

## **Study Abroad Business & Management Programme MANAGING PRICING STRATEGIES**

**Course contact hours:** 45

**Recommended credits:** 6 ECTS – 3 US credits

### **Objectives**

Establishing the price of a product or service is one of the most important marketing decisions as it ultimately determines how much money a company can make. While the other instruments of marketing represent costs, pricing is the only element of the marketing mix that directly generates revenue. Pricing is also one of the most complex and least understood aspects of marketing. Pricing decisions are affected by economic, marketing, organizational, and psychological factors, and must be made within a prescribed legal framework. In today's fast-paced business and market environments, organizations and marketing managers face numerous challenges in designing, implementing, and optimizing pricing strategies and tactics. Simplistic cost-based or rule-of-thumb pricing methods are simply not enough and need to be replaced with dynamic pricing instruments that consider perceived customer value, competitor options and company strategy and profit goals.

*Managing Pricing Strategies* provides you with the knowledge and skills marketing managers need to make effective pricing decisions. You will learn about the pricing strategy framework, the relationship between value and costs, the psychology behind price perception and purchase decisions, and about price structures and pricing strategies and revenue models.

The course is particularly relevant to graduate students pursuing careers in marketing, sales, and financial management and to those interested in launching new products and services. Students enrolled in business master's programmes with specializations in Marketing Management, Marketing Communications, Sales Management, E-Commerce and Digital Marketing, Digital Business, International Marketing, Entrepreneurship, New Product Development/Introduction/Management, Engineering will find the content of this course relevant.

### **Learning outcomes**

Upon the successful completion of this course you will be able to:

1. Understand the role of value, costs and competition on pricing decisions taken in different industry and market environments.
2. Identify strategic issues that should motivate pricing decisions and understand how prices should be adapted to reflect strategic issues.
3. Critically evaluate a company's pricing strategy and tactics.
4. Understand the psychology behind customer price perception, price sensitivity and willingness to pay.
5. Make recommendations regarding why and how prices should change across different market segments, product lifecycle stages and competitive environments.
6. Become familiar with different pricing modalities in specific industries and market environments.
7. Communicate effectively and defend your recommendations and critically examine and build upon the recommendations received from your peers.
8. Demonstrate project management skills as you will work cooperatively with peers on team projects.

**Programme**

Week	Topics
1	<b>Introduction to pricing</b> Basic pricing frameworks. Financial analysis for pricing. Setting price levels.
2	<b>Value analysis</b> Value defined. The role of value in pricing strategies. Value estimation approaches. Value-based market segmentation.
3	<b>Customer Response to Pricing</b> The Psychology of Pricing. Perceptual challenges. Willingness to pay. Measurement of price sensitivity. Model of psychological pricing management.
4	
5	<b>Competitor Response to Pricing</b> Competitive price pressures. Price changes. Price wars.
6	<b>Price structures</b> Price-offer configuration. Price fences. Price metrics. Bundling, unbundling, versioning, and subscriptions. Yield management.
7	<b>Team presentations of pricing analysis</b>
8	<b>Pricing policy development</b> Price segmentation. Price promotions. Discount management. Product lifecycle pricing.
9	<b>Pricing modalities and policies in specific market environments</b> Pricing utilities and commodities. Pricing for perishable goods. Pricing professional services. Pricing network services. Pricing in two-sided markets. Pricing for products with externalities.
10	
11	<b>Pricing Analytics</b> Price optimization. Optimization methods. Price optimization technology.
12	<b>Pricing Innovations</b> Auction pricing models. Flash sales. Deal sales. Dynamic yield management. Usage based insurance pricing. Voluntary pricing. Competing with free.
13	<b>Managerial Concerns and Organizational Requirements</b> Pricing processes. Elements of the pricing organization. Support system for the pricing function. Ethical and legal issues.
	<b>Final project presentations</b>
	Team presentations, class discussion and feedback

## Approach

The learning strategy includes a mixture of lectures, case analysis and discussions, collaborative projects, and individual exercises. The lecture sessions are devoted to the presentation and discussion of theories, concepts, and analytical techniques relevant to pricing strategy and tactics. The case studies provide real life examples of pricing decision-making in business organizations in various countries, industries, and market environments. Through case studies you will expand your understanding of theoretical concepts and further enhance your critical and analytical thinking skills. The collaborative projects give you the opportunity to build hands-on expertise in designing and planning pricing strategies and tactics.

## Assessment criteria

Pricing Phenomena Analysis Project: 20%

Pricing Strategy Project: 30%

Case reviews and exercises: 30%

Class participation: 20%

## Bibliography

### Required reading:

Nagle, T.T.; Müller, G. (2017), *The Strategy and Tactics of Pricing. A Guide to Growing More Profitably*, 6<sup>th</sup> Edition, Routledge, Taylor and Francis.

Agnihotri, A.; Bhattacharya, S. (2020) *Kanopy LLC: Growth Challenges of an Educational Video Streaming Company*, Case Study 9B20A078, Ivey Publishing.

Schobel, K. (2019) *Health Services Software*, Case Study 9B19B001, Ivey Publishing.

Aradhna, A. (2018) Skudge Inc. (A): *Exercises in Price Bundling*, WDI Publishing, University of Michigan.

Cespedes, F.V.; Fitzsimmons, R. (2016) *Basecamp: Pricing*, Case Study 817067-PDF-ENG, Harvard Business School.

Pandey, N.; Singh, G. (2016) *Nestlé's Maggi: Pricing and Repositioning a Recalled Product*, Case Study 9B16A025, Ivey Publishing.

Steenburgh, T. (2016) *Pricing the EpiPen: This is Going to Sting*, Case Study UV7186-PDF-ENG, Darden School of Business, University of Virginia.

### Recommended reading:

Haugom, E. (2020) *Essentials of Pricing Analytics: Tools and Implementation with Excel*. Routledge, Taylor and Francis.

Husemann-Kopetzky, M. (2018) *Handbook on the Psychology of Pricing: 100+ Effects on Persuasion and Influence Every Entrepreneur, Marketer and Pricing Manager Needs to Know*, Amazon Digital Services, LLC.

Ramanujam, M.; Tacke, G. (2016) *Monetizing Innovation: How Smart Companies Design the Product Around the Price*, Wiley.

Özer, Ö.; Phillips, R.; Eds. (2014) *The Oxford Handbook of Pricing Management*, Oxford University Press.

Bouter, E.-J. (2013) *Pricing: The Third Business Skill: Principles of Price Management*, 1<sup>st</sup> Edition, FirstPrice BV, The Netherlands.

Macdivitt, H.; Wilkinson, M. (2011) *Value-Based Pricing: Drive Sales and Boost Your Bottom Line by Creating, Communicating and Capturing Customer Value*, McGraw-Hill Education.

Baker, W.L.; Marn, M.V.; Zawada, C.C. (2010) *The Price Advantage*. 2<sup>nd</sup> Edition, Wiley Finance.