

Instructor: Vinay Kanetkar
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Class meetings: Tuesday and Thursday 8:30am to 9:50am.

Course Description

The University catalogue describes Pricing Management as

The objective of this course is to provide a useful conceptual framework as well as analytical techniques that can be applied in managing pricing functions. Topics to be covered include pricing strategies, tactical issues related to pricing, pricing methods, treatment of costs for pricing, consideration of competition, legal limitations and role of price in customer buying decisions for both consumer and industrial goods and services.

My interpretation

Pricing is the only marketing decision that brings revenue to most organizations. Yet most organizations do not have pricing department. This raises important question about who assign prices to products and services. Costs, customers and competitors are generic factors that influence price settings. These factors, however, may be augmented with strategy and tactic that organization use with respect to pricing goals. Because pricing decisions involve numbers, individuals and pricing decision committees have tendency to arrive at “precisely wrong” as opposed to “approximately correct” solutions.

Lectures, short in-class and computer based exercises, discussion of assigned readings and analysis of pricing related cases will be the basis for gaining understanding and interpreting pricing decisions.

Evaluation

1. In-class quizzes (50%). Every class one or two short questions will be given and you will be asked to provide answers.
2. Do a research project about one of 10 pricing principles. You can either find supporting or challenging evidence concerning principle which may come from a literature review, original research and marketplace observations. (50%)

Course Material

- Nagle, Thomas T. and Georg Müller (2017) “The Strategy and Tactics of Pricing”, Sixth Edition, Routledge [NM]. Fifth, Fourth and third edition of this book is sold on-line and these are reasonable substitute for the sixth edition. This book, if made available at the University bookstore, it would be priced at about \$217 (my guess about bookstore’s pricing policy). Here are your options to get a copy of book. Prices were collected on August 8, 2020.
 1. You can order it from www.amazon.ca for \$94.02 (paperback edition) with delivery promise of one week.
 2. The book publisher has posted this book in hardback format on website, <https://www.routledge.com/The-Strategy-and-Tactics-of-Pricing-A-Guide-to-Growing-More-Profitably/Nagle-M> at price US\$145.
 3. You can order it from www.amazon.com for US\$44.32 with shipping and handling and import fee deposit.
 4. www.bookdepository.com is selling paperback edition for C\$100.51. with a promise to dispatch your order for free within 48 hours. This operation is based in the England and owned by Amazon.com.
 5. AbeBooks.com, www.AbeBooks.com has number of copies of look-alike copies of this edition for US\$24.19 and up with usual delivery charges.
 6. I have couple of spare copies of fifth edition and I will accept reasonable offer.
- All of readings that are available in electronic format will be provided on the course web site.
- A selected case solution will be posted on the course web site.

Learning Objectives, Each assignment involve all of following:

1. Develop and apply analytical tools necessary for sound pricing decisions.
2. Develop skills to analyze complex business situations.
3. Provide mathematical tools used in marketing.
4. Provide opportunities to
 - (a) Articulate and defend positions,
 - (b) Improve presentation and writing skills and
 - (c) Learn to function effectively in teams.

Course Structure

This course is built around four interrelated themes.

1. Management principles applied to pricing including institutional features,
2. Economic and psychological aspects of pricing decisions,

3. Pricing decisions that are consistent with marketing mix and
4. Pricing strategy.

Course Philosophy and Approach

To me learning can and should be fun. However, trying to understand complexity of “real world” requires hard work, patience and thoughtful deliberation. Moreover, participatory learning require that we all bear responsibility to be prepared for each class. Preparation means reading and interpreting the assigned reading material. After you have read the material, note your learning and then ask challenging questions such as why does this work, can it be applied to another situation, is there better way to frame the problem and solve it.

The course is based on an active 12-week semester. In my view the most effective and efficient use of classroom time aims at reinforcing or clarifying what the student has tried to learn on an individual basis. For this reason, it will be assumed that the student has carefully read the assigned material and made a reasonable effort to prepare solutions to the assigned problems **PRIOR** to the class. These materials will be **DISCUSSED** in class.

Here are three important rules:

1. **Attendance:** Because interaction is central, and also because your fellow group members will be relying on you for ideas, I expect you to attend every class. Valid reasons for absence include serious illness and family emergencies. Studying for exams and completing assignments are not valid reasons to miss class.
2. **Preparation:** You are expected to read assigned material in advance and to be fully prepared for class discussion. You may be called upon to begin the class and to contribute to discussion at any time. Unsupported opinion will not substitute for informed discussion. Adequate preparation is the only way to avoid embarrassment.
3. **Group work:** You will participate in some group work during the term. Group size of two is preferred for this course. The group should address group problems or conflict in a timely fashion. I am available to assist groups who experience problems.

Weekly Topics and Key ideas

Week of	Topic	Case
September 14	<p>Pricing in organization NM chapters 1 pages 1-16 Key ideas: Meaning of price, importance of pricing decision, pricing strategy, costs, competitors and consumers.</p> <ul style="list-style-type: none"> • Cressman George E. (1997) “Snatching defeat from the jaws of victory: Why do good managers make bad pricing decisions?” <i>Marketing Management</i>, Vol. 6 (summer), 9-19. • Dolan Robert J. (1995) “How do you know when the price is right”, <i>Harvard Business Review</i>, vol. 73 (Sept.-Oct.), 174-83. • Smith Gerald E. (1995) “Managerial pricing orientation: The process of making pricing decisions”, <i>Pricing Strategy and Practice</i>, vol. 3 (3), 28-39. 	<p>Great Canadian detergent company, University of Guelph.</p> <ul style="list-style-type: none"> • What pricing method should be considered for new dish detergent? What method do you recommend? Why? • What retail price do you recommend for the new dish detergent? What market share do you estimate for the new product at this price? Justify your estimate. • What will the gross margin and net profit be for the new product in the first and second years, at your recommended price? <p>• Quiz 1: Price is Correct game, in-class.</p> <p>• Quiz 2: Pricing of GCDC Product.</p>
September 21 and September 28	<p>Financial Analysis: NM chapter 9, 10 pages 181-243</p> <p>Key ideas: Relevant costs, breakeven analysis, price volume analysis, pricing with scarce resource, and Economic Value Analysis. (NM Chapter 2, pages 17-46).</p> <ul style="list-style-type: none"> • Smith Gerald E. and Thomas T. Nagle (1994) “Financial analysis for profit driven pricing”, <i>Sloan Management Review</i>, vol. 35 (spring), 71-84. 	<p>YOSO, Costing challenge, University of Guelph.</p> <ul style="list-style-type: none"> • What costing method should be considered for Yoso products? • What method do you recommend? Why? • Identify practical challenges in instituting your costing procedure. <p>• Quiz 3: Economic value determination</p>
October 5	<p>Customer Understanding NM chapter 4, pages 72-94. (No good match).</p> <p>Key ideas: Buyers’ perception of price, Role of price in decision making, price-quality perception, economic value assessment, Odd - Even pricing, Willingness to pay.</p> <ul style="list-style-type: none"> • Dickson, Peter R. and Alan G. Sawyer (1990) “The Price Knowledge and search of supermarket shoppers”, <i>Journal of Marketing</i>, vol. 54 (July), 42-53. • Gourville John and Dilip Soman (2002) “Pricing and the Psychology of consumption”, <i>Harvard Business Review</i>, September, 91-96. • Smith Gerald E. and Thomas T. Nagle (2002) “How much are customers willing to pay”, <i>Marketing Research</i>, 14 (winter), 20-25. 	<p>Buying new television set (2008) by Passy Charles for Yahoo! Finance.</p> <ul style="list-style-type: none"> • What are value drivers in high technology markets and particularly television sets? How is price related to value? • What decision process can we infer from information presented? <p>• Quiz 4: Role of Price in Decision Journey</p>

Week of	Topic	Case
October 12	<p>Competition NM chapter 11, pages 244-268.</p> <p>Key ideas: Understanding pricing game, price wars, influencing outcome of price wars, competitive intelligence.</p> <ul style="list-style-type: none"> • Cressman George E. and Thomas T. Nagle (2002) “How to manage an aggressive competitor”, <i>Business Horizon</i>, April-May, 23-30. • Rao, Akshay R. Mark E. Bergen and Scott Davis (2000) “How to fight a price war” <i>Harvard Business Review</i>, 78 (March-April), 107-16. 	<p>Mavesa’s Nelly brand: Pricing to gain market control, University of Western Ontario, 2000.</p> <ul style="list-style-type: none"> • What opportunities exist within the family segment for Mavesa’s mayonnaise brands? • Should you decide to re-position Nelly using price? Why? • What are Mavesa’s strengths, given the current competitive environment? • What other choices can Mavesa employ to take advantage of the existing opportunities? • Quiz 5: Gasoline pricing game, in-class activity
October 19	<p>Pricing Tools and Processes NM chapter 8, pages 158-180.</p> <p>Key ideas: Risk analysis (market share or profitability), net price analysis, price segmentation, product line pricing</p> <ul style="list-style-type: none"> • Ailawadi Kusum, Paul Farris and Ervin Shames (1999) “Trade promotion: Essential to selling through resellers”, <i>Sloan Management Review</i>, 41, (fall), 83-92. • Bell David R. and Xavier Dreze (2002) “Changing the channel: A better way to do trade promotions”, <i>MIT Sloan Management Review</i>, 44, 42-49. • Dutta Shantanu, Mark Zbaracki and Mark Bergen (2001) “Pricing Process as a Capability”, Working paper, Marketing Science Institute, report no. 01-117. • Marn, Michael V. and Robert L. Rosiella (1992) “Managing price, gaining profit”, <i>Harvard Business Review</i>, Sept.-Oct., 84-93. • Marn, Michael V., Eric V. Roegner and Craig C. Zawada (2003) “The Power of Pricing”, <i>The McKinsey Quarterly</i>, number 1, 27-26. 	<ul style="list-style-type: none"> • A short case to be given. • Quiz 6: Price waterfall and dispersion • Quiz 7: Effect of Price on Profitability

Week of	Topic	Case
October 26	<p>Putting Pricing Strategy together NM chapter 5, pages 96-117.</p> <p>Key ideas: value management, role of objectives on pricing, market environment.</p> <ul style="list-style-type: none"> • Shipley David and David Jobber (2001) “Integrative Pricing via the Pricing Wheel”, <i>Industrial Marketing Management</i>, 30, 301-14. • Smith Michael F., Indrajit Sinha, Richard Lancioni and Howard Forman (1999) “Role of market turbulence in shaping pricing strategy”, <i>Industrial Marketing Management</i>, 28, 637-49. 	<p>Atlas Chemical company, University of Guelph.</p> <ul style="list-style-type: none"> • What factors should Atlas consider in analyzing their pricing decision? • Evaluate each pricing option Mr. Aitken has defined? Which option should he select? • Develop a complete marketing plan including estimates of sales and profits for the line of products. • Should Atlas market the micro-nutrients in Eastern Canada? • Quiz 8: Atlas Chemical
November 2	<p>Life cycle and experience curve based pricing NM chapter 7, pages 141-157.</p> <p>Key ideas: Product life cycle, experience or learning curve effect, new product pricing.</p> <ul style="list-style-type: none"> • Holden Reed K. and Thomas T. Nagle (1998) “Kamikaze pricing”, <i>Marketing Management</i>, 7 (summer), 30-39. 	<p>CashScan, University of Guelph.</p> <ul style="list-style-type: none"> • Suggest appropriate pricing policy based on the next year’s sales projection. • What pricing policy do you recommend for CashScan and why? • Quiz 9: New Product Pricing decisions
November 9	<p>Marketing mix and Pricing NM chapter 3 and 6, pages 47-71 and 118-140.</p> <p>Key ideas: Marketing mix, strategic aspect of mix and its impact on sales and / choice</p> <ul style="list-style-type: none"> • Anderson Eric and Duncan Simester (2003) “Minding your pricing cues”, <i>Harvard Business Review</i>, September, 96-103. • Olver James M. and Paul W. Farris (1989) “Push and pull: A one-two punch for packaged products”, <i>Sloan Management Review</i>, Fall, 53-60. 	<p>Maruca, Regina F. (1995) “How do you grow a premium brand?” <i>Harvard Business Review</i>, March-April, 22-40.</p> <ul style="list-style-type: none"> • What is unique about health club operation and in particular Transition? • What options is Gordon Johnson facing? What are pricing consequences? • Gordon, Frank and Scott each have unique perspective. Whom would you support? Why?
November 16	<p>Pricing Research and price sensitivity NM chapter 12, pages 269-301.</p> <p>Key ideas: price metering, conjoint analysis, in-store experiments, customer purchase history</p> <ul style="list-style-type: none"> • Hunt Paul (1999) “5 cardinal rules of pricing”, <i>Imprint</i>, December, 18-19. • Hunt Paul (2000) “Putting the right price on new products”, <i>Imprint</i>, January, 14-15. 	<p>Globe and Mail defends against National post, University of Guelph.</p> <ul style="list-style-type: none"> • What research would you propose to understand customer value and price sensitivity in both reader and advertiser market? • Would you decrease advertising rates? • Would you change subscription prices? • Quiz 10: Frito Lay Packaging decision

Week of	Topic	Case
November 23	<p>Negotiations and Auctions</p> <p>Key ideas: B2B markets, Industrial buying behaviour, types of auctions and nature of bargaining.</p>	<ul style="list-style-type: none"> • Come prepared to purchase things in auction, different rules and formats. All proceeds go to College idol, United way fund raising. • Quiz 11: In class auctions
November 30	<p>Future Trends in pricing Key ideas: Revenue management, automation, global pricing, gray market, organizational design.</p> <ul style="list-style-type: none"> • Dutta Shantanu, Mark Bergen, Daniel Levy, Mark Ritson and Mark Zbaracki (2002) “Pricing as a strategic capability”, <i>MIT Sloan Management Review</i>, 44 (winter), 61-66. • Narayandas Das, John Quelch and Gordon Swartz (2000) “Prepare your company for global pricing”, <i>Sloan Management Review</i>, 42 (fall), 61-70. • Arvind Sahay (2007) “How to reap higher profits with dynamic pricing”, <i>Sloan Management Review</i>, 48 (4), 53-60. 	<p>Yield Management at American Airlines, University of Western Ontario, 2000.</p> <ul style="list-style-type: none"> • Come prepared with a bid strategy. • Be prepared to discuss the concept of yield management and its opportunities in the service business. • Quiz 12: American Airlines booking, in-class

Details of Final Paper

Due Date: On or before December 2, 2020.

Paper outline:

1. Executive Summary (Write this after you finish your project) - About three paragraphs (no more than one page)
2. Introduction – What pricing issue is investigated? Why is it interesting to you and in general? Provide general context about you investigation. (No more than two pages).
3. Literature review – both theoretical and managerial. Provide breadth and depth of issues that relate to topic you are studying. Particularly, provide summary of academic, managerial and popular publications has to say about the issue you are studying. (About two pages).
4. Specific research questions and your plan to answer that question (two paragraphs, about half page)
5. Research method (about one page)
 - Product / Service Customers
 - How price varied?
 - How data collected, location, respondents.
 - Analysis plan
6. Results (about one page) Your answers to research question Additional observations

7. Conclusion and recommendation (one page)

Total Report size should be less than 10 pages. Please use 11 or 12pt fonts and double spacing.

Please submit electronic document (using courselink site) as well as paper copy to me.

Project Schedule

Topic decision: Week of September 28, 2020 - send e-mail to vkanetka@uoguelph.ca about your choice.

Your report outline and project plan: Week of October 12, 2020, one page outline to be submitted to instructor.

If you are collecting primary data, that information from respondents, you must complete Research ethics board form from the University of Guelph. Form must be submitted by October 26, 2020. Form is also located on courselink site for your course. More information about research and ethics is located at <https://www.uoguelph.ca/research/document/reb-application-involve-human-participants-research>

Conduct research and prepare summary: week of October 12 and November 2, 2019

Project write-up, week of November 2 to November 23, 2020 – Please submit paper and electronic copy by December 2, 2020.

Please note that if you are collecting any information from human subjects, you must follow research ethics board's rules about use of human subjects. These are

1. The research participants must be drawn from the general adult population, capable of giving free and informed consent and may not include vulnerable participants such as children; persons who are not legally competent to consent; mentally incompetent persons; legal wards or persons dependent upon the researcher(s) for therapeutic care.
2. The student projects must not involve any personal, sensitive or incriminating topics or questions which could place participants at risk.
3. The student projects must not manipulate behaviour of participants beyond the range of “normal” classroom activity or daily life.
4. The student projects must not involve physically invasive contact with the research participants.
5. The student projects must not involve deception.

Please note that if you plan on using on-line surveys and using Qualtrics then you must tell participant that your research is not anonymous.

Pricing Principles

There are many pricing principles. Some are easy to interpret and understand and others rely on extensive data and knowledge. Do a research project about one of 10 pricing principles that appeared in *Money* magazine. A copy of that short article and associated references are included for your use on courselink. These principles are meant to suggest either better profitability to selling organization or

effective pricing decision. You can either find supporting or challenging evidence concerning principle which may come from a literature review, original research and marketplace observations. (50%)

Course Policies

Grading Policies

Unless you have discussed an extension well ahead of the due date with the instructor, late penalties of 5% of the total grade earned per day (including weekends) will be assigned to any assessment (i.e. deducted from the total mark). Extensions will only be granted on the basis of valid medical or personal reasons, and need to be requested via email to the instructor as soon as possible. Late assignments will not be accepted once graded assignments have been returned officially to the class at large, unless circumstances permit and alternative arrangements have been made.

Students who find themselves unable to meet course requirements by the deadlines or the criteria expected because of medical or personal reasons, should review the regulations on academic consideration in the Academic Calendar and discuss their situation with the instructor, program counselor or other academic counselor as appropriate.

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds.shtml>

Missed Assignments

A grade of zero will be assigned if you fail to submit an assignment, unless you are ill or have other compassionate reasons. Please read your Undergraduate Calendar for the regulations regarding illness and compassionate grounds. Please note, vacation travel, moving place to live, or outside work commitments will not be accepted as valid reasons for missing deadlines.

If you have religious observances which conflict with the course schedule or if you are registered with Student Accessibility Services, please contact the course instructor in order to make arrangements

University Policies

Academic Misconduct:

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-amisconduct.shtml>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing ser-

vices for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible. For more information, contact SAS at 519-824-4120 ext. 56208 or email sas@uoguelph.ca or see the website: <https://wellness.uoguelph.ca/accessibility/>

Course Evaluation Information

Please refer to the Course and Instructor Evaluation <https://www.uoguelph.ca/ccs/service/course-evaluation/>

Recording of Materials

Presentations which are made in relation to course work including lectures cannot be recorded or copied without the permission of the presenter, whether the instructor, a classmate or guest lecturer. Material recorded with permission is restricted to use for that course unless further permission is granted.

Drop date

The last date to drop one-semester courses, without academic penalty, is December 4, 2020. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-drop.shtml>

Disclaimer

Please note that the ongoing COVID-19 pandemic may necessitate a revision of the format of course offerings and academic schedules. Any such changes will be announced via CourseLink and/or class email. All University-wide decisions will be posted on the COVID-19 website

<https://news.uoguelph.ca/2019-novel-coronavirus-information/> and circulated by email.

Illness

The University will not require verification of illness (doctor's notes) for the fall 2020 or winter 2021 semesters.