MARK 7371 Prof. James D. Hess

**Pricing Strategy**  375H Melcher

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Off. Hrs. Mo 3:00-6:00

COURSE DESCRIPTION AND OBJECTIVES

Of the four traditional marketing management tools three (product, promotion, and place) create customer value, but only one -- **price** -- extracts value through mutually beneficial market exchanges. Therefore, price is in a critical position to determine the success or failure of the business enterprise. In this course we will learn to apply data-driven marketing tools to the implementation of pricing strategy for both consumer and industrial goods.

**Learning Objectives**

* To build your knowledge of a variety of pricing strategies, such as value pricing, bundle pricing, and competitive pricing.
* To develop basic analysis skills to diagnose decision relevant information for marketing decisions.
* To increase your analytical skills and expose you to several commonly used 'advanced' modeling techniques that help improve firm profitability
* Develop experience building marketing computer spreadsheets to facilitate pricing.

We will accomplish this through conceptual and theoretical readings, computer exercises, and discussion of business cases that cover a wide range of realistic pricing decisions.

REQUIRED COURSE MATERIAL

This is a computer intense class. Bring your laptop to class if you have one.

1.**Readings**: There is no textbook, but there are readings on Blackboard Vista.

2. **Cases**: Four Harvard cases may be purchased, downloaded, and printed from <http://cb.hbsp.harvard.edu/cb/access/16628086> . If you have not registered with Harvard Business Online, you will be required to do so. The downloaded course materials are encrypted using SealedMedia. Use the following link to download the plug-in. <http://download.sealedmedia.com/unsealer/index.asp> . You will have immediate access to the materials upon placing your order . For technical assistance, please view the [Quick Tips](http://extranet.hbsp.harvard.edu/pdfrecovery/CPTips.htm) section or contact Harvard Business School Publishing at (800) 545-7685. They are open 8am-6pm Eastern Standard Time. They can also be reached at [custserv@hbsp.harvard.edu.](mailto:custserv@hbsp.harvard.edu)  Several other cases (*ABB Electric*, etc.*)* are posted on Blackboard Vista and others will be distributed in class.

3. **Statistical Software**: Computer applications will use EXCEL. Make certain that you have installed the Solver and Data Analysis.

##### Blackboard Vista

We will use the Blackboard Vista system as a bulletin board to facilitate electronic communication. On our MARK 7371, I will post cases, datasets, simpleton’s guides, and lecture notes. You can log onto Blackboard from any computer that has Web access to <http://uh.edu/webct/index.html> .

ASSIGNMENTS

First, to keep the classroom lively, almost all sessions will include a discussion of a case. Some specific questions to help you organize your thoughts about the case are provided in the table below. Each of you is expected to contribute to class discussions. This is wonderful opportunity to practice presenting and discussing marketing issues from an analytic perspective.

You will be assigned one case as a “primary” discussion leader or one case as a “secondary” discussion leader. That guarantees that you will have lots of airtime for those cases. To get the most out of any case discussion, you should come to class with your own ideas but form a final opinion based upon the discussion.

For each case discussion, a student will receive a grade of 5, 3, 1 or 0 as follows:

5= Extraordinary contribution to the discussion

3= Relevant contribution to discussion.

1= Minor contribution to the discussion

0= Lack of contribution to discussion.

At the end of the semester your accumulated points will be z-scored in comparison to other students.

*Note: if for any reason you cannot make it to class, but can e-mail a case report on time, you may in lieu write a one page report. This would not count as one of your three case reports mentioned below, but rather as a partial substitute for class attendance.*

Second, three case reports. You must write precisely three short (2 page) reports on cases of your choice. These are due via e-mail attachment to [jhess@uh.edu](mailto:jhess@uh.edu) by 5:00pm Tuesday, the day **after** the case discussion. The usual warning applies: you should not discuss cases with any students who may have studied them in a prior years or get any input on these cases outside class discussion. This includes, but is not limited to, input from any other external file or written material including those on the Internet.

Third, there will be one exam, on the last class meeting, April 30.

GRADING Class participation 40%, Case reports 30%, Examination 30%

**Academic Honesty:** The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business.  No violations of this policy will be tolerated in this course.  A discussion of the policy is included in the University of Houston Student Handbook, http://www.uh.edu/dos/hdbk/acad/achonpol.html. Students are expected to be familiar with this policy.

**Accommodations for Students with Disabilities:** The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.

**Schedule of Topics, Readings and Cases**

|  | **Date** | **Topic** | **Readings and Cases** |
| --- | --- | --- | --- |
| 1 | Jan 14 | Three C’s of Pricing: Costs, Customers, Competitors | Readings:  Dolan, “How Do You Know When the Price is Right?” *HBR* Sept 1995.  Case: *O’Farrior Topiaries* (handout in class) |
|  | Jan 21 | **MLK Day** | **No Class** |
| 2 | Jan 28 | Evidence-based Pricing | Readings:  Pfeffer, Jeffrey and Robert Sutton (2006), “Evidence-Based Management,” *HBR*, January.  “Notes on Regression”  Case: *ABB Electric* |
| 3 | Feb 4 | Break-Even Analysis and Pricing | Readings: Chan, “Incremental CVP Analysis,” *J Acc Educ,* 1990  Case: *Goat Ridge Wind Ranch*, on Blackboard Vista |
| 4 | Feb 11 | Willingness-to-Pay | Readings:Smith and Nagle, “Pricing the Differential,” *MktMang* May 2005. Smith and Nagle, “A Question of Value,” *MktMang* July 2005  Case:*Optical Distortion, Inc* (A) HBS 575-072 |
| 5 | Feb 18 | Value Pricing vs. Cost Markup Pricing | Readings:  Kaplan, *Adv Mang Accounting*, Chapter 7.  Indounas (2006), “Making Effective Pricing Decisions,” Business Horizons  Case: *Cumberland Metal Industries* HBS580104 |
| 6 | Feb 25 | Competing on Analytics | Readings:  Davenport, Thomas (2006), “Competing on Analytics,” *HBR*, January.  Case: *Evaluating the Profitability of Ziploc Coupon Face Values* on Blackboard Vista |
| 7 | Mar 4 | Price Responsiveness via Conjoint | Readings: Green and Srinivasan, “Conjoint Analysis in Consumer Research,” *JCR* 1978.  Case: *HOBBICO* on Blackboard Vista |
|  | *Mar 11* | ***Spring Break*** | ***No Class*** |
| 8 | Mar 18 | Did a past price promotion boost sales? | Readings:  Abraham and Lodish, “PROMOTER,” *MktSci* Spring 1987  Case: *Hartmann Luggage* HBS 581-068 |
| 9 | Mar 25 | Transaction Data and Pricing | Readings:  McFadden, “Economic Choices” Nobel Prize lecture (sections I-III), 2001.  Case: *Dominick's Coffee Category Management* on Blackboard Vista |
| 10 | Apr 1 | Bundle Pricing | Readings:  Eppen, Hanson and Martin, “Bundling,” *Sloan Mng Rev* 1991.  Case: *Bundling Statistical Software* on Blackboard Vista |
| 11 | Apr 8 | New Product Pricing | Readings:  Monroe *Pricing* 2nd Edition, Chapter 12 (on Blackboard)  Case: *Merck’s Gardasil*, HBS KEL 400 |
| 12 | Apr 15 | Competitive Oriented Pricing | Readings:  Rao, Bergen, and Davis, How To Fight a Price War,” *HBR* March 2000.  Case: *Liquid Dietary Supplements- The Beta Company Case* on Blackboard Vista |
| 13 | Apr 22 | Negotiation and Auction Pricing | Readings: Pratt and Zeckhauser, “Fair and Efficient Division of the Winsor Family Silver,” *MangSci* 1990.Cases: Cumberland Auction, CURRF vs Covanta, Dad's Clock (handouts in class) |
| 14 | Apr 29 | Examination |  |

Note: the readings are found on Blackboard Vista.