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| PRICING STRATEGIES  SPRING 2019 EMBA, Block Week  **B7649-001** | White |

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### Introduction

Pricing is one of the most powerful levers that a firm can use to monetize value and maximize profits. However, monetization opportunities often remain untapped as many managers do not know how to improve upon historical pricing practices within their companies and industries. This course prepares students to address both strategic and tactical issues in monetization and to identify profit-boosting changes in pricing practices across a range of professional contexts – as consultants, product managers, entrepreneurs, and business-unit managers.

The course covers the following three components:

1. **Pricing Analysis**: You will learn how to assess customer willingness to pay and analyze demand for a product or service. You will also learn how to measure price sensitivity and compute price elasticities for new products and for more established ones.
2. **Price Structures and Metrics**: In this component, which forms the heart of the course, you will learn when to use different pricing and monetization structures and how to design these optimally. These price structures take the form of product-line pricing, revenue management, segmented pricing, price bundling, non-linear price schedules, subscription pricing, and other forms of targeting. You will also learn how to use appropriate pricing metrics to monetize value.
3. **Price Management:** We will conclude by studying how to manage prices within a price structure via pricing policy, price delegation, markdown pricing and price promotions.

The course uses a mix of lectures, case discussions, mini-cases and analytical exercises, and covers pricing across a broad spectrum of industries involving both B2C and B2B, and from both economic and psychological perspectives.

# Evaluation

1. Class participation and Preparedness –- Individual (30%)

1. Attendance and in-class discussion and work – 20%
2. Pre-class surveys – 10%

2. Two group assignments --- group (25% each = 50%)

3. Project – group (20%)

Group assignment teams should ideally be of 3 members.

**Class Participation and Preparedness --- Individual**

You are invited to highlight insightful linkages between class material and your past experience as a professional and as a consumer, and to participate actively in class discussions. High quality class participation can be supported with qualitative and or/ quantitative analysis. Class attendance will be mandatory for every session.

There will be a number of pre-class questions you are asked to answer via online surveys. These have to be completed individually and submitted before 7:00 AM of the days of class. Some of these questions may not have a unique answer as solutions could depend upon how one interprets and uses data. I expect that you will respond thoughtfully with reasonable justifications for your answers. You will get full points for a good attempt.

**Home Work Assignments --- Group**

There will be two home work assignments. The first will be about demand modeling and estimation of price elasticities using data on sales, prices and competitive activity. The second will involve developing a detailed price structure in the context of the Springfield Nor’easters case. More details will be available in the assignments.

**Course Project ---Group**

Each group will pick a company or an industry and study the pricing practices within it. The goal of the project is to study the **pricing forces** at play in an industry and the **price structures** employed within it. Alternatively, you can take the perspective of a particular company (potentially your own) within an industry. I include a set of suggested project ideas after this section, but you are free to choose your own topic. If you do, please discuss it with me well in advance.

# Ideas for the Final Project

1. Some industries are experiencing major forces of change that are leading to the adoption of new pricing practices and structures. For example, a company could have recently moved to the subscription model for pricing.
2. Identify a company that has a reputation in its industry for being smart at pricing. Profile its pricing practices – strategy, organization and implementation.
3. Identify a situation where a company or an industry moved from a “one-size-fits-all” approach to pricing to a segmented pricing approach. What are the segmentation bases behind the company’s price structures?
4. Describe the pricing strategy for a recently launched product.

Note that the questions in each topic are meant to be suggestive, not exhaustive. Feel free to add additional analyses – the key is to unearth insightful findings and conclusions

The final deliverables are due at the beginning of the last class. The final deliverables are in the form of **Powerpoint slides and an in-class presentation**. There is no formal project write-up.

Connections with the Core

This course builds upon the marketing and economics core and relies on your knowledge of statistics and business analytics. In particular, your knowledge of regression and optimization, and the skills that you acquired in using Excel will be useful in dealing with data and for deriving optimal price structures.

**Honor Code**

You are expected to conform to the norms of behavior outlined in the Columbia Business School Integrity Code (printed at the beginning of the reading packet). Use of case or lecture notes from previous sections of the course is not allowed. Any allegation of academic dishonesty will be forwarded to the Dean’s office for investigation. Any case of proven academic dishonesty will result in failure in the course.

### SCHEDULE

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| **Sessions** | **Topic** | **Cases Discussed** | **Due** |
| 1) Feb 11 | **Framework for Pricing and Monetization Strategy**  **Value and Relevant Costs**  **New Product Pricing** | *Mini Case: Beauregard Textiles*  *Mini Case: Fabtek B*  *Curled Metals* | Online Survey (7:00 AM) |
| 2) Feb 12 | **New Product Pricing**: Assessing Willingness to Pay, Auctions, Pricing Optimization, Contingent Valuation  **Pricing Existing Products:** Demand Modeling and Computing Price Elasticities |  | **Assignment 1:**Demand Modeling: Due 11:30 PM |
| 3) Feb 13 | **Price Structures, Metrics and Revenue Models**  **Product Line Pricing** | *B2B Targeting Mini Case*  *Keurig at Home* | Online Survey : (7:00 AM) |
| 4) Feb 14 | **Revenue Management:** Demand Censoring, Variable Pricing, Markdown Pricing. Revenue Management Mechanisms  **Nonlinear Pricing** |  | **Assignment II: Springfield Nor’easters Case** *(Due 11:30 PM)* |
| 5) Feb 15 | **Price Structures:** Subscription Pricing  Price Management; Promotions  **Project Presentations** | *Mini Case: Pricing Predicament* | Online Survey (7:00 AM) |