

**University of Florida**  
**MAR6237: The Art and Science of Pricing**  
**Fall 2016 (Mod 2)**

**Instructor:** Woochoel Shin ([wshin@ufl.edu](mailto:wshin@ufl.edu); 352-273-3279)  
**Office Hours:** Any time by Appointment / Stuzin 255C  
**Class Meetings:** TR 3-4 (9:35pm – 11:30pm) / Hough 140

**Course Description / Objectives:**

A firm's effort to create value for its customers can be harvested through a means of profitable pricing. The objective of this course is to provide students with a good understanding of the strategy and tactics for an effective pricing decision. By the end of the course, students will be able to explain the underlying mechanism for the current pricing practices and apply their knowledge in improving pricing decisions.

The course starts with a discussion of the pricing strategy. Here we focus on the role of price in defining a firm's value proposition to its customers, on the ways in which customers respond to price, and on the role of competition in formulating pricing strategy. Then we move on to discuss pricing tactics. This portion centers on the current pricing practices such as pay-as-you-wish pricing, name-you-own-price, price customization, and pricing of conspicuous goods. Here we theoretically examine the underlying mechanisms for these practices, both from economics and behavioral science perspectives, and apply this knowledge to other settings.

**Course Materials:**

- **Robert Schindler, "Pricing Strategies: A Marketing Approach," 1<sup>st</sup> edition, Sage**
- **Jagmohan Raju and Z. John Zhang, "Smart Pricing: How Google, Priceline, and Leading Businesses Use Pricing Innovation for Profitability," 1<sup>st</sup> edition, Prentice Hall.**
- **Course Packet**

Both books are required. The course packet is also required. It contains business cases that we will discuss in class. It is highly recommended for students to do the assigned reading before coming to each class.

In addition, the following books are good for background readings or further understanding of topics.

- Thomas T. Nagel, John Hogan, and Joseph Zales, "The Strategy and Tactics of Pricing," 5<sup>th</sup> edition, Prentice Hall.
- Dan Ariely, "Predictably Irrational," 2<sup>nd</sup> edition, Harper Perennial
- William Poundstone, "Priceless: the Myth of Fair Value (and How to Take Advantage of it)," 1<sup>st</sup> edition, Hill and Wang.

## Classes

You will experience several different pedagogical tools that help you understand the strategy and tactics of pricing and apply them to real pricing problems: lectures, case discussions, quizzes, written case analysis, exercise, and a group project.

Lectures. Topics for each week of the course are identified in this syllabus. It is important that you do the assigned readings for the week *in advance*, since activity during the session will build on the text and other reading materials.

Case Discussions. We will discuss a total of four cases in class. The quantity and quality of your participation in case discussions is an important part of the learning process in this course (and an important element of your final grade). In preparation for case studies, you should read the materials assigned in the syllabus. During the course of each case discussion, students may be cold-called to help facilitate our analysis and discussion of the case. Every student is responsible for preparing a complete analysis of each case. This analysis should include identification of the problem, examination of that problem, generation of alternative solutions, and the selection of a particular action.

Written Case Analysis. There are two parts in this assignment. First, each student is to submit his/her own case analysis for each case, reflecting his/her preparation for the class discussion. Second, for one case of their choice, each group should submit a written case analysis, on top of the individual submission. The written analysis will provide an opportunity to apply your understanding of the pricing principles covered in the course to solve business problems. The format for the written analysis is provided at the end of this syllabus. This assignment should be turned in at the commencement of class on the day when they are due.

Quizzes. There will be seven preview quizzes and two review quizzes. Each preview quiz consists of 1-3 questions, intended to assess your comprehension of the assigned readings for the class. The two review quizzes will test your understanding of the course materials from the past classes. Your performance in the quiz will be counted toward your final grade.

Exercise. These exercises will help to develop your conceptual clarity and your ability to solve pricing problems. You are encouraged to work in groups.

Project. The purpose of the project is to develop an in-depth understanding of a pricing method or demonstrate the skill to solve business problems using appropriate pricing methods. This is a group assignment, and more details are provided at the back of this syllabus.

## Grading:

Your final grade will be determined on the following basis:

| Grading Element                            | Weight |
|--|--------|
| Participation (Individual)                 | 20     |
| Quizzes (Individual)                       | 20     |
| Exercises (Group)                          | 20     |
| Written Case Analysis (Individual & Group) | 20     |
| Project (Group)                            | 20     |

The point grade will be converted into the letter grade based on the following table:

|      |      |      |      |      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|------|------|------|------|
| > 95 | > 90 | > 87 | > 83 | > 80 | > 77 | > 73 | > 70 | > 67 | > 63 | > 60 | < 60 |
| A    | A-   | B+   | B    | B-   | C+   | C    | C-   | D+   | D    | D-   | E    |

### **Important Course Policies:**

Attendance and Participation: You will be expected to come to class prepared to participate in class discussion. Because participation will be an important part of the learning process, **regular attendance is a course requirement**. Students who miss a class will be given a zero for that day's class participation. In addition, students who miss a quiz due to his/her absence will also be given a zero for that quiz score. Students absent for more than two classes without the approval of the instructor are likely to be awarded a FAIL grade for the course. It is important to understand that frequent participation in class is not as important as the quality of participation. That is, you should strive to make effective use of discussion time in class, through thoughtful, timely, and constructive participation.

Submission of Assignment: All assignments should be submitted through Sakai unless otherwise noted. Any submission past due without prior notice will NEVER be graded.

Group Assignment Evaluation: In determining the grades for group assignment, your input will be used. First, at the final presentation, you will be asked to evaluate other team's performance. If two-thirds of the class agrees on either good or bad, the team will get an additional positive or negative point. Also, to promote active participation in the group assignments, you will be asked to evaluate your team members' contribution. This information will be used to determine personal variations in team grades.

Students with Disabilities: Students requesting classroom accommodation must first register with the Dean of Student Office. The Dean of Student Office will provide accommodation to the student who must then provide this documentation to the Instructor when requesting accommodation. For further information, visit <http://www.dso.ufl.edu/drc/>.

Academic Integrity: You are expected to adhere to the University of Florida Honor Code. Plagiarism, cheating, prohibited collaboration or consultation, as well as other violation of the university Honor Code will NOT be tolerated. Any violation will be handled according to the UF Honor Code Procedures. For further information, visit <http://www.dso.ufl.edu/sccr/honorcode.php>.

Course Conduct: Late arrivals are disruptive to the class. You are expected to come to class on time. If you are late by more than 10 minutes, you will be marked absent. When getting to class, **you are also required to turn off all electronic devices, including your laptop, smartphone, and ipad**. Any disruptive behavior including those listed above will lower your participation score.

## Course Schedule (subject to change)

The course is divided into three large segments:

1. Pricing Strategy
2. Pricing Tactics
3. Integration

\*S refers to the chapters of Schindler, "Pricing Strategies: A Marketing Approach". Likewise, RZ denotes chapters of Raju and Zhang, "Smart Pricing".

| Date             | Topic  | Required Readings                     |
|------------------|--|---------------------------------------|
| Pricing Strategy |  |                                       |
| Session 1        | Introduction / Approaches to Pricing             | S (4 & 5), RZ (Intro), HBR article    |
| Session 2        | Customers' Response to Pricing I (Psychological) | S (7 & 8), Washington Post article    |
| Session 3        | Customers' Response to Pricing II (Economic)     | S (3), McKinsey Quarterly article     |
| Session 4        | Customers' Response to Pricing III (Estimation)  | S (9), "A quick review of statistics" |
| Session 5        | Competitor's Response to Pricing                 | S (6), RZ (3), Case: Omnitel          |
| Session 6        | Veteran's Day – NO CLASS                         |                                       |
| Pricing Tactics  |  |                                       |
| Session 7        | Product Line Pricing and Bundling                | S (13), Case: Unilever                |
| Session 8        | Price Customization I                            | S (10 & 12), RZ (5)                   |
| Session 9        | Price Customization II (NYOP and PWYW)           | RZ (1 & 6), Case: Radiohead           |
| Session 10       | Thanksgiving Break – NO CLASS                    |                                       |
| Session 11       | Price Customization III (Price Promotion)        | S(11), Case: HEB                      |
| Session 12       | Free Pricing                                     | RZ (2 & 4)                            |
| Session 13       | Pricing of Conspicuous Goods                     | RZ (8)                                |
| Integration      |  |                                       |
| Session 14       | Final Presentation                               |                                       |