systems</td>
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<tr>
<td>5</td>
<td>2/5</td>
<td>Product Line Pricing • Pricing of Product Lines • Product Bundling and Nonlinear pricing <strong>Case 2 Due:</strong> Angie’s List <strong>Exercise 4 Due in Class</strong></td>
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<tr>
<td>6</td>
<td>2/12</td>
<td>Dynamic Pricing • Strategic Pricing of New Products and Services • Demand Dynamics and Real-time Price Response <strong>Required Reading:</strong> How to Reap Higher Profits with Dynamic Pricing <strong>Exercise 5 Due</strong></td>
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<td>Week</td>
<td>Date</td>
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<td>7</td>
<td>2/19</td>
<td>Pricing in Channels</td>
<td>• Pricing in Marketing Channels and Trade Promotions</td>
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<td>8</td>
<td>2/26</td>
<td>Social Influences and Network Effects</td>
<td>• Strategic Pricing with Social Influences</td>
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<td></td>
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<td>• Pricing Under Network Effects</td>
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<tr>
<td>9</td>
<td>3/5</td>
<td>Revenue Management and Advance Selling</td>
<td>• Pricing Strategy for Advance Selling</td>
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<td></td>
<td></td>
<td></td>
<td>• Pricing and Revenue Management</td>
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<tr>
<td>10</td>
<td>3/12</td>
<td>Course Wrap Up</td>
<td>• Strategic Pricing Response and Optimization</td>
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