

**National University of Singapore**  
NUS Business School  
Department of Marketing

MKT 4413                      Pricing Models and Strategy

Lecturer:                      Lillian L. Cheng  
Office: BIZ2, 02-12  
Email: [bizclll@nus.edu.sg](mailto:bizclll@nus.edu.sg)

Office Hours:                Virtual and by appointment

Session:                      Semester 2, 2016/2017

### **COURSE OBJECTIVES**

Pricing is the one managerial action that has the most direct impact on a firm's success. Despite its vital role in firm profitability, sustainability and survival, pricing still remains an ad-hoc practice in most corporations. Corporate and business unit strategies are often crafted with the view that prices should be set in response to market supply and demand. Examples abound that raising prices may increase demand and reducing prices may decrease demand, contrary to economic wisdom. These apparent anomalies occur because in practice, pricing rarely has considered actual buyer behavior. Pricing as an art and a science requires examining buyers' behavioral responses to prices as stimuli and signals and understanding what influences buyers' perceptions and purchase intentions. Successful corporate strategy cannot be devised in isolation of buyers' perceptual constraints, particularly relative to prices.

Prices provide more information than the sheer cost of the product/service for the potential buyer. Prices convey meanings. Prices are signals of quality and product/service positioning. Price changes and differences communicate sellers' eagerness to sell, popularity of the product/service in question, and brand strength in the market place. Moreover, frequent price changes also create habitual buyer anticipation or expectations.

This course will examine the basic concepts of how buyers respond to price stimuli and how prices are key marketing tools. Students will learn the various dimensions of price and the role price plays in firm/product positioning. The workshop will explore in depth the issues of developing and managing effective pricing strategies while questioning existing practices and widespread assumptions. Students will learn how

prices carry important information, what role the corporate executive must play in designing and implementing pricing strategies, and how pricing strategies should define pricing tactics.

This course is designed to provide students with an integrative framework for making pricing decisions. The purposes of this course are to help students learn to synthesize economic and marketing principles with accounting and financial information, and to analyze pricing options within market, legal and corporate constraints.

Pricing is a multi-disciplinary and multi-functional subject to study and master. From a corporate viewpoint, pricing is a top management responsibility encompassing financial, marketing and legal considerations.

The course will be delivered through a combination of readings, class discussions, case analyses, video presentations, guest speakers, and a final pricing project where you will work in a team to restructure pricing for an organization.

This course is designed for students to bridge the knowing-doing gap. To this end, every class session will involve hands-on application of concepts in problem sets that students will work as teams. The course will bring together varied viewpoints on pricing and weld together theory and practice into a meaningful educational experience. Students will learn:

- The fundamental concepts in how buyers behave to price;
- The role of price differentials;
- The difference between pricing strategy and pricing tactics;
- The issues of sales addiction and other trends;
- The role of prices in signaling corporate stakeholders, potential customers, competition and the market at large;
- How to conduct contribution and profitability analysis properly;
- The concept of perceived-value pricing and how to price to perceived value;
- The issues facing business to business pricing;
- The on-going challenges for the pricing practice and the changing global landscape.

## **COURSE FOCUS**

This course will have as a focus pricing to perceived value. We will explore how buyer perceptions are formed, what constraints such perception formation, and how to help create and nurture these perceptions. We will study various theories on how buyers learn and make decisions and examine how these affect buyer judgments. We will then review the current practices in pricing and assess their effectiveness.

We will use real-world examples to illustrate the various concepts and issues. The problem sets presented in class are designed to have students learn by actually doing pricing analyses and in certain cases, set prices.

## **COURSE FORMAT**

This class emphasizes learning by doing. Each of the class sessions will include the following:

1. Presentation and discussion of the subject matter  
These presentations are designed to take the subject matter beyond what is covered by your text. Interactive discussions will be encouraged.
2. Case discussions or class problem sets  
With the exception of the first and last sessions of the course where introduction and concluding comments of professional pricing will be made, each class session will comprise of either a case for analysis, a role-playing game or a problem set to work on in class.
3. Guest speakers  
Where appropriate and available, we may have guest speakers invited to speak on the specific topic to share their professional expertise in the different areas of global marketing

## **ASSESSMENTS**

You will be assessed both on individual as well as group work. The grade you will receive on your team project will be weighted based on your team evaluation scores.

Individual component:	55%
Class Participation:	20%
Individual Assignment	20%
Social Media Assignment	10%
Quizzes	5%

Team component:		45%
Team Term Project		35%
o Team Presentation	15%	
o Term Project	20%	
Team Topic Presentation		10%

## QUIZZES

There are a number of quizzes in this course. These will be held at the specified sessions at the beginning of the class. The quizzes are designed as learning exercises to assess how much participants have learned. The quizzes will be predominantly multiple choices.

## CLASS PARTICIPATION

The quality of the learning environment of an interactive, case-driven course is highly dependent on class participation. It is your responsibility to prepare yourself to participate in class discussions by going through the assigned readings and raising questions relating to the course subject matter of the day. While active participation is encouraged, occupying “air time” without offering substantial contribution to the discussion is discouraged.

We all count on each other to make this a healthy, supportive learning environment. With active participation, we can help each other learn not only from the course materials, but also from each other.

More detailed information on each session, including questions to guide readings, case discussions and details on assignment deliverables will be posted on the ivle module site.

## INDIVIDUAL ASSIGNMENTS

There will be an assignment of real world topic and documentation report. You will be given a list of potential topics, you are to choose one of these topics to prepare situational scan of the market. Specific instructions will be given for these market studies.

Research has shown that personal reflections enhance learning. In light of this, you are required to submit a personal reflection of what you have learned in this course and how you might apply this knowledge in your work in the future.

## **SOCIAL MEDIA ASSIGNMENT**

As a class, we will follow current news that affects pricing. This will be conducted via posts, comments and discussions on social media as well as class discussions. At the end of the course, you are to submit a documentation of your participation in this exercise throughout the semester.

## **TEAM PROJECT**

This project is designed for you to gain practical experience in crafting a pricing strategy for long-term firm survivability. The project choices will range from business-to-consumer products and services to business-to-business products and services. The goal of this project is to provide you with the opportunity to work in a team and to pull the resources of each team member to complete the project. You will be given the opportunity to evaluate the contribution of each team member at two points during the course: a mid-point review so each team members understands how his/her contribution is being perceived by the rest of the team; and a final evaluation at the conclusion of the project. This evaluation is a simple two question survey.

Real company cases will be arranged and your team will have an opportunity to bid for the case of your choice. Your team is to complete a pricing plan for the company in question. Detailed instructions of the project will be provided. You will learn how to apply what you learned in the course into a real-world situation as well as how to craft a compelling pricing strategy.

A bidding process will be held in class so that each team will be working on a different project so the class benefits from a variety of projects.

Specific check-points throughout the semester are given on the course schedule. These due dates are specified so as to make sure that all team projects are on track.

## **TEAM TOPIC PRESENTATION**

Each team will be asked to present on a pricing topic specifically relevant to their team project. This will allow the class to learn of the latest developments in different areas of pricing and give the teams opportunities to explore further into different areas of pricing. The topic presentation will need to be recorded into a video file.

## **MEMBER PARTICIPATION IN TEAM PROJECT WORK**

You will be given two opportunities to evaluate team members. The first will be in the middle of the course that will not be counted but your teammates' evaluations of you will be provided to you anonymously so you know how you stand and can improve/adjust. The second one will be at the end of the course. Your grade for team project work will be adjusted depending on your overall contribution to the team's efforts.

## **REQUIRED MATERIALS**

### Text Book:

Cheng, Lillian L. and Kent B. Monroe (To Be Published, 2017). Relativity: The Science of Price Perception. Business Expert Press, New York, NY 10017.

Cheng, Lillian L. and Kent B. Monroe. Draft chapters of Strategic Pricing Management (To Be Published, 2017). World Science Publishing, New York, New York.

### HBSP Cases:

McDonald's: The Hamburger Price Wars

Coca-Cola's New Vending Machine (A); Pricing to Capture Value, or Not?

Customer Profitability and Customer Relationship Management at RBC Financial Group

Beauregard Textile Company

Natureview Farm

Destin Brass Products, Co.

Tupelo Medical

(Changes in cases may be made prior to the second class)

## READINGS AND COURSE SCHEDULE

The following table shows the tentative course schedule, readings and team assignment due dates.

WEEK	DATE	TOPIC	READINGS/CASES	ASSIGNMENT
1	Jan 15	Course Introduction: What Is Price		Introductions Project Considerations
2	Jan 22	Fundamental Concepts and Reference Price		Team Assignments
3	Jan 29	Differential Price Threshold & Latitude of Price Indifference	Case: Destin Brass	Team Project Proposals Due
4	Feb 5	Absolute Price Thresholds and Acceptable Price Range	Case: The Hamburger Price Wars	
5	Feb 12	Contribution Analysis		Team Project Outline Due
6	Feb 19	Chinese New Year Holiday (Class Rescheduled)		
Recess Week: no class				
7	Mar 4	Understanding Competition: Strategy vs. Tactics	Case: Tupelo Medical	
8	Mar 11	Contribution Analysis	Case: Beauregard Textile	
9	Mar 18	Value Analysis	Readings Case	
	Mar 25	Good Friday		
10	Online	Customer Profitability Analysis	Case: RBC Financial Group	
11	Apr 2	Perceived Value Pricing	Case: Coca-Cola	
12	Apr 9	Value Drivers and Value Analysis	Case: Natureview Farm	Team Project Pricing Plan Outline Due
13	Apr 16	Re-engineering Pricing		Team Final Presentation

## **Academic Honesty & Plagiarism**

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>