

**Instructor:** Vinay Kanetkar  
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*Class meetings:* Tuesday and Thursday 8:30am to 9:50am, MACS 121

## 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 1, 2019.
  1. You can order it from [www.amazon.ca](http://www.amazon.ca) for \$81.86 (paperback edition) with delivery promise of 10 to 13 days.
  2. The book publisher has posted this book on website, <https://www.routledge.com/The-Strategy-and-Tactics-of-Pricing-A-Guide-to-Growing-More-Profitably/Nagle-M> at price US\$108.
  3. You can order it from [www.amazon.com](http://www.amazon.com) for US\$68.50 with shipping and handling and import fee deposit.
  4. [www.bookdepository.com](http://www.bookdepository.com) is selling paperback edition for C\$96.59 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](http://www.AbeBooks.com) has number of copies of look-alike copies of this edition for US\$25 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 9	<p><b>Pricing in organization</b>            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"> <li>• <b>Cressman George E.</b> (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.</li> <li>• <b>Dolan Robert J.</b> (1995) “How do you know when the price is right”, <i>Harvard Business Review</i>, vol. 73 (Sept.-Oct.), 174-83.</li> <li>• <b>Smith Gerald E.</b> (1995) “Managerial pricing orientation: The process of making pricing decisions”, <i>Pricing Strategy and Practice</i>, vol. 3 (3), 28-39.</li> </ul>	<p><b>Great Canadian detergent company</b>, University of Guelph.</p> <ul style="list-style-type: none"> <li>• What pricing method should be considered for new dish detergent? What method do you recommend? Why?</li> <li>• 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.</li> <li>• What will the gross margin and net profit be for the new product in the first and second years, at your recommended price?</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 1: Price is Correct game, in-class.</span></li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 2: Pricing of GCDC Product.</span></li> </ul>
September 16 and September 23	<p><b>Financial Analysis:</b>            NM chapter 9, 10 pages 181-243            Key ideas: <b>Relevant costs, breakeven analysis</b>, price volume analysis, pricing with scarce resource, and <b>Economic Value Analysis</b>. (NM Chapter 2, pages 17-46).</p> <ul style="list-style-type: none"> <li>• <b>Smith Gerald E. and Thomas T. Nagle</b> (1994) “Financial analysis for profit driven pricing”, <i>Sloan Management Review</i>, vol. 35 (spring), 71-84.</li> </ul>	<p><b>YOSO, Costing challenge</b>, University of Guelph.</p> <ul style="list-style-type: none"> <li>• What costing method should be considered for Yoso products?</li> <li>• What method do you recommend? Why?</li> <li>• Identify practical challenges in instituting your costing procedure.</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 3: Economic value determination</span></li> </ul>
September 30	<p><b>Customer Understanding</b>            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"> <li>• <b>Dickson, Peter R. and Alan G. Sawyer</b> (1990) “The Price Knowledge and search of supermarket shoppers”, <i>Journal of Marketing</i>, vol. 54 (July), 42-53.</li> <li>• <b>Gourville John and Dilip Soman</b> (2002) “Pricing and the Psychology of consumption”, <i>Harvard Business Review</i>, September, 91-96.</li> <li>• <b>Smith Gerald E. and Thomas T. Nagle</b> (2002) “How much are customers willing to pay”, <i>Marketing Research</i>, 14 (winter), 20-25.</li> </ul>	<p><b>Buying new television set</b> (2008) by Passy Charles for Yahoo! Finance.</p> <ul style="list-style-type: none"> <li>• What are value drivers in high technology markets and particularly television sets? How is price related to value?</li> <li>• What decision process can we infer from information presented?</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 4: Role of Price in Decision Journey</span></li> </ul>

Week of	Topic	Case
October 7	<p><b>Competition</b> 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"> <li>• <b>Cressman George E. and Thomas T. Nagle</b> (2002) “How to manage an aggressive competitor”, <i>Business Horizon</i>, April-May, 23-30.</li> <li>• <b>Rao, Akshay R. Mark E. Bergen</b> and Scott Davis (2000) “How to fight a price war” <i>Harvard Business Review</i>, 78 (March-April), 107-16.</li> </ul>	<p>Mavesa’s Nelly brand: Pricing to gain market control, University of Western Ontario, 2000.</p> <ul style="list-style-type: none"> <li>• What opportunities exist within the family segment for Mavesa’s mayonnaise brands?</li> <li>• Should you decide to re-position Nelly using price? Why?</li> <li>• What are Mavesa’s strengths, given the current competitive environment?</li> <li>• What other choices can Mavesa employ to take advantage of the existing opportunities?</li> <li>• Quiz 5: Gasoline pricing game, in-class activity</li> </ul>
October 14	<p><b>Pricing Tools and Processes</b> 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"> <li>• <b>Ailawadi Kusum, Paul Farris</b> and Ervin Shames (1999) “Trade promotion: Essential to selling through resellers”, <i>Sloan Management Review</i>, 41, (fall), 83-92.</li> <li>• <b>Bell David R. and Xavier Dreze</b> (2002) “Changing the channel: A better way to do trade promotions”, <i>MIT Sloan Management Review</i>, 44, 42-49.</li> <li>• <b>Dutta Shantanu</b>, Mark Zbaracki and Mark Bergen (2001) “Pricing Process as a Capability”, Working paper, Marketing Science Institute, report no. 01-117.</li> <li>• <b>Marn, Michael V.</b> and Robert L. Rosiella (1992) “Managing price, gaining profit”, <i>Harvard Business Review</i>, Sept.-Oct., 84-93.</li> <li>• <b>Marn, Michael V.</b>, Eric V. Roegner and Craig C. Zawada (2003) “The Power of Pricing”, <i>The McKinsey Quarterly</i>, number 1, 27-26.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>A short case to be given.</b></li> <li>• Quiz 6: Price waterfall and dispersion</li> <li>• Quiz 7: Effect of Price on Profitability</li> </ul>

Week of	Topic	Case
October 21	<p><b>Putting Pricing Strategy</b> 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"> <li>• <b>Shipley David and David Jobber</b> (2001) “Integrative Pricing via the Pricing Wheel”, <i>Industrial Marketing Management</i>, 30, 301-14.</li> <li>• <b>Smith Michael F., Indrajit Sinha,</b> Richard Lancioni and Howard Forman (1999) “Role of market turbulence in shaping pricing strategy”, <i>Industrial Marketing Management</i>, 28, 637-49.</li> </ul>	<p><b>Atlas Chemical company</b>, University of Guelph.</p> <ul style="list-style-type: none"> <li>• What factors should Atlas consider in analyzing their pricing decision?</li> <li>• Evaluate each pricing option Mr. Aitken has defined? Which option should he select?</li> <li>• Develop a complete marketing plan including estimates of sales and profits for the line of products.</li> <li>• Should Atlas market the micro-nutrients in Eastern Canada?</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 8: Atlas Chemical</span></li> </ul>
October 28	<p><b>Life cycle and experience curve based pricing</b> 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"> <li>• <b>Holden Reed K. and Thomas T. Nagle</b> (1998) “Kamikaze pricing”, <i>Marketing Management</i>, 7 (summer), 30-39.</li> </ul>	<p><b>CashScan</b>, University of Guelph.</p> <ul style="list-style-type: none"> <li>• Suggest appropriate pricing policy based on the next year’s sales projection.</li> <li>• What pricing policy do you recommend for CashScan and why?</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 9: New Product Pricing decisions</span></li> </ul>
November 4	<p><b>Marketing mix and Pricing</b> 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"> <li>• <b>Anderson Eric and Duncan Simester</b> (2003) “Minding your pricing cues”, <i>Harvard Business Review</i>, September, 96-103.</li> <li>• <b>Olver James M. and Paul W. Farris</b> (1989) “Push and pull: A one-two punch for packaged products”, <i>Sloan Management Review</i>, Fall, 53-60.</li> </ul>	<p><b>Maruca, Regina F.</b> (1995) “How do you grow a premium brand?” <i>Harvard Business Review</i>, March-April, 22-40.</p> <ul style="list-style-type: none"> <li>• What is unique about health club operation and in particular Transition?</li> <li>• What options is Gordon Johnson facing? What are pricing consequences?</li> <li>• Gordon, Frank and Scott each have unique perspective. Whom would you support? Why?</li> </ul>
November 11	<p><b>Pricing Research</b> 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"> <li>• <b>Hunt Paul</b> (1999) “5 cardinal rules of pricing”, <i>Imprint</i>, December, 18-19.</li> <li>• <b>Hunt Paul</b> (2000) “Putting the right price on new products”, <i>Imprint</i>, January, 14-15.</li> </ul>	<p>Globe and Mail defends against National post, University of Guelph.</p> <ul style="list-style-type: none"> <li>• What research would you propose to understand customer value and price sensitivity in both reader and advertiser market?</li> <li>• Would you decrease advertising rates?</li> <li>• Would you change subscription prices?</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 10: Frito Lay Packaging decision</span></li> </ul>

Week of	Topic	Case
November 18	<p><b>Negotiations and Auctions</b></p> <p>Key ideas: B2B markets, Industrial buying behaviour, types of auctions and nature of bargaining.</p>	<ul style="list-style-type: none"> <li>• Come prepared to purchase things in auction, different rules and formats. All proceeds go to College idol, United way fund raising.</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 11: In class auctions</span></li> </ul>
November 25	<p>Future Trends in pricing Key ideas: <b>Revenue management</b>, automation, global pricing, gray market, organizational design.</p> <ul style="list-style-type: none"> <li>• <b>Dutta Shantanu, Mark Bergen</b>, Daniel Levy, Mark Ritson and Mark Zbaracki (2002) “Pricing as a strategic capability”, <i>MIT Sloan Management Review</i>, 44 (winter), 61-66.</li> <li>• <b>Narayandas Das, John Quelch</b> and Gordon Swartz (2000) “Prepare your company for global pricing”, <i>Sloan Management Review</i>, 42 (fall), 61-70.</li> <li>• <b>Arvind Sahay (2007)</b> “How to reap higher profits with dynamic pricing”, <i>Sloan Management Review</i>, 48 (4), 53-60.</li> </ul>	<p>Yield Management at American Airlines, University of Western Ontario, 2000.</p> <ul style="list-style-type: none"> <li>• Come prepared with a bid strategy.</li> <li>• Be prepared to discuss the concept of yield management and its opportunities in the service business.</li> <li>• <span style="border: 1px solid black; padding: 2px;">Quiz 12: American Airlines booking, in-class</span></li> </ul>

## Details of Final Paper

Due Date: On or before December 2, 2019.

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 23, 2019 - send e-mail to [vkanetka@uoguelph.ca](mailto:vkanetka@uoguelph.ca) about your choice.

Your report outline and project plan: Week of October 7, 2019, 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 21, 2019. 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 7 and October 28, 2019

Project write-up, week of October 28 to November 18, 2019 – Please submit paper and electronic copy by December 2, 2019.

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%)

## Policies and Regulations

All students are expected to abide by the University's academic regulations in the completion of their academic work, as set out in the undergraduate calendar (see <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/index.shtml>). Some regulations are highlighted below:

### **Academic Misconduct:**

The University of Guelph is committed to upholding the highest standards of academic integrity and directs 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 offenses from occurring. The University of Guelph takes a serious view of academic misconduct and it is your responsibility as a student to be aware of and to abide by the University's policy. Included in the definition of academic misconduct are such activities as cheating on examinations, plagiarism, misrepresentation, and submitting the same material in two different courses without written permission.

To better understand your responsibilities, read the Undergraduate Calendar at:

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

You are also advised to make use of the resources available through the Learning Commons (<http://www.learningcommons.uoguelph.ca/>) and to discuss any questions you may have with your course instructor, teaching assistant, Academic Advisor or Academic Counselor.

Students should be aware that faculty have the right to use software to aid in the detection of plagiarism or copying and to examine students orally on submitted work. For students found guilty of academic misconduct, serious penalties, up to and including suspension or expulsion from the University can be imposed.

### **Academic Consideration:**

Students who find themselves unable to meet course requirements by the deadline or criteria expected because of medical, psychological or compassionate circumstances beyond their control, should review the regulations on Academic Consideration in the Undergraduate Calendar ([http://www.uoguelph.ca/undergrad\\_calendar/c08/c08-ac.shtml](http://www.uoguelph.ca/undergrad_calendar/c08/c08-ac.shtml)) and discuss their situation with the instructor, Program Counsellor or Academic Advisor as appropriate.

### **Religious Holidays:**

Should a student need to miss scheduled tests, mid-term examinations, final examinations, or requirements to attend classes and participate in-class experiential for religious reasons, please advise the instructor within two weeks of the distribution of this course outline so that alternate arrangements can be made. For further information see

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

### **Code of Conduct - The Top Ten**

As a student in the Department of Marketing and Consumer Studies, College of Management and Economics at the University of Guelph, you are a member of a scholarly community committed to improving the effectiveness of people and organizations, and the societies in which they reside, through pathbreaking and engaging scholarship and pedagogy. We seek to promote a comprehensive, critical and strategic understanding of organizations, including the complex interrelationship between leader-

ship, systems (financial and human) and the broader social and political context. And, we prepare graduates for leadership roles in which organizational objectives, self-awareness, social responsibility and sustainability are primary considerations.

In keeping with this commitment, we expect all of us, including students, faculty and staff to act in a professional and respectful manner to fellow students, staff and faculty, as well as to members of the broader university and local community. This expectation is very much in keeping with your preparation for a professional career.

The following conduct is expected of all of us, including students:

1. Come to class prepared to learn and actively participate (having completed assigned readings, learning activities etc.).
2. Approach your academic work with integrity (avoid all forms of academic misconduct).
3. Arrive on time and stay for the entire class. If you happen to be late, enter the classroom as quietly as possible. At the end of class, apologize to the faculty member for the interruption. If you have to leave class early, alert the faculty member in advance.
4. If you know in advance that you are going to miss a class, send an email to the faculty member letting him/her know that you will be absent, with a brief explanation.
5. While in class, refrain from using any written material (e.g., newspaper) or technology (e.g., the Internet, computer games, cell phone) that is not relevant to the learning activities of that class. Turn off your cell phone at the start of each class.
6. Listen attentively and respectfully to the points of view of your peers and the faculty member. Don't talk while others have the floor.
7. Raise your hand when you wish to contribute and wait to be called upon. Challenge others appropriately, drawing on reason and research rather than unsubstantiated opinion, anecdote and/or emotion. Keep an open mind and be prepared to have your point of view challenged.
8. When sending emails to faculty, apply principles of business writing; use a professional and respectful style (use a formal salutation, check for spelling and grammatical errors, and avoid slang and colloquial short forms).
9. When making a presentation, wear business dress.
10. Provide thoughtful feedback at the completion of all courses (we are committed to continuous improvement but need your input to help us decide what to focus on).