

**C. T. Bauer College of Business  
University of Houston**

**MARK 7371: Pricing Strategy (Spring 2017)**

---

|            |  |
|------------|--|
| Professor  | Dr. Ye Hu, 375F Melcher Hall, 713-743-2181, <a href="mailto:yehu.pricing@gmail.com">yehu.pricing@gmail.com</a><br>Office Hours: Before and after class or by appointment                                 |
| Coursepack | Students <b>must</b> acquire the coursepack (cases) after the 1 <sup>st</sup> class at:<br><a href="http://cb.hbsp.harvard.edu/cbmp/access/58721755">http://cb.hbsp.harvard.edu/cbmp/access/58721755</a> |
| Software   | Microsoft Excel 2013 ( <b>Mac users must use Excel 2016 or later, part of Office 365</b> )   |

Pricing decisions are affected by economic, marketing, organizational, and psychological factors, and must be made within a prescribed legal framework. Each of these presents an interesting aspect of the pricing problem. The course focuses on how to make effective pricing decisions.

**ASSESSMENT AND GRADES**

Your final grade in the course will depend on the total points (out of **95 points**) you earn. There is no grade curve. The total points you earn is based on the following assessment method:

|                                     |           |
|-------------------------------------|-----------|
| A. Class Participation & Attendance | 10 points |
| B. Individual Assignments           | 15 points |
| C. Group Assignment                 | 15 points |
| D. Exam I                           | 25 points |
| E. Exam II                          | 30 points |

All assignments must be submitted electronically through Blackboard **before** the beginning of the classes on the due days. No late submissions will be accepted by Blackboard. The exams are close-book, close-notes. The point-to-grade conversion for the course will be as follows:

| <b>Points</b>   | <b>Grade</b> |
|-----------------|--------------|
| 88 ≤ Score      | A            |
| 85 ≤ Score < 88 | A-           |
| 80 ≤ Score < 85 | B+           |
| 75 ≤ Score < 80 | B            |
| 70 ≤ Score < 75 | B-           |
| 65 ≤ Score < 70 | C            |
| 55 ≤ Score < 65 | D            |
| Score < 55      | F            |

**EVALUATION OF CLASS PARTICIPATION**

Class discussion is an integrated part of this course in every session. Students are expected to be prepared to comment at all times. To reinforce this expectation, I will “cold call” throughout the discussion, whether or not the class member’s hand is raised.

Not attending a class session will automatically result in points deducted from participation grade. Attendance by itself, however, does not automatically warrant participation points. Grading class participation is necessarily subjective. The following criteria give you a guideline for evaluating effective class participation:

## Syllabus: Pricing

1. Is the participant prepared? Do comments show evidence of analysis of the case? Do comments add to our understanding of the situation? Does the participant go beyond simple repetition of case facts without analysis and conclusions? Do comments show an understanding of theories, concepts presented in class lectures or reading materials?
2. Is the participant a good listener? Are the points made relevant to the discussion? Are they linked to the comments of others? Is the participant willing to interact with other class members?
3. Is the participant an effective communicator? Are concepts presented in a concise and convincing fashion?

Keep in mind that your grade for class participation is not simply a function of the amount of "air time" you take up. In general, you will be evaluated on how well you respond to questions and on how effectively you take into account the comments and analyses of your classmates. In order to obtain a grade for class participation you must attend the class sessions. Leave your mobile phones in your bags or pockets. **Use of mobile phones in class will automatically lead to deductions of class participation points.**

### GROUP ASSIGNMENT

During the course of the semester, you will be involved in a group project. The size of the groups will depend on class enrollment and will be announced in class. The project will give you the opportunity to reflect on what you have learned in the class and apply them to some practical problems or problems of interest to you. Peer evaluation of group members will be collected at the end of the semester. Usually, all members in the same group will get the same grades unless there is a serious free-riding problem. All written materials must be typed, double-spaced, have one-inch margins, and use a reasonable font (10-12 point).

For the project, each group should select an industry, a firm, or a business unit within a firm, and intensively study either its pricing policy or a specific pricing decision (either made in the recent past or under current consideration). Since the group project will involve a considerable amount of time and effort, you can use publicly available information and/or your own research. Each group needs to submit an 8-12 pages written report and make a project presentation (30 minutes) at the end of the semester.

### ACADEMIC HONESTY

Please refer to UH student handbook for policies. We have a zero tolerance policy for cheating in this course. The most common form of cheating is plagiarism. All written assignments will be checked by Turnitin – it is not a good idea to copy things from somewhere else. Searching online for “answers” to case discussion questions is a form of cheating.

### LEARNING GOALS

| Goal   | Achieved through  |
|--|---|
| Working Knowledge of Ethics and Legal Compliance | Legal and ethics aspects of pricing                                 |
| Disciplinary Competence                          | Cutting edge pricing models in various aspects of business practice |
| Communication Skills                             | Presentations   |
| Critical Thinking                                | Class discussions and assignments                                   |

### ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

The C.T. Bauer College 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.

## CASE PREPARATION QUESTIONS

### Cases

- Netflix: pricing Decision 2011 (B5766)
- Cumberland Industries (580104)
- Federated Industries (585104)
- Cambridge Software (191072)

### Netflix

- 1) Why did investors bid up Netflix's shares so dramatically in early 2011? (A different way to ask the question: at the time of the case, how would you value Netflix's stock?)
- 2) How did Netflix's cost structure change as the company moved from movies to disk-through-the-mail to streaming?

### Cumberland Industries

- 1) How much do you think one of these metal pads is worth to a customer (EVC)?
- 2) What is your price and marketing strategy for the curled metal pads?

### Federated Industries

- 1) What have been the primary causes of the price erosion in the capacitor market?
- 2) Evaluate Federated's pricing policy as described in the consultant report.
- 3) Should Federated withdraw from the market? If so, how?
- 4) If Federated stays, what action should it take on the SVA bid due August 6? What should its long-run objectives for the market?

### Cambridge Software

- 1) If CSC offers only 1 version of Modeler, which version should it offer? At what price?
- 2) Should the firm offer more than 1 version of Modeler? If so, which versions should it offer? At what prices?

**TENTATIVE SCHEDULE OF CLASSES (Subject to change)**

| <b>Week</b>                    | <b>Date</b> | <b>Topic</b>  | <b>Deadlines</b>                     |
|--------------------------------|-------------|---|--------------------------------------|
| 1                              | Jan 19      | Course introduction<br>Incremental breakeven analysis                                       |                                      |
| 2                              | Jan 26      | <b>Case:</b> Netflix<br>Customers: Economic value<br>Excel primer & price response analysis | <b>Due: Netflix case write-up</b>    |
| 3                              | Feb 2       | <b>Case:</b> Cumberland Industries<br>Willingness to pay                                    | <b>Due: Cumberland case write-up</b> |
| 4                              | Feb 9       | Competition-driven pricing<br><b>Case:</b> Federated  | <b>Due: Federated case write-up</b>  |
| 5                              | Feb 16      | Segmentation pricing  |                                      |
| 6                              | Feb 23      | Psychological aspect of pricing<br>Time customized pricing                                  | <b>Due: Segmentation exercise</b>    |
| 7                              | Mar 2       | Guest Speaker<br>Review for exam I  |                                      |
| 8                              | Mar 9       | In-class exam I   |                                      |
| <b>Spring Break – No Class</b> |             |   |                                      |
| 10                             | Mar 23      | Nonlinear pricing: quantity discount<br>Nonlinear pricing: 2-part tariffs                   |                                      |
| 11                             | Mar 30      | Pricing in a channel<br>Bundling and Product Tie-in   | <b>Due: Exercise</b>                 |
| 12                             | Apr 6       | Product line pricing<br><b>Group Case:</b> Cambridge Software                               | <b>Due: Bundling exercise</b>        |
| 13                             | Apr 13      | Review for exam II<br>Project counseling – group meeting                                    |                                      |
| 14                             | Apr 20      | In-class exam II  |                                      |
| 15                             | Apr 27      | Project Presentations   | <b>Due: Pricing Project Report</b>   |

**MARK 7371 Pricing  
Confidential Group Member Evaluation Form**

Your evaluation is confidential and known only by the instructor. Please distribute 100 points among your group members (yourself is not included). Generally, if there is no free-riding in group work, each member shall receive equal points. In case where serious free riding happens, you may deduct points from that member(s) and add to the others. The sum **must** be 100.

Keep in mind, this evaluation should reflect the person's contributions to your group; it is not a beauty contest. Please be objective and fair. If you think a member of your group is doing poorly, don't surprise them. Keep them informed and ask them to improve their performance.

When your form is completed, please fold it and submit it to me in person.

Your name (PRINT): \_\_\_\_\_

Your Group : \_\_\_\_\_

Signature: \_\_\_\_\_

**DO NOT INCLUDE YOURSELF IN THE LIST BELOW.**

| Name of Group Member (Last Name Alphabetic) | Points |
|---|--------|
| 1.  |        |
| 2.  |        |
| 3.  |        |
| Sum of your points                          | 100    |

Please add comments (especially for justification of very low group member evaluations):