**BA in Management Program - Spring, 2023**

MKTG 409 Pricing in Marketing

**Instructor: Dr. Cenk Koçaş**

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| --- | --- | --- | --- |
| **Type** | **Time** | **Days** | **Where** |
| Class | 13:40-15:30 | T | FASS G006 |
| Class | 10:40-11:30 | Th | FASS G006 |

Office hours: Stop by or ask for an appointment.

##### Course Description and Objectives

The objective of this course is to teach students how to price goods and services in different market settings and for different customers.

Pricing is the marketing mix element that has a direct impact on profits. As a result pricing is a strategic topic that managers must master for successful marketing.

Upon successful completion of this course, students should be able to:

1. Identify the cost, competition and consumer components of pricing
2. Understand pricing as a component of the marketing mix
3. Apply customer value based pricing
4. Incorporate competitive forces into pricing decisions
5. Understand the psychological foundations of pricing
6. Define the value and use of pricing in a broader sense

##### Course Content

The course emphasizes learning-by-doing as opposed to passive listening with the objective that students internalize rather than memorize strategy related issues, concepts, and approaches. The major pedagogical tools will be projects and interactive lectures. Students are expected to learn how to present persuasive oral and written reports.

##### Materials:

There are no required textbooks for the course, however, students are expected to find/buy/borrow and read at least one pricing book. Some suggestions are:

* Pricing Strategies: A Marketing Approach by Robert M Schindler
* Power Pricing : How Managing Price Transforms the Bottom Line by [Robert J. Doan](http://www.amazon.com/s/ref=ntt_athr_dp_sr_1?_encoding=UTF8&sort=relevancerank&search-alias=books&field-author=Robert%20J.%20Doan) , [Hermann Simon](http://www.amazon.com/Hermann-Simon/e/B001IOBCSQ/ref=ntt_athr_dp_pel_2) , [Robert J. Dolan](http://www.amazon.com/Robert-J.-Dolan/e/B001IOF5TI/ref=ntt_athr_dp_pel_3)
* The Strategy and Tactics of Pricing (5th Edition) by [Thomas Nagle](http://www.amazon.com/s/ref=ntt_athr_dp_sr_1?_encoding=UTF8&sort=relevancerank&search-alias=books&field-author=Thomas%20Nagle) , [John Hogan](http://www.amazon.com/s/ref=ntt_athr_dp_sr_2?_encoding=UTF8&sort=relevancerank&search-alias=books&field-author=John%20Hogan) , [Joseph Zale](http://www.amazon.com/s/ref=ntt_athr_dp_sr_3?_encoding=UTF8&sort=relevancerank&search-alias=books&field-author=Joseph%20Zale)
* Pricing: Making Profitable Decisions  by [Kent B Monroe](http://www.amazon.com/Kent-B-Monroe/e/B001HOPL1G/ref=ntt_athr_dp_pel_1)

##### Method:

In this course, rather than merely going over concepts developed in the text, class sessions will be devoted to discussion and exploration, as well as probing, extending, and applying the text materials. It shall be assumed that students read the text books before coming to class. Each student is expected to contribute to class discussion.

##### Course Components and Grading:

1-Lectures. An interactive discussion format will be followed for lectures. Students are expected to come prepared to meaningfully contribute to the class discussions.

2-Pricing Write-ups: Every two weeks (A total of 5 per student) each student is expected to submit a single page on an interesting, non trivial pricing observation from our everyday lives, preferably with a picture. The objective is reviewing and discussing current pricing issues based on everyday occurrences. The submissions will be graded 0 to 5 based on the richness and insightfulness of the observation and the appreciation of major issues in pricing.

3-Exams: There will be two essay exams, with 3-4 questions each. The questions will aim testing your understanding and application of the course material to real life problems. There will be no final exam.

4- Group Term Project. Students will form teams of 3-5 and complete a free project on pricing. You have 4 weeks at the beginning of the semester to determine your teams and submit your team list. You are individually responsible to form your teams; the instructor will not assign you to teams.

The topic of the project can be chosen freely (the the list below may also help). Teams will prepare and present one progress report mid semester as an in class presentation and a final report of their work at the end of the semester as an in class presentation.

Progress report: 20 %. The Progress presentation will also count as the progress report. The Presentation (presented in 5 min.) will briefly explain the project chosen (3 to 6 slides stating the underlying topic and what the project aims to achieve) and the work plan (1 slide). To present the underlying topic a literature search and the mention of a couple of relevant scientific papers are required.

Final Report: 80 % The final presentation will (presented in 10 min.) also count as the final report, therefore has to be exhaustive and all inclusive. A good approach is preparing a complete but lean presentation (8-12 slides) and keeping other relevant info (i.e. data, details, forms, etc) in appendix of the presentation to be presented if required.

Some Project Alternatives:

Any topic from the Article: Violations-of-rational-choice-principles-in-pricing-decisions 2015 Industrial Marketing-Management (<http://www.sciencedirect.com/science/article/pii/S0019850115000413>)

Remembering Prices: Customers can be asked to remember the prices of products they have in their shopping carts just before or after they check out at a store. The comparison of the remembered versus actual prices as functions of the characteristics of the consumer, store and product are to be analyzed with this project.

Anchoring and BDM: In an experimental setting, customers may use random numbers as anchors to arrive at prices that they would be willing to pay for some products. Manipulating these anchors, we observe the degree to which anchoring effects willingness to purchase. See coherent arbitrariness: stable demand curves without stable preferences\* Dan Ariely George Loewenstein Drazen Prelec the quarterly journal of economics, 2003

FMCG prices: Retailers engage in category pricing practices which result in varying price structures within a category, (think categories like cooking oils, tea, beans, etc), and this approach may differ across same retailer different locations as well as same location different retailers. The objective of this project is to document these pricing structures to figure out certain characteristics.

Quantity Surcharges: What are the percentage of goods for which the larger pack or size is more expensive per unit in a given supermarket, for different supermarkets across regions and positions?

Average basket size and number of products on sale: Retailers that can sell a larger basket would benefit from attracting more customers with more items on sale. An empirical investigation of this fact across retailers and markets is a potential topic for a project.

##### Grading Scheme

The course grade will be calculated based on the following distribution of points for each performance item noted above:

Exam1 30 points

Exam2 30 points

Group Project 25 points

Pricing Write-ups 10 points

Research Participation 5 points

##### TOTAL 100 points

# CLASS SCHEDULE

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| --- | --- | --- |
| Week | Week of | TOPIC |
| Week 1 | 20-Feb-23 | Course introduction |
| Week 2 | 27-Feb-23 | Overview of Pricing |
| Week 3 | 6-Mar-23 | Pricing Process |
| Week 4 | 13-Mar-23 | Consumer Demand  Project Groups are finalized. |
| Week 5 | 20-Mar-23 | Consumer Demand |
| Week 6 | 27-Mar-23 | Value Based pricing |
| Week 7 | 3-Apr-23 | Price Customization  Progress Presentations  Catch-up and review for Exam |
| Week 8 | 10-Apr-23 | Exam 1 |
| Week 9 | 17-Apr-23 | Managing competition |
| Week 10 | 24-Apr-23 | Psychology and Pricing |
| Week 11 | 1-May-23 | Pricing a Portfolio of Products |
| Week 12 | 8-May-23 | Pricing and Ethics |
| Week 13 | 15-May-23 | Exam 2 |
| Week 14 | 22-May-23 | Presentations  Final Report Due |

**Statement on Academic Integrity:**

Academic integrity is the basis for academic freedom and academic institutions’ position of influence and trust in society. It is also the basis for the credibility of degrees to be awarded to you.

It is assumed that all work done for credit will be the result of the individual’s or authorized group’s unaided effort. Anyone who either gives or receives unauthorized assistance in the preparation of work at home or during tests in class will be subject to disciplinary action under the provisions and policies set forth by Sabanci University. Students should be advised and forewarned that all opportunities for violations will be closely scrutinized and that any suspected violations will be submitted to Sabanci University’s judicial system.

If ever in doubt, consult these eight rules of academic integrity from Northwestern University:

1. Know Your Rights. Do not let other students in your class diminish the value of your achievement by taking unfair advantage. Report any academic dishonesty you see.

2. Acknowledge Your Sources. Whenever you use words or ideas that are not your own when writing a paper, use quotation marks where appropriate and cite your source in a footnote, and back it up at the end with a list of sources consulted.

3. Protect Your Work. In examinations, do not allow your neighbors to see what you have written; you are the only one who should receive credit for what you know.

4. Avoid Suspicion. Do not put yourself in a position where you can be suspected of having copied another person's work, or of having used unauthorized notes in an examination. Even the appearance of dishonesty may undermine your instructor's confidence in your work.

5. Do your own work. The purpose of assignments is to develop your skills and measure your progress. Letting someone else do your work defeats the purpose of your education, and may lead to serious charges against you.

6. Never falsify a record or permit another person to do so. Academic records are regularly audited and students whose grades have been altered put their entire transcript at risk.

7. Never fabricate data, citations, or experimental results. Many professional careers have ended in disgrace, even years after the fabrication first took place.

8. Always tell the truth when discussing your work with your instructor. Any attempt to deceive may destroy the relation of teacher and student.