

Course Outline

RSM 455 H1F

PRICING

Fall 2023

Course Meets: Tuesdays, 3pm to 5pm (section L0101); 5pm to 7pm (section L5101)

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Office Hours: By appointment

1) Overview and Goals

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.

2) Required Readings and Prerequisites

- There is no required textbook. The list of cases and readings is 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.

3) Course Format

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.

4) 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 Assignment on ‘Atlantic Computers’	20%	12 noon Oct 3 (Due electronically via the Quercus)
Group performance on Bistro Game	10%	In class, Oct 31
Group Assignment on Pricing Analytics	15%	12 noon Oct 31, (Due electronically via the Quercus)
Individual Assignment on ‘Tweeter etc.’	10%	12 noon Nov 21, (Due electronically via the Quercus)
Final Exam	30%	TBA
Class Participation	15%	Ongoing

4.1. Group Assignments

Your group will be asked to prepare a written submissions for (i) the group assignment on Atlantic Computers: A Bundle of Options, and (ii) the quantitative group assignment on Pricing Analytics. For both assignments, you would need to submit the pdf of the answer sheet along with M.S. Excel (or any other statistical software) to arrive at your answers. For Atlantic Computers, your group needs to submit the electronic copy by 12 noon on Oct 3. For the quantitative group assignment on Pricing Analytics, your group needs to submit an electronic copy by 12 noon via Quercus on Oct 31. For both group assignments, only one copy per group needs to be submitted. Please assign one person in your group to submit the assignment. The specific questions for the group assignment and the format for the write up will be posted on the Quercus a week before the due date. Groups should be of 4-5 people. Please form your own groups and notify me (by email) of the members in your group by Tuesday Sept 26. Further, we will have the same groups for the group case write as well as for the Bistro pricing game.

4.2. Individual Assignments

You will be asked to submit an individual written assignment. The assignment is on the case ‘Tweeter etc. which is due at noon on Nov 21. You would need to submit *an electronic copy* via the Quercus by the due date and time. The specific questions for the individual assignment and the format will be posted on the Quercus one week prior to their due date.

4.3. Final Exam

Your final exam will be in December. The date will be announced later. The exam will be based on the material taught in class. Further details about the final exam will be discussed in class.

4.4 Bistro Pricing Game Performance

On October 31, 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 assignments 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. Groups should be of 4-5 people. Please form your own groups and notify me (by email) of the members in your group by Tuesday Sept 26.

4.5. 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 two case discussions (Atlantic Computers in session 4, The Medicines Company in session 6), 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 will post the relevant discussion questions for each case on the Quercus one week in advance.

5) 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 Assignments and the Bistro Simulation):

The groups assignment on the case ‘Atlantic Computers’, Pricing Analytics and the Bistro Simulation requires students to work in teams of 4-5. The teams will be the same for the group assignments and the Bistro Simulation. Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic

accommodations, consult with your Accessibility Advisor about the teamwork in this course.

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.

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: "[Medicines Company](#)." By John T. Gourville
3. CASE: "[Tweeter etc.](#)" By John T. Gourville and George Wu.

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

Schedule

Session	Date	Topic	Readings
1	Sept 12	Course Overview	None
2	Sept 19	Lecture on Role of Costs in Pricing	None
3	Sept 26	Lecture on Value Based Pricing and Conjoint Analysis	Notes on Pricing (will be posted on the Quercus under session 3)
4	Oct 3	Case Discussion on Value-Based Pricing, Price Elasticities	Case: Atlantic Computers – A Bundle of Options (Group Assignment on Atlantic Computers due at 12 noon)
5	Oct 10	Pricing Analytics	None
6	Oct 17	Case Discussion on Value-Based Pricing, Overview of Price Discrimination	Case: The Medicenes Company
7	Oct 24	Lecture on Price Discrimination: Third degree, Second degree (bundling, non-linear pricing, product line pricing, tied goods pricing)	None
8	Oct 31	Bistro Pricing Game (simulation)	None (Group assignment on ‘Pricing Analytics’ due at 12 noon)
9	Nov 14	Recap of Bistro Pricing game; Lecture on Behavior-Based Pricing	None
10	Nov 21	Lecture on Retail Pricing and Promotions	None
11	Nov 28	Case Discussion on Promotions	Case: Tweeter etc. (Individual assignment on ‘Tweeter etc. due by 12 noon)
12	Dec 5	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 request special consideration **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, eg. Absence Declaration from [ACORN](#), medical note etc.

Please note: As of September 2023, students may use the Absence Declaration on ACORN ***one time per term*** to report an absence and request consideration. **Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable.

If a student has missed an assignment or the exam 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/exam.

Late Assignments

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

Commitment to Accessibility

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please [email Accessibility Services](#) or visit the [Accessibility Services website](#) for more information as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

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.