

National University of Singapore
NUS Business School
Department of Marketing

MKT4413/MKT4811 Pricing Strategy

Lecturer: Lillian L. Cheng
Office: BIZ2, 02-12
Email: bizclll@nus.edu.sg

Office Hours: Virtual and by appointment

Session: Semester 2, 2019/2020

COURSE OBJECTIVES

Pricing is the one managerial action that has the most direct impact on a firm's success. Despite its vital role in firm profitability, sustainability and survival, pricing still remains an ad-hoc practice in most corporations. Corporate and business unit strategies are often crafted with the view that prices should be set in response to market supply and demand. Examples abound that raising prices may increase demand and reducing prices may decrease demand, contrary to economic wisdom. These apparent anomalies occur because in practice, pricing rarely has considered actual buyer behavior. Pricing as an art and a science requires examining buyers' behavioral responses to prices as stimuli and signals and understanding what influences buyers' perceptions and purchase intentions. Successful corporate strategy cannot be devised in isolation of buyers' perceptual constraints, particularly relative to prices.

Prices provide more information than the sheer cost of the product/service for the potential buyer. Prices convey meanings. Prices are signals of quality and product/service positioning. Price changes and differences communicate sellers' eagerness to sell, popularity of the product/service in question, and brand strength in the market place. Moreover, frequent price changes also create habitual buyer anticipation or expectations.

This course will examine the basic concepts of strategic pricing, how buyers respond to price stimuli and how prices are key marketing tools. Students will learn the various dimensions of price and the role price plays in firm/product positioning. The course will explore in depth the issues of developing and managing effective pricing strategies while questioning existing practices and widespread assumptions. Students will learn how prices carry important information, what role the corporate executive must play

in designing and implementing pricing strategies, what organizational changes are required to implement strategic pricing, how value can be conceptualized, communicated and sold, and how pricing strategies should define pricing tactics.

This course is designed to provide students with an integrative framework for making pricing decisions. The purposes of this course are to help students learn to synthesize economic and marketing principles with accounting and financial information, and to analyze pricing options within market, legal and corporate constraints.

Pricing is a multi-disciplinary and multi-functional subject to study and master. From a corporate viewpoint, pricing is a top management responsibility encompassing financial, marketing and legal considerations.

The course will be delivered through a combination of readings, class discussions, case analyses, video presentations, guest speakers, and a final pricing project where you will work in a team to restructure pricing for an organization, or devise a pricing strategy for a firm.

This course is designed for students to bridge the knowing-doing gap. To this end, every class session will involve hands-on application of concepts in problem sets that students will work as teams. The course will bring together varied viewpoints on pricing and weld together theory and practice into a meaningful educational experience. Students will learn:

- The fundamental concepts in how buyers behave to price;
- The role of price differentials;
- The difference between pricing strategy and pricing tactics;
- The issues of sales addiction and other trends;
- The role of prices in signaling corporate stakeholders, potential customers, competition and the market at large;
- How to conduct contribution and profitability analysis properly;
- The concept of perceived-value pricing and how to price to perceived value;
- Value selling
- The issues facing business to business pricing;

- Organizational change management required for strategic pricing;
- The on-going challenges for the pricing practice and the changing global landscape.

COURSE FOCUS

This course will have as a focus strategic pricing to perceived value. We will explore how buyer perceptions are formed, what constraints such perception formation, and how to help create and nurture these perceptions. We will study various theories on how buyers learn and make decisions and examine how these affect buyer judgments. We will then review the current practices in pricing and assess their effectiveness.

We will use real-world examples to illustrate the various concepts and issues. The problem sets presented in class are designed to have students learn by actually doing pricing analyses and in certain cases, set prices.

COURSE FORMAT

This class emphasizes learning by doing. Each of the class sessions will include the following:

1. Presentation and discussion of the subject matter
These presentations are designed to take the subject matter beyond what is covered by your text. Interactive discussions will be encouraged.
2. Case discussions or class problem sets
With the exception of the first and last sessions of the course where introduction and concluding comments of professional pricing will be made, each class session will comprise of either a case for analysis, a role-playing game or a problem set to work on in class.
3. Guest speakers
Where appropriate and available, we may have guest speakers invited to speak on the specific topic to share their professional expertise in the different areas of strategic pricing.

ASSESSMENTS

You will be assessed both on individual as well as group work. The grade you will receive on your team project will be weighted based on your team evaluation scores.

Individual component:		60%
Class Participation:		30%
In-class participation	24%	
Social media participation	6%	
Individual Assignment		15%
Individual Course Reflection		5%
Quizzes		10%
Team component:		40%
Team Exercises		10%
Team Term Project		30%
○ Final Presentation	10%	
○ Term Project	20%	

QUIZZES

There are a number of quizzes in this course. These will be held at the specified sessions 24 hours before the beginning of the class. The quizzes are designed as learning exercises to assess how much participants have learned. The quizzes will be predominantly multiple choices.

CLASS PARTICIPATION

The quality of the learning environment of an interactive, case-driven course is highly dependent on class participation. It is your responsibility to prepare yourself to participate in class discussions by going through the assigned readings and raising questions relating to the course subject matter of the day. While active participation is encouraged, occupying “air time” without offering substantial contribution to the discussion is discouraged.

We all count on each other to make this a healthy, supportive learning environment. With active participation, we can help each other learn not only from the course materials, but also from each other.

More detailed information on each session, including questions to guide readings, case discussions and details on assignment deliverables will be posted on the ivle module site.

As a class, we will follow current news that affects pricing. This will be conducted via posts, comments and discussions on social media as well as class discussions. At the end of the course, you are to submit a documentation of your participation in this exercise throughout the semester.

INDIVIDUAL ASSIGNMENTS

These assignments include case analyses and problem sets you are to complete individually and submitted prior to the specified class session discussion.

Research has shown that personal reflections enhance learning. In light of this, you are required to submit a personal reflection of what you have learned in this course and how you might apply this knowledge in your work in the future.

TEAM PROJECT

This project is designed for you to gain practical experience in crafting a pricing strategy for long-term firm survivability. The goal of this project is to provide you with the opportunity to work in a team and to pull the resources of each team member to complete the project. You will be given the opportunity to evaluate the contribution of each team member at two points during the course: a mid-point review so each team members understands how his/her contribution is being perceived by the rest of the team; and a final evaluation at the conclusion of the project. This evaluation is a simple two question survey.

Specific check-points throughout the semester are given on the course schedule. These due dates are specified so as to make sure that all team projects are on track.

TEAM EXERCISES

Each team will be asked to work on a case or a problem set together prior to individual assignment submission. The teams are also asked to come up with challenging issues facing the field of pricing today.

REQUIRED MATERIALS

Text Book:

Cheng, Lillian L. and Kent B. Monroe (To Be Published, 2017). Relativity: The Science of Price Perception. Business Expert Press, New York, NY 10017.

Cheng, Lillian L. and Kent B. Monroe. Draft chapters of Strategic Pricing Management (To Be Published, 2017). World Science Publishing, New York, New York.

HBSP Cases:

To be decided.

READINGS AND COURSE SCHEDULE

The following table shows the preliminary course schedule. A detailed course schedule will be released the first day of class.

WEEK	DATE	TOPIC	READINGS/CASES	ASSIGNMENT
1		Course Introduction: What Is Price		Introductions Project Considerations
2		Fundamental Concepts and Reference Price		Team Assignments
3		Differential Price Threshold & Latitude of Price Indifference		Team Project Decisions
Chinese New Year Holiday				
4		Understanding Costing		Team Project Proposal Due
5		Absolute Price Thresholds and Acceptable Price Range		
6		Contribution Analysis		Team Project Outline Due
Recess Week: no class				
7		Understanding Competition: Strategy vs. Tactics		
8		Contribution Analysis		
9		Value Analysis		
Good Friday				
10		Customer Profitability Analysis		
11		Perceived Value Pricing		
12		Value Drivers and Value Analysis		Team Project Pricing Plan Outline Due
13		Re-engineering Pricing		Team Final Presentation

ACADEMIC HONESTY & PLAGIARISM

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>