

SYLLABUS

Marketing 515 Section A/B: Strategic Pricing and Value Management Winter 2021

Class Meetings:

Time: TTh 10.30-12.20 PM

Professor:

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Course Description:

Pricing is a key decision for any business. For many companies, optimizing price is one of the most important strategic goals and can also be one of the main strategic challenges. With the availability of rich marketing data and analytics tools, the optimization of pricing has become an even more critical part of a company's competitive strategy. Some key questions that companies commonly struggle with are: *How do we formulate a pricing strategy? Which data and methods should be used to make pricing decisions?* In practice, most firms use ad hoc rules of thumb that often fail to generate pricing recommendations that are even close to optimal. The simplicity of these rules of thumb comes at a substantial cost to profitability. Most rules fail to align pricing with the perceived value of consumers and their underlying willingness-to-pay. Many firms also struggle with the delegation of pricing responsibility within the organization, exacerbating the use of simple rules of thumb that fail to deliver effective pricing decisions.

This course blends marketing analytic frameworks, marketing strategy & microeconomic theory, and data to formulate actionable pricing strategies. Students will learn how to coordinate pricing decisions with the rest of the marketing value proposition. Numerous pricing structures are developed in the course, along with their microeconomic foundations. Students will learn the underlying theory for each pricing structure, along with the practical considerations for implementation.

The course combines cases and homework to teach students how to design and execute pricing strategies. Students will be expected to work with different forms of data and corresponding analytic methods. The course will cover pricing strategies across many contexts including services, B2B and international.

Course Format:

Class sessions will be a combination of lecture and discussion. Students are expected to come to class having read any required readings/cases 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.

During the quarter, there are 4 group homework assignments, 3 group case write-ups and 1 individual case assignment. For the group assignments and group case write-ups, students need to form a group of 3-4 members.

Course Website:

<https://canvas.uw.edu/>

Course Material:

The course has a **required coursepack** that includes business cases, and assigned reading articles and notes. Please purchase the Harvard Business Publishing coursepack (details on Canvas). There is no required textbook. However, the following **optional books** can enrich your understanding of the course material:

Nagle, Hogan and Zale, *The Strategy and Tactics of Pricing*, Fifth Edition, Prentice-Hall, 2011.

and

Dolan and Simon, *Power Pricing: How Managing Pricing Transforms the Bottom Line*, The Free Press, 1996.

The Dolan and Simon book goes into much more detail on segmented pricing. While Nagle and Muller cover this in a single chapter, Dolan and Simon dedicate 7 chapters. In class, we spend 4 weeks on segmented pricing.

Grading:

Class Participation 10%

1 Individual Case Write-up 10%

3 Group Case Write-ups 15%

4 graded Group Homework Assignments 30%

Final Project 35%

In all elective courses at Foster, the distribution of final grades must satisfy school-wide requirements. Grades will be curved accordingly at the end of the quarter.

Case write-ups:

Each student must hand in the Curled Metal Inc. case write-up, which is due in class during week 3. This is an individual assignment. Failure to submit this assignment on time will result in a grade of 0. There are no exceptions or make-up assignments. Please read the details of this assignment carefully in the homework hand-out. In addition, each group must submit write-ups for the following 3 cases: Marlboro Friday, DHL, Keurig at Home.

Details about the write-ups (page limits etc.) are in the homework handout. You only need to answer the case questions that are provided in the homework handout. Do **not** write an essay.

In addressing case questions, please restrict your focus to information in the case. Often, there may be several ways to answer a question. But, your solution must be based on case facts.

If you wish to use exhibits for any of your quantitative work, please make sure the calculations are logical and clear for the reader.

Because cases are discussed in class on the due date, *late cases are not accepted under any circumstances*. If you anticipate a problem, please submit the case in advance.

Group Homework Assignments:

There are 4 data based group homework assignments. The write-ups must be completed in groups. Details about the write-ups are in the homework handout.

There is a temptation to use your group as means of dividing up the workload. However, I strongly encourage you to work through each assignment together. Carefully working through

the homework assignments is the best method to learn the material. Also, several of the later homework assignments build on earlier homework assignments. The individual final project also builds heavily on the concepts in the group assignments.

Late homework is not accepted under any circumstances. If you anticipate a problem, please submit the homework earlier.

R:

Some of the homework assignments require running regressions and using optimization. I recommend using the software package **R** for these purposes. **R** is downloadable for free and is used extensively in industry these days. More details about **R** are provided in the assignments handout, along with a short **R** appendix describing some basic tasks (e.g. loading data, running a regression, plotting results and optimizing a function).

Final Take-Home Project:

The individual final project will require analyzing marketing data and drafting a report of the pricing recommendations drawn from the analysis. The data along with a document summarizing the data and the required analysis will be made available on Canvas after the final class. The write-up submitted on Canvas must be a single PDF document. Since this is an individual assignment, you may not discuss your analysis with anyone else, including your classmates or members of your group.

Policies:

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.

Foster School and University of Washington Terms and Conditions

Academic Integrity:

I employ the principles and procedures espoused by the University of Washington Student Conduct Code to maintain academic integrity in the course. The Code establishes the expectation that students will practice high standards of professional honesty and integrity. In particular, implementation of the Code at the Foster School of Business prohibits cheating, attempted cheating, and plagiarism—including improper citations of source material—as it pertains to academic work. Suspected violations will be handled in compliance with the University of Washington Student Conduct Code.

Disability-related Accommodations:

To request academic accommodations due to disability, please contact Disability Resources for Students (DRS) <http://depts.washington.edu/uwdrs/>. If you have a letter from DRS indicating that you have a disability that requires academic accommodations, please present the letter to me as soon as possible so that we can discuss the support I can offer you in this class.

Religious Accommodations Policy:

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Religious Accommodations Policy. Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form.

Schedule and Topics:

Week	Topics	In class Case Discussion	Homework to be submitted before class on Tuesday
1	<ul style="list-style-type: none"> • Introduction • Customer Value and EVC 		
2	<ul style="list-style-type: none"> • Elasticity analysis and Pricing • Demand and elasticity estimation using regression • Using R 	Ziprecruiter mini case part 1	
3	<ul style="list-style-type: none"> • Application of EVC • Conjoint Analysis for EVC and Pricing 	Curled Metals Inc.	Curled Metals Inc. Case Write-up (Individual)
4	<ul style="list-style-type: none"> • Costs for Pricing Decisions • Competition and Strategic Price Response 	Wendy's Chili Beauregard Textiles	Demand Estimation
5	<ul style="list-style-type: none"> • Competitive Response and Price Leadership • Targeted pricing: targeting and micro marketing 	Marlboro Ziprecruiter mini case part 2	Marlboro Case Write-up
6	<ul style="list-style-type: none"> • Product Line Pricing Strategy and Tactics • Non-linear Pricing Strategy 	Apple Smartwatches	Evaluating a Survey Conjoint Demand
7	<ul style="list-style-type: none"> • Managing a Product Line: Centralized vs. Decentralized pricing • Bundling and Metered Pricing Strategy 	DHL	DHL Case Write-up
8	<ul style="list-style-type: none"> • Channel Pricing Strategy • Customer Lifetime Value and Pricing 	Nashua Photo	Product Line Pricing and Bundling
9	<ul style="list-style-type: none"> • Lifetime Value and Metering • Temporary Discounts <ul style="list-style-type: none"> ○ Hi-Lo Pricing 	Keurig at Home	Keurig Case Write-up

	<ul style="list-style-type: none">○ Skimming○ Experimentation and mark-downs		
10	<ul style="list-style-type: none">● Hi-Lo vs. Everyday Fair pricing● Wrap-up	Workbench Pricing	LTV Analysis
11	Final Project due		