MKT 372: Pricing and Channels Spring 2011

Professor Raghunath Singh Rao

(Current as of 01/10/2011)

Meeting Times:

Section	Day	Unique No	Time	Location
1	ТТН	05035	11.00 am – 12.30 pm	CBA 4.332

Contact Information:

<u>Professor:</u> Raghunath Rao Office Location: CBA 7.210

Office Hours: T TH (9 AM-10 AM) (Available outside of these times by appointment)

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Phone: 512-232-3748

<u>Teaching Assistant:</u> Sundeep Korrapati Email: sundeep.korrapati@gmail.com

Office Location: TBA

Office Hours: T (2-30:3-30 PM) (Available outside of these times by appointment)

Course Description:

The key objectives of this course are:

- 1. To familiarize you with the concepts, theory and latest thinking bearing on the key issues in pricing, taking the perspective of the marketing manager. This will be done primarily through lectures and assigned readings.
- 2. To provide you with an opportunity, through extensive case analyses, to apply concepts and theory to the solution of pricing problems in marketing settings with an emphasis on marketing channels in the latter half of the semester.
- 3. To provide you with an opportunity, through the course project, to make an independent assessment of the pricing strategy or tactics used by a company or industry of your own choosing.

Course Material:

Course Packet (Required)

A list of readings and cases will be provided on the first day of the class along with purchase options.

Textbooks

There are no required textbooks for the course but the following textbooks (especially Nagle and Thomas) would serve as useful reference.

1. Nagle, Thomas T. & Hogan, John E. *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably*, Prentice-Hall, Upper Saddle River, NJ.

[Highly Recommended]

- 2. Dolan, Robert J. and Hermann Simon (1996), *Power Pricing: How Managing Price Transforms the Bottom Line*, Free Press, and New York: NY.
- 3. Monroe, Kent B. (2003), *Pricing: Making Profitable Decisions*, Third Edition, McGraw Hill, Boston: MA.

Various articles and homework assignments will be posted on blackboard throughout the course.

Evaluation of Student Work:

The course will not be graded on a 'curve'. The maximum total score that you can get in this class is 100 and your grade would be based upon the following final distribution of scores:

92-100 A 90-91 A-88-89 B+ 82-87 B 80-81 B-78-79 C+ 72-77 C 70-71 C-68-69 D+ 62-67 D 60-61 D-Below 60 = F.

The score that does not fall into the above range would be upwardly revised to get the final grade. For example, if the final score of a student is 81.22, it will be revised to 82 and the final grade will be a B.

1. Tests (45%)

There will be <u>3 tests</u> with 15% weight each. There will be no cumulative final. The tests will be designed to test your understanding of the material covered in the class and your ability to apply it to the business situations.

2. Individual Assignments (16%)

There will be total of <u>4 assignments</u> with a weight of 4% each interspersed throughout the semester. The only way to really learn the material covered in the class is though 'do-it yourself' approach. I would provide you with appropriate datasets and you would be required to apply the tools learnt in the class to analyze and understand a real business scenario.

A word file of the assignment solutions is to be posted on Blackboard by the date indicated on the syllabus/assignment. You may turn in homework late. Each day that the homework is late will result in a 10% penalty. No printed copies or the emailed assignments will not be accepted. You are allowed to work in groups for discussion of individual assignments but **you must write and submit their answers individually.**

3. Group Case Write ups – 18% (3 cases)

You will be asked to prepare a written submission for three cases. You will apply your analysis tools and understanding of pricing strategy to real world problems. The groups for the case write-ups are the same for the team project.

4. Team Project Report and Presentation - 15%

You will study a particular product or business to identify critical drivers of the pricing decision, study current pricing practices, and then make specific recommendations for the business to improve on some element of the pricing strategy. Detailed instructions and guidance will be provided. We will use peer evaluations to avoid 'free rides'. The project will be due in two parts to ensure that you make progress on the project throughout the semester.

5. Class Participation -6%

Grading class participation is necessarily subjective and will be primarily based upon your participation in the case discussions. Some of the criteria for evaluating effective class participation include:

- a) Is the participant prepared? Do comments show evidence of analysis of the case? Do comments add to our understanding of the situation? Does the participant go beyond simple repetition of case facts without analysis and conclusions? Do comments show an understanding of theories, concepts, and analytical devices presented in class lectures or reading materials?
- b) Is the participant a good listener? Are the points made relevant to the discussion? Are they linked to the comments of others? Is the participant willing to interact with other class members?
- c) Is the participant an effective communicator? Are concepts presented in a concise and convincing fashion?

Keep in mind that your grade for class participation is not simply a function of the amount of "air time" you take up. In general, I will evaluate you on how well you respond to questions and on how effectively you take into account the comments and analyses of your classmates. In order to obtain a grade for class participation you must attend the class sessions (please let me know in advance if you cannot

attend a session). Missing more than two class sessions in the semester can seriously affect your participation grade. Attendance is mandatory for all project presentations.

Other Information:

1. Course Website:

I will use Blackboard to post all relevant materials. Schedules, class notes, team projects, cases, lab sessions, and all other information will be made available at the time they are needed. Please check Blackboard regularly for updates.

Password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html.

2. Accommodation for Students with Disabilities:

The University of Texas at Austin provides upon request appropriate academic adjustments for qualified students with disabilities. For more information, contact the Office of the Dean of Students at (512) 471-6259.

3. Tests:

Attendance is mandatory for all tests. If, for valid reasons, you cannot attend the test session you must inform me **in advance**. Valid reasons include illness, personal bereavement, religious holiday, and travel for a school authorized activity. Four tests will be administered during the course of the semester. You must bring a pencil and eraser to each test.

4. Class Policies:

- 1. If you miss class for a medical reason, personal bereavement or religious holiday, I will assist you in catching up. If you miss class for any other reason, please contact your classmates for missed notes, announcements, etc. I will not email the notes to students who missed class for reasons other than bereavement, sickness, or a religious holiday.
- 2. If you miss class, contact your classmates as the first source of information on material missed, announcements, etc.
- 3. If you miss class or a test, for a medical reason you must bring a note from the health center. If you miss class for bereavement or a religious holiday, you must inform me in advance.
- 4. The preferred way to contact me is to send me email.
- 5. The instructor will be available to you throughout the course to assist you with any issues related to the coursework. If you miss a class or a MOD LAB session, you are responsible for the material covered. The instructor will not provide individual instruction.
- 6. If you plan to leave class before the end of the session, please inform me.

- 7. Do not engage in personal conversations during class. Do not use your cell phones for personal conversations or text messaging.
- 8. Pay attention in class and take notes. Do not use class time to complete (or copy) homework or to complete work for another class.
- 9. The overwhelming majority of the students in the business school conduct themselves with the highest standards of professionalism. It is to this standard that the students in this class will be held.

Scholastic Dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course an/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/ or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty. Questions about scholastic dishonesty procedures should be referred to Paul Murray, Associate Dean for Undergraduate Program Office.

10. <u>Use of laptops is strictly prohibited during the class hours.</u>

Course Outline*

- 1. Introduction to Pricing
 - a. The Value Pricing Approach
- 2. Financial Analysis
 - a. Relevant Costs
 - b. Break Even Analysis
- 3. Economic Value Analysis
- 4. Segmentation and Price Discrimination
 - a. Price Customization
- 5. Demand Analysis
 - a. Demand Estimation
 - b. Price Elasticity
 - c. Optimal Pricing
- 6. Behavioral Considerations
 - a. Prospect Theory
 - b. Reference Prices, Context effects
- 7. Conjoint Analysis
- 8. Competition
 - a. Competitive Strategy
 - b. Price Wars
- 9. Pricing Structure
 - a. Quantity Discounts
 - b. Bundling
- 10. Channel Pricing
 - a. Manufacturer Retailer Interaction
- 11. Life Cycle Pricing
 - a. Pricing a new product
- 12. Legal and Ethical Concerns
 - a. Anti-Trust Laws

^{*}A detailed calendar will be provided on the first day of the class