



Pricing Analysis

2 Credits

BU.430.720.81

Monday 6:00-9:00 PM
03/27/2023-05/15/2023

Spring 2023

Location: Synchronous online

Instructor

Hooman Mirahmad, Ph.D

Contact

Information Email:

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Office Hours

Wednesdays 12:00-1:30 PM

Wednesdays 4:45-5:45 PM (Please contact me before visiting)

The instructor receives numerous emails from students in several different courses. Following these guidelines will help ensure your email receives a helpful response.

- Email is the preferred method of communication with the instructor.
- In your email subject line, **please state your course title, course number (including section number), and the topic of your email.**
- Emails during the week will be responded to within 48 hours. Response times during the weekend may be longer. Emails that do not follow the above guidelines may receive a delayed response.

Text and Learning Materials

Recommended Textbook:

- Thomas Nagle, Georg Müller (2017). The strategy and tactics of pricing (6th ed.). Routledge.

Articles available via e-reserve/Blackboard

- Price Smarter on the Net (HBSR article Reprint #R0102J)
- Setting Value, not Price, McKinsey Quarterly, 1997, No 1
- The Price Is Really Right, Business Week, March 31, 2003

The following readings are available via [This link](#)

- Medicines Co., John T. Gourville (9-502-006) (case)
- Fidelity: Pricing the Fidelity Blue Chip Growth Fund, Ron Wilcox (Darden UV0323) (case)
- Merck: Pricing Gardasil, Tim Calkins, (KEL400) (case)
- Tupelo Medical: Managing Price Erosion, Eric T. Anderson, et al., (KEL707) (case)

Course Description

Pricing is one of the most important and least-understood marketing decisions. This course aims to equip students with proven concepts, techniques, and frameworks for assessing and formulating pricing strategies. The objective is to prepare students for addressing strategic and tactical pricing issues and identifying profit-boosting changes in pricing practices across a range of professional contexts – as product/service managers, business unit managers, management consultants, entrepreneurs and M&A advisors.

Prerequisite(s)

(BU.410.620 OR BU.911.610) AND (BU.510.601 OR BU.914.610)

Learning Objectives

By the end of this course, students will be able to:

1. Understand the nature and scope of Pricing decisions
2. Master appropriate qualitative and quantitative techniques for pricing decisions
3. Have the ability of evaluating the proposed pricing strategy in terms of their ethical frames and behavioral feasibility
4. Have the ability to interpret and deliver the proposed solution and develop compelling yet balanced arguments for the recommendations

Course Policies

Attendance

Class participation are part of each student's course grade. Students are expected to attend all scheduled class sessions via Zoom. Each class will include opportunities for teams to work together. Failure to attend class will result in an inability to achieve the objectives of the course. Excessive absence will result in loss of points for team participation and class participation. Regular attendance and active participation are required for students to successfully complete the course.

Assignments & Rubrics

Assignment	Learning Objectives	Weight
Class Participation	n/a	10%
Team Project Report and Presentation	1, 2, 3, 4	25% / 10%
Cases	1, 2, 3, 4	30%
Quantitative Homework	2, 4	25%
Total		100%

- **Class Participation (10%)**

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 followings:

- There are no participation points for asking clarification questions during the lectures.
- Everyone will be expected to show up and to be prepared for class. If you must miss a class, please inform 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 and might fail the course.
- You should generally speak up in class. Try to have something valuable to say. You should be aware that good participation means quality of participation, as opposed to quantity.

- **Case Analysis (3*10%)**

We will have 3 cases in this course (pharmaceutical; health care; financial). The case report is to be written in PowerPoint with maximum 20 slides. Although I want you to invest in visual communication for the course project presentation, you may concentrate solely on verbal communication for case presentation slides. Your slides should define the problem, explain why it is important and complicated, propose a solution that is appropriate for the problem and for the company, and explain why it is better than alternative solutions. You can choose to include an appendix set of slides that you think necessary and facilitate your delivery of ideas. In putting together the slides, imagine that your boss is the decision maker in the case and that s/he needs to propose a solution to her boss (or the board of directors). S/he's asked you to analyze the situation and prepare an appropriate presentation that s/he will use to argue the case. The first group case can be assigned less weight for the learning purpose (upon request), and hopefully it could help improve the rest three cases' analysis.

- **Quantitative Homework (25%)**

- **Group Report (25%) / Presentation (10%)**

Note: All written HW/Case/Report must be printed. Peer evaluation will be collected at the end of the semester. Usually, all members in the same group will get the same grades unless there is a serious free-riding problem.

Grading

The grade of A is reserved for those who demonstrate extraordinary performance as determined by the instructor. The grade of A- is awarded only for excellent performance. The grades of B+ and B are awarded for good performance. The grades of B-, C+, C, and C- are awarded for adequate but substandard performance. The grades of D+, D, and D- are not awarded at the graduate level. The grade of F indicates the student's failure to satisfactorily complete the course work. For Core/Foundation courses, the grade point average of the class should not exceed 3.35. For Elective courses, the grade point average should not exceed 3.45.

Course Requirements

Readings

The readings are listed below on the schedule of topics. The textbook is a worthwhile source of material and you are encouraged to read the chapters (though not required).

Individual Quantitative Homework

There will be one individual quantitative exercise which give you an opportunity to apply some of the basic concepts that will be developed in class. Please turn in electronic copies of the assignments by email or via Canvas before the start of class on the date that the assignment is due.

Group Case Studies

Case discussion questions are provided at the end of this Syllabus. Please turn in electronic copies of case assignments at the beginning of class on the date that the case is to be discussed. The cases are to be completed in groups (6 people per group). Please finalize groups and notify me of your group members by the end of the first week's Friday by email. For each case, we **may** have 1 or 2 groups (15 minutes including Q&A) to present before our discussion (subject to the schedule). Groups will be selected randomly to present so all of the groups should be prepared.

Final Report/Presentation

Each group is required to do a class presentation on one of the pricing topics listed below. You are welcome to choose a company your group is interested in, though a company or product/service from health care/pharmaceutical, or offline/online financial service, is strongly recommended. The presentation should be about 15 minutes and additional 5 minutes will be allocated to questions or comments from the class. The presentation will help you apply marketing principles to real complex business problems, improve presentation skills and give you experience working in a team. A PowerPoint-style Report (Limited to max 20 pages) is expected for the audience. Supporting charts or data can be included as an Appendix. The quality of learning that team presentations generate is substantially shaped by the richness of data – qualitative and quantitative. Teams are encouraged to be creative in identifying and tapping data sources, such as press articles, analyst reports, market research studies, customer interviews, etc. Each group is required to turn in a 1- to 2-page progress report in class on the 5th week, briefly describing what you plan to do and what you have done up to that point.

The class presentation and the summary report will be graded on the following criteria:

- Scope: Topic appropriately scoped to make it a significant learning experience for the team and the class.
- Fact base: Appropriate data acquired to support analysis and conclusions.
- Analysis & conclusions: Compelling analysis & conclusions that are well supported by facts and logical reasoning
- Course linkages: Use of appropriate concepts, frameworks and examples discussed in class.
- Presentation: Well-structured discussion with clear flow, introduction and conclusions and effective response to questions from class.

Note that the questions in each topic are meant to be suggestive, not exhaustive. Feel free to add additional analyses/areas of discussion within the chosen theme – the key is to unearth insightful findings and conclusions founded on real-world observations and linkages with pricing concepts. If a team has a strong interest in picking a topic not described below, feel free to discuss with me.

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.

Suggestions of the topics for final group project

1. **Some industries are experiencing major forces of change that are leading to the adoption of new pricing practices.** Examples of such forces include deregulation, entry of low-cost competition, technological innovation, and transition from one stage to the next of the industry/product lifecycle. Identify an industry that underwent such changes in pricing and profile the changes in pricing strategies adopted by different players. Who was successful at capturing additional value - across competitors, and across the value chain? Did the industry converge to a stable new pricing regime or move into relatively anarchic conditions? What factors cause the industry to evolve in this fashion? What efforts did industry players make to enhance their organizational effectiveness to price in the new environment?
2. **Identify a company that has a reputation in its industry for being smart at pricing.** Profile its pricing practices - strategy, organization, and implementation. Why has its competition not been able to mimic its success? How much value is smart pricing adding? What insights can other businesses (beyond this industry) draw from this company?
3. **Identify a situation where a company or an industry moved from a “one-size-fits-all” approach to pricing to a segmented pricing approach.** What triggered the shift? How successful has it been? What practical challenges came up in making the transition and how were these addressed? How much value has been created by the shift to segmented pricing? What integrated strategies across the 4P's were needed to implement the change? What other improvements can you suggest in how the company/industry should approach pricing?
4. **Describe the pricing strategy for a recently launched product or service.** What is the pricing structure and the logic behind it? What did the organization do to implement its pricing successfully in the marketplace? What was the analysis / decision making process that the company went through in arriving at the launch price? What role did competitive pricing behavior play in influencing the success/failure of the product? What improvements could you suggest on how the company approached pricing and the actual pricing strategy?
5. **Product lifecycles have shrunk in recent years due to rapidly shifting customer preferences, product proliferation and technological advancements** – Pricing is a particularly important and complex issue for short-lifecycle products – i.e., products that become obsolete within 6 months – 2 years of introduction. Profile the pricing practices at a company that operates in a short-lifecycle environment – e.g., technology, service or information contexts. How does the company adjust prices as the product evolves from one stage to the next, as the demand/supply balance changes, or as customers' value for the product changes? Where within the organization are markdown/promotion vs. introductory price decisions made? What role do channel partners play in managing price across the lifecycle? How customer expectations are managed vis- à-vis price changes? What practical issues does the company face in implementing advanced pricing practices? What opportunities do you see for further improving pricing practices?
6. **Managing pricing coherently across channels is a particularly tough challenge for brands that are distributed via multiple channels** – common problems include gray markets, and the conflict between direct channels like the web with the indirect channel partners. Identify a company that has actively worked on addressing pricing challenges across channels. What factors were behind these challenges (e.g., self- interested behavior of channel partners)? How did the company address these issues? How successful has its approach been? Are there other actions it could have taken that you would recommend? What insights can this offer to other businesses in the same or other industries?

Cases and Discussion Questions

Link of Course Cases and Readings: [This link](#)

Case Number	Title	Author	Learning Objective
HBS 9-502-006	Medicines Co.	John T. Gourville	Economic values of consumers
Darden UV0323	Pricing the Fidelity Blue Chip Growth Fund	Ron Wilcox	Analytical pricing decisions
KEL-400	Merck: Pricing Gardasil	Tim Calkins	Pricing with cost/value, price of product life circle

The Medicines Company:

1. What is the value of Angiomax to a hospital?
2. What price should The Medicines Company charge for a dose of Angiomax? Why?
3. What do you think the adoption profile will look like for Angiomax? Will this be an easy sell or a tough sell? Why?
4. If you were the Medicines Company, how would you promote Angiomax?

Fidelity Incorporated: Pricing the Fidelity Blue Chip Growth Fund

1. Why does it make any difference how Fidelity BCGF generates additional profit from customers? Won't people treat dollars the same whether they have to pay them in an upfront load or annual expense ratio?
2. Is McDowell correct in his belief that the strength of the Fidelity brand name insulates his fund from price competition with Vanguard's PRIMECAP fund?
3. What does the conjoint analysis suggest would be the best way for BCGF to generate the 30 percent increase in profit expected by Johnson?
4. Do you believe the results of the conjoint analysis presented are useful in determining what BCGF should do here? Why or why not?
5. What other information, if any, is critical before you make the final pricing decision?

Merck: Pricing Gardasil

1. Is Gardasil a good product?
2. What should the price be?
3. What factors should Merck consider when setting the price?
4. At a price of \$120 per dose, what is the cost per QALY?
5. So, what should the price be?

Feedback

My goal is to make this an excellent course. If at any time you feel that the course is not fulfilling your expectation or you just want to give me feedback on how the course is progressing for you I would like to hear your comments. You may email me anytime.

Tentative Course Calendar

Instructors reserve the right to alter course content and/or adjust the pace to accommodate class progress. Students are responsible for keeping up with all adjustments to the course calendar.

Week	Topic	Materials	Due
1	1. Introduction and overview 2. Importance of pricing 3. Customer and pricing	Chapters 1, 2; “Price Is Really Right”; “Setting Value, not Price”	Group formation
2	1. Cost and Pricing 2. Competition and pricing	<u>Case 1 (Medicines) out</u> Chapters 9, 11; “Basic Quantitative Analysis for Marketing”	
3	1. <u>Case discussion</u> 2. Pricing research 3. Pricing psychology	<u>Case 2 (Fidelity Fund) out</u> Chapter 12	<u>Case 1 (Medicines) due</u>
4	1. <u>Case discussion</u> 2. Pricing structure 3. Price discrimination	HW out Chapter 3,6	<u>Case 2 (Fidelity Fund) due</u>
5	1. Pricing multiple products 2. Pricing and product life-cycle 3. Channel pricing	<u>Case 3(Pricing Gardasil) out</u> Chapter 4, 5, 7	<u>HW due</u>
6	1. <u>Case discussion</u> 2. Price and Promotion 3. Channel Pricing	Chapters 8, 13	<u>Case 3 (Pricing Gardasil) due</u>
7	1. Pricing information goods 2. International pricing 3. Legal aspects of pricing 4. Course summary	“Price Smarter on the net”	
8	Group Presentation		Final Group Report due

Carey Business School Policies and General Information

Please note that failure to become acquainted with Carey policies will not excuse any student from adhering to these policies.

Canvas Site

A Canvas course site is set up for this course. Each student is expected to check the site throughout the semester as Canvas will be the primary venue for outside classroom communications between the instructor and students. Students can access the course site at <https://canvas.jhu.edu/>.

Technical Support

24/7 technical support for questions regarding Canvas, Zoom, and other technical issues is available. Please refer to Carey's [Academic Resources webpage](#) for contact information and other details.

Students with Disabilities - Accommodations and Accessibility

Johns Hopkins University values diversity and inclusion. We are committed to providing welcoming, equitable, and accessible educational experiences for all students. Students with disabilities (including those with psychological conditions, medical conditions, and temporary disabilities) can request accommodations for this course by providing an Accommodation Letter issued by [Student Disability Services](#). Please request accommodations for this course as early as possible to provide time for effective communication and arrangements. For further information or to start the process of requesting accommodations, please contact [Student Disability Services](#) at the Carey Business School.

Academic Ethics Policy

Carey expects graduates to be exemplary global citizens in addition to innovative business leaders. The Carey community believes that honesty, integrity, and community responsibility are qualities inherent in an exemplary citizen. The objective of the Academic Ethics Policy (AEP) is to create an environment of trust and respect among all members of the Carey academic community and hold Carey students accountable to the highest standards of academic integrity and excellence.

It is the responsibility of every Carey student, faculty member, and staff member to familiarize themselves with the AEP and its procedures. Failure to become acquainted with this information will not excuse any student, faculty, or staff member from the responsibility to abide by the AEP. Please contact the [Office of Student Affairs](#) if you have any questions. For the full policy, please visit the [Academic Ethics Policy webpage](#).

Student Conduct Code

The fundamental purpose of the Johns Hopkins University's regulation of student conduct is to promote and to protect the health, safety, welfare, property, and rights of all members of the University community as well as to promote the orderly operation of the University and to safeguard its property and facilities. Please contact the [Office of Student Affairs](#) if you have any questions regarding this policy. For the full policy, please visit the [Student Conduct Code webpage](#).

Commitment to Respect

Respectful behavior creates an environment within the Carey Business School where all are valued and can be productive. Carey defines respectful behavior as conduct that, at a minimum, demonstrates consistent courtesy for others, including an effort to understand differences. As such, all in the community agree to the Carey Commitment to Respect, which states that we all strive to show that we value each other's human dignity and our differences, and to choose behavior and language that demonstrates mutual respect. Please visit the [Commitment to Respect webpage](#) to learn more about the expectations and resources available.

Classroom Policies for All On-Site and Remote-Live Classes

Carey is committed to maintaining the highest standards of excellence in all forms of instruction. To that end, we have developed [policies and procedures for all classes offered in on-site and remote-live formats](#). These policies will govern all courses occurring in these formats, and all students are expected to familiarize themselves with and adhere to these policies.

Student Success Center

The Student Success Center offers assistance in core writing and quantitative courses. For more information, visit the [Student Success Center webpage](#).

Other Important Policies and Services

Students are encouraged to consult the [Student Handbook and Academic Catalog](#) and [Student Services and Resources](#) for information regarding other policies and services. For your convenience, there is a singular website students can visit to learn about all [JHU and Carey policies](#).

Copyright Statement

Unless explicitly allowed by the instructor, course materials, class discussions, and examinations are created for and expected to be used by class participants only. The recording and rebroadcasting of such material, by any means, is forbidden. Violations are subject to sanctions under the [Academic Ethics Policy](#).