



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 455 H1 F

PRICING, section L0101

Fall 2018

Course Meets: Thursday, 10 – 12pm, WO 20

Instructor:	Nitin Mehta, Room 5072, Rotman School of Management
E-Mail:	nmehta@rotman.utoronto.ca
Phone:	416-978-4961
Fax:	416-978-5433
Office Hours:	Thursdays, 3pm to 5pm, Room 5068 Rotman School of Management

Course Scope and Mission

Price setting is probably the most crucial of all marketing mix decisions. It involves understanding both supply side factors (e.g. costs) and demand side factors (e.g. consumer willingness to pay). While traditional approaches to pricing theory have revolved around an economic and financial framework, a broader and more pragmatic view entails a comprehensive understanding of the demand side; both at the level of individual customer values, and the more aggregate level of price sensitivities of the market. In this course, we will approach the pricing decision as an intersection of economic, strategic, and behavioral considerations. Using product categories as diverse as healthcare, industrial products and consumer packaged goods, we will study economic and behavioral approaches to pricing, value pricing, price customization, price bundling, retail pricing strategies, and the role of ethics in pricing. You will be able to:

- 1) Understand the importance of the demand curve and customer willingness-to-pay in pricing strategy.
- 2) Learn how to calculate profit-maximizing prices.
- 3) Calculate expected value to customers (EVC) and develop the concept of value based pricing.
- 4) Understand relevant costs in determining prices, and develop a cost-based framework for pricing decisions
- 5) Understand the effect of non-price factors on price image and perceived value.
- 6) Be sensitive to consumer behavior factors that play a large role in pricing effectiveness
- 7) Understand pricing strategies like bundling, price customization and subscription pricing.
- 8) Apply the concepts in a variety of business contexts.

Course Prerequisites

RSM 250: Principles of Marketing

Required Readings

- There is no required textbook. The cases and readings are electronically available on the Quercus. The students need to follow the links on the Quercus to download the electronic versions of the cases and notes from Harvard Business School Publishing.
- I will periodically post extra readings on the Quercus, so check it regularly.

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

	<i>Weight</i>	<i>Due Date</i>
Group Case Write Up	30%	9am on Oct 11 (Due electronically via Quercus)
Individual Assignment on ‘Tweeter etc.’	10%	9am on Nov 15 (Due electronically via Quercus)
Final Exam	30%	TBA
Group performance on Bistro Game	10%	in class, Oct 25
Class Participation	17%	Ongoing
Research Study Participation (3 credit hours)	3%	

Group Case Write-up

Your group will be asked to prepare a written submission for the case, ‘Kone: The Monospace Launch in Germany.’ You can download the case from the link given on the Quercus. Only a written document is required – a presentation is not needed. Your group needs to submit *an electronic copy* of the group case write up by 9am via the Quercus on Oct 11. Only one copy per group needs to be submitted. The case write-up will consist of responses to specific questions. The specific questions for the group case write up and the format for the write up will be posted on Quercus under week 2 (around Sept 13). Groups should be of 5 people. Please form your own groups and notify me by email of the members in your group before the class on Sept 13. Further, we will have the same groups for the group case write as well as for the Bistro pricing game.

Individual Assignment

You will be asked to prepare an individual written submission for the case, ‘Tweeter etc.’ You needs to submit *an electronic copy* of the individual write up by 9am via the Quercus on Nov 15. The deliverable will be answers to two questions on this case. The specific questions for the individual case write up and the format will be posted on the Quercus one week prior to the due date.

Final Exam

Your final exam will be an individual exam during the exam week. Further details about the final exam and the guidelines will be discussed in class.

Bistro Pricing Game Performance

On Oct 25, we will play a pricing game in class (namely, the Bistro Pricing Game), in which the groups compete against each other. We will have the same groups for the group case write as well as for the Bistro pricing game. The game will last for around 9 rounds. The details of the game will be explained in class a week before. The grade will be determined by the team's relative performance at the end of the game.

Class Participation

This is a discussion-based course, so class participation will be absolutely critical if you are to benefit fully. Participation is all about building a learning community and it will be your contribution to this community that counts. The instructor's role during a case discussion is that of a facilitator and moderator. In the classes, we are less concerned with "right" or "wrong" answers than we are with thoughtful contributions which follow the discussion and either add to the debate or move it in a new direction. Furthermore, we don't want to have a situation where everyone is competing for airtime: this works against building a learning community. So we propose to grade participation according to the following expectations:

- Participation points are mainly given for those classes in which we have case discussions and not for those classes in which we have lectures. Specifically, there are no participation points for asking clarification questions during the lectures.
- I need to know who you are to give you credit for your contributions, so be sure to keep your ***name card*** in front of you at all times.
- Everyone will be expected to show up and to be prepared for class. If you must miss a class, please advise me before the class why you will be missing the class. Students who repeatedly arrive late to lectures/case discussions or who miss lectures/case discussions without the professor's prior permission will have their class participation grade lowered.
- *Cold Calling*: Although everyone will be encouraged to participate, students *may* be called on randomly during the class discussion.
- You should generally speak up in class. Try to have something valuable to say in at least 3 sessions. You should be aware that good participation means quality of participation, as opposed to quantity. The following questions will be considered in grading participation:
 - Do comments interpret or integrate case facts using theories, concepts, and analytical tools presented in the readings and lectures?
 - Can the participant provide insights on why certain market phenomena (that are being discussed in class) are observed? Further can he/she add to the concepts being discussed in class with suitable examples?
 - Can the participant show the ability to challenge the concepts being discussed in class by giving counter examples/reasons?
 - Does the participant listen to other comments? Is the participant able to build on and evaluate other comments? Does the participant learn from and show respect for other speakers and their points of view?
 - Most importantly, participation points are not given for the 'right' answers. Instead, *participation points are given if a student comes up with any insight, right or wrong, as long as he/she can support it with reasons/examples.* In a similar vein, any comment, although correct, if not backed up by reasons will not be awarded any participation points.
- Finally, for the three case discussions (Atlantic Computers in week 4, Medicines Company in week 5 and Burroughs Wellcome in week 11), we will have brief student presentations. If the

students do a good job in their presentation, it will help in their participation grade (and of course, the converse also holds true).

In order to prepare you for class discussion, we have posted the relevant discussion questions for each case on the Quercus one week in advance.

COURSE FORMAT AND EXPECTATIONS

The course is composed of 12 regular sessions. The sessions will be a mixture of lectures and case discussions. The purpose of the lectures is to present and discuss theories, concepts, analytical techniques and empirical findings. We will discuss a number of comprehensive business cases. The goal of the case discussion is to apply the concepts to the context provided by the case and to make decisions based on both qualitative and quantitative analysis.

For all Assignments and the Final exam:

Please note that clear, concise, and correct writing will be considered in the evaluation of Individual assignment, the group assignment and the final exam. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (<http://www.studentlife.utoronto.ca/asc>) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

For Group Work (Group Assignment and the Bistro Simulation):

The group assignment on the case ‘Kone: The Monospace launch in Germany’ and the Bistro Simulation requires students to work in teams of 5. The teams will be the same for both the group assignment and the Bistro Simulation. Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.
2. When working in a team, Rotman Commerce students are expected to:
 - Treat other members with courtesy and respect;
 - Honour the ground rules established by the team;
 - Contribute substantially and proportionally to the final project;
 - Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
 - Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team’s process of learning how to work together. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as

possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

**For an appointment with a Rotman Commerce Team Coach, please contact Nouman Ashraf at nouman.ashraf@rotman.utoronto.ca Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Further Expectations

For the classes, my expectations from you are as follows:

- *Class Preparation:* I expect you to have thoroughly prepared assigned cases for class. I also expect you to have at least skimmed any readings assigned for class discussion. You can read them more thoroughly after class if you want to learn more detail.
- *Punctuality and Deadlines:* I expect you to be on time for classes. I understand that due to unforeseen circumstances, you may be occasionally late. If possible, please let me know in advance if you are going to be late. Being habitually late is a good way of losing goodwill (i.e., not performing well on class participation). ***Also, deadlines will always be strictly enforced and no exceptions of any kind will be made without prior approval.***
- *Class Participation:* Please see specific guidelines on expectations in section 4.3.

Contacting Me

I don't have formal office hours, but I am generally in my office during the day. My email is listed on the first page of this syllabus. You can contact me by sending an e-mail.

Course Administration Issues

- Slides/materials for any given class will be posted on the Quercus prior to the beginning of class. However, case analyses and notes will be delay-posted, and will be available only after class has finished.
- Announcements and updates, if any, will be posted to the portal periodically.
- Please ***do not hesitate to send me an e-mail*** at any point in time if I can be of help. At the very worst, I will be busy and unable to respond immediately, but you should not hesitate to ask.

Cell Phone and Laptop Policy

Your cell phone should be turned off during class. You can use your laptops during the lectures, but not the case discussions. By default the laptops should be in a closed position during the sessions when we have case discussions. Checking email, messaging surfing the net, and other activity unrelated to the class is not permitted.

Electronic Course Materials

This course will be using the following electronic course materials which are available on Quercus:

1. CASE: "Atlantic Computer: A Bundle of Pricing Options." By Neeraj Bharadwaj and John B. Gordon.
2. CASE (OPTIONAL): "A Practical Guide to Conjoint Analysis." By Ronald T Wilcox.
3. CASE: "Medicines Company." By John T. Gourville

4. CASE: “KONE: The MonoSpace Launch in Germany.” By Das Narayandas and Gordon Swartz.
5. CASE: “Tweeter etc.” By John T. Gourville and George Wu.
6. CASE: “Coca-Cola's New Vending Machine (A): “Pricing to Capture Value, or Not?” By Charles King and Das Narayandas.
7. CASE: “Burroughs Wellcome and AZT (A).” By Willis Emmons and Ashok Nimgade.

The use of these materials complies with all University of Toronto policies which govern fees for course materials.

Weekly Schedule

Session	Date	Topic	Readings
1	Sept 6	Course Overview	None
2	Sept 13	Lecture on Role of Costs in Pricing	None
3	Sept 20	Lecture on Value Based Pricing and Conjoint Analysis	Notes on Pricing (will be posted on the Quercus under session 3)
4	Sept 27	Case Discussion on Value-Based Pricing	Case: Atlantic Computers – A Bundle of Options
5	Oct 4	Case Discussion on Value-Based Pricing	Case: Medicines Company
6	Oct 11	Lecture on Price Discrimination: Third degree, Second degree (non-linear pricing, bundling, product line pricing, tied goods pricing)	None (Group Assignment on Kone due at 9am)
7	Oct 18	Lecture on Retail Pricing and Promotions	None
8	Oct 25	Bistro Pricing Game (simulation)	None
9	Nov 1	Recap of Bistro Pricing game; Lecture on Behavior-Based Pricing	Case: Coca Cola’s New Vending Machine
10	Nov 15	Case Discussion on Retail Pricing and Promotions	Case: Tweeter etc. (individual assignment on Tweeter due by 9am)
11	Nov 22	Case Discussion on Legal and Ethical Issues in Pricing	Case: Burroughs Wellcome and AZT (A)
12	Nov 29	Wrap-Up	None

POLICY AND PROCEDURE

Missed Tests and Assignments

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. Verification of Student Illness or Injury form) to the Rotman Commerce Program Office within **2 business days** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a later report of illness made by the student to a physician.

If a student has missed an assignment because of reasons beyond his/her control and if s/he has notified the Rotman commerce (as discussed above), then the student will be given a make up assignment.

Late Assignments

Late submissions will not be graded and no exceptions will be made without prior approval.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain prior approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.studentlife.utoronto.ca/as>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information

Commons Help Desk in Robarts Library, 1st floor, for help, or explore additional Portal Information for Students at <http://portalinfo.utoronto.ca/content/information-students>.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.