COURSE TITLE: Pricing Strategy

FACULTY BIO

Oded Koenigsberg is Associate Professor of Marketing at London Business School. Oded develops models that attempt to incorporate the cross-functional aspects of firms’ marketing management decisions. In particular, the bulk of his work focuses on incorporating logistical constraints into firms’ marketing decisions such as pricing, product design, channels and product line selection.

COURSE SUMMARY

Pricing is an area of business that managers seldom talk about with great enthusiasm. In fact, although pricing decisions truly can make or break a company’s bottom line, many organisations navigate today’s demanding markets without the aid of a carefully designed and executed strategy. As a result, most pricing decisions are a poor blend of inaccurate assumptions and simplistic heuristics that shun customers and competitors. Consequently, these decisions often do little to improve the long-term performance of a business. Pricing presents managers with one of their most powerful levers for maximizing profits and shareholder value. However, this value often lies untapped within many organizations, with managers lacking a clear understanding of how to improve on historical pricing practices within their companies and industries. The objective of the course is to help students to address strategic and tactical pricing issues and to acquire the necessary confidence and skills to make superior pricing decisions across a range of professional contexts – as product managers, business unit managers, management consultants, entrepreneurs, and M&A advisors.

Pricing Strategy (E433) is a cross-functional, pragmatic study of the role of pricing in enhancing and monetizing a firm’s competitive advantage. The course will use a mix of lectures, case discussions, and guest speakers. Mini-cases and problems will also be employed to make students apply their learning to practical situations.

The first five meetings of the course will establish a foundation for effective pricing decisions by teaching key economic, analytical and behavioural concepts associated with costs, customer
behaviour and competition. The rest of the course will (a) introduce students to advanced pricing techniques that aim to create additional value, including dynamic pricing, segmented pricing, pricing structures, and promotions and (b) highlight practical applications of these approaches within a variety of specific industry contexts.

While the emphasis of Pricing Strategy is obviously on one element of the marketing mix, it is important to keep in mind two considerations. First, pricing decisions are never independent of product, communications, and distribution decisions. A key challenge in the course, therefore, will be to embed pricing questions in the context of a company’s overall market strategy and evaluate its effectiveness in achieving broader managerial goals. Second, pricing is not safe in the hands of marketers. Marketers must have a say in pricing decisions, but their input should be complemented with that of finance, accounting, operations, and sales personnel. For this reason, I see this as a programme orientated much more toward general management than pure marketing.

This course is aimed at:
all MBA students

COURSE FORMAT
This course is offered as:
Block week, 5 weeks, 10 weeks

LEARNING OUTCOMES
On successful completion of this course, you will be able to:
The course will draw on a mixture of fields (economics, psychology, sociology, statistics, etc.) to introduce new approaches and useful frameworks for solving the most pressing contemporary pricing problems. Specifically, by the end of the course you will have learnt: 1) How does a firm determine the price for a new product? 2) How does a firm assess whether the current price is appropriate? 3) What is value pricing? 4) What is price segmentation? 5) How to recognise and exploit the different roles of price in commerce? 6) How to understand the different ingredients to a comprehensive pricing strategy? 7) How to engineer a revenue model that fits the broader strategic objectives of the organisation? 8) How to determine the proper role of costs, competitors, and market research in setting the “right” price? 9) How can a firm avoid a price war and how to respond intelligently to price competition and the forces of commoditisation? 10) How to understand the psychological impact of pricing on demand? 11) How to estimate reservation prices in the marketplace through a range of viable tools? 12) How to calculate and sell the value of an offering effectively? 13) How to identify opportunities for price customisation that are palatable to customers? 14) How to design “smart” price promotions that boost sales without eroding brand equity? 15) How to use price as a language to build customer engagement and commitment? 16) How to integrate pricing into an overall marketing action plan?

ASSESSMENT

Assessment Table:

<table>
<thead>
<tr>
<th>Assessment type</th>
<th>Weighting</th>
<th>Group/Individual</th>
<th>Formative/Summative</th>
<th>Requirement to pass? Y/N</th>
<th>Timing in course schedule</th>
<th>Length (time/wordcount)</th>
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</thead>
<tbody>
<tr>
<td>Class</td>
<td>15%</td>
<td>Individual</td>
<td>Formative</td>
<td>yes</td>
<td>on-going</td>
<td>na</td>
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<tr>
<td>Component</td>
<td>Weight (%)</td>
<td>Group Type</td>
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<td>Grading</td>
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<tr>
<td>Class attendance and contribution</td>
<td>15%</td>
<td>Individual</td>
<td>Summative</td>
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<td>TBA</td>
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<tr>
<td>Pricing dilemma (50%)</td>
<td>50%</td>
<td>Individual</td>
<td>Summative</td>
<td>yes</td>
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<td>Pricing project (35%)</td>
<td>235%</td>
<td>Group</td>
<td>Summative</td>
<td>Yes</td>
<td>Outline: Session 5, Report Session 10.</td>
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<td><strong>Minimum requirements to pass this course:</strong>&lt;br&gt;1) minimum 50% in the weighted final numerical score AND&lt;br&gt;2a) minimum 50% in the aggregate of the individual components OR&lt;br&gt;2b) minimum 50% in the largest weighted individual component</td>
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**Assessment Overview**

**Class attendance and contribution (15%)**

Attendance in every class is expected and recorded. Please note the following conditions.

First, you are responsible for any marking next to your name on the attendance sheet. For attendance purposes, only full signatures matching those on record with the Programme Office are accepted—thus no initials, written names, or other symbols.

Second, students arriving 15 minutes or more after the scheduled start of class will not be allowed in the lecture theatre unless they sought permission before hand. Critically, note that any absence, excused or otherwise, will negatively affect your score on this component of your final grade. Three or more unexcused absences will result in an automatic score of zero on class contribution and, in all likelihood, a fail mark for the course as a whole. In line with school policy, absences can be excused only under truly extenuating circumstances.

Class contribution is much more than simply showing up and fighting for airtime. The focus will always be on the quality of your involvement in class as opposed to the quantity. Contributing implies moving the debate forward to boost the learning experience of everyone in the room, myself included. While good comments are rewarded, insightful comments are rewarded extra. Therefore, if you do only one thing to prepare, read the assigned materials and come to class on time and ready to voice your recommendations. I often cold call, so please do not put the class in a position where you are unable to help. Generally speaking, if you read the assigned materials, actively take part in pertinent discussions, listen to others with respect, and communicate your arguments convincingly you will not have any problem.
In addition, note that prior to session 4 you may be asked to complete a 10-minute online survey. This task is compulsory, and it is counted toward class contribution. Remember that you are welcome to ask for more information on how I grade class attendance and contribution or to seek feedback on your performance at any time during the course. Simply send me an email or approach me in class.

**Pricing dilemma (50%)**

The pricing dilemma is the second individual component of your assessment. You are asked to analyse a pricing paradox of personal interest to you.

As consumers, we often come across pricing practices that surprise us or make us think. This is your chance to pick one such instance, follow up on your curiosity, and investigate why a firm (or a whole sector, for that matter) prices the way it does. Please prepare a five-page study of the dilemma, clearly defining the question and detailing your analysis.

Remember to observe the typical standards when preparing the document: size 12 Times New Roman font, double line spacing or less, etc. The page limit is strictly enforced and excludes tables, figures, and possible references. The report is due in electronic format session 8. Late submission of the outline or report are penalised at the rate of 15% of the average class score per day. Failing to complete the assignment triggers an incomplete mark for the course.

**Pricing project (35%)**

The pricing project is a group assignment. Groups are composed of six students. This assignment provides an opportunity to assess and improve the pricing performance of a firm or business unit on one specific dimension that the firm define. The relatively narrow scope is intentional. You are expected to evaluate how the target company is currently performing and, more important, detail how you would intervene to improve the status quo and suggest avenues that the firm should follow. Students can seek for information and data from the firm, although this will not necessarily be available.

Pricing matters are often very sensitive, so direct managerial insight can really enrich the analysis. Please keep in mind that there are three formal requirements: a one-page outline and the report itself. An email with the outline is due on day of session 5. This outline should list the group members, targeted company, and a short description of what you plan to do. The final document is due in electronic format during our last class. Late submission of the outline or report are penalised at the rate of 15% of the average class score per day. The third requirement is a short presentation (details will be provided during session 8) during the last class. Failing to complete the assignment triggers an incomplete mark for the course.

Allow me to make two final observations. First, you are expected to show mastery of the literature relevant to the topic you are studying (a bibliography is required). Mastery of the literature implies reading well beyond the materials assigned for class. Second, there is no fixed page limit for this assignment—I leave this completely up to your judgment. However, keep in mind that I will penalise reports that I think are too short (not enough information to make a compelling argument) or too long (too much information that is irrelevant or redundant). The point of the exercise is not to write or edit until you meet some arbitrary constraint. Rather, I am looking for a thorough, convincing analysis that is presented both clearly and concisely.

**Assessment and Learning Outcomes**

Your final grade will be based on both individual (65%) and group (35%) work. Note that you need to pass (i.e., a combined score of 50% or greater) the two individual components in order to pass this course.

**Plagiarism Declaration**

All students completing this course should be aware that in submitting any assignment for this course, you agree to the following declaration:

“I certify that the coursework that I have submitted is entirely my own unaided work, and that I have read and complied with the School’s guidelines on plagiarism and referencing as set out in the School..."
I understand that the School may make use of plagiarism detection software and that my work may therefore be stored on a database which is accessible to other users of the same software."

Students should be aware that, where plagiarism is suspected, a formal investigation may be carried out under the School’s Student Disciplinary Procedure. This may result in penalties ranging from mark deduction to expulsion from the School.

**PRE-REQUISITES & RELATED COURSE**

No pre-requisites

**COURSE PREPARATION & READING**

Prework: n/a

Course work: n/a

Course materials will be distributed:

- Electronically on portal.london.edu
- As a paper binder

**TEACHING METHODS**

Teaching/contact hours: TBC
Suggested independent study hours: TBC

The following teaching methods will be used on this course:

- Lecture(s) ☒
- Guest Speaker(s) ☒
- Seminar(s) ☐
- External Visit(s) ☐
- Project(s) ☐
- Other (please specify below) ☐

**COURSE STRUCTURE**

**Session 1 – What is price? What is a pricing strategy?**
Sports and entertainment, United Kingdom


Suggested reading: Dolan & Simon (1996), chapter 1

Guest speaker: TBA

**Session 2 – Cost Analysis and EVC**
Case study: In class

Suggested reading: Dolan & Simon (1996), chapter 2
Nagle, Hogan & Zale (2010), chapter 9

**Session 3 – Psychology of Prices**

**Session 4 – Asking customers about price**
Suggested reading: Nagle, Hogan & Zale (2010), chapter 12
Guest speaker: TBA

**Session 5 – Selling customer value**
Case study: Kashani & DuBrule (2009), “Value selling at SKF Service (A)”
Industrial bearings, United States
Guest speakers: TBA

**Session 6 – The Art and Science of Price Discrimination via Segmented Pricing**
Suggested reading: Dolan & Simon (1996), chapter 5

**Session 7 – Price Customization Using Promotion**
Required reading: TBA

**Session 8 – Price Customization Using Revenue Management**
Required reading: TBA

**Session 9 – Competition Analysis**
Suggested reading: Dolan & Simon (1996), chapter 4
Nagle, Hogan & Zale (2010), chapter 11
Guest speaker: Emilio Sanz, SalesGossip

**Session 10 – Project Presentation and Course Summary**