



Pricing Strategies

Syllabus, 2020

Wednesday 11 am to 1 pm (Chile time). September 23rd to November 04th.

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I. General Objectives

Pricing is part art and part science. We will discuss both perspectives during the term. The course discusses pricing concepts and tools from a marketing perspective and as an integral part of the marketing strategy and business model chosen by an organization. Different factors affecting and influencing the formulation of a pricing strategy are discussed, including costs, demand, competition, intermediaries, technology, data, laws & ethics.

Upon completion of this course, you should be able to:

- 1.- Understand the nature, context and challenges of pricing within a business model
- 2.- Develop the different components of a pricing strategy and its relationship with marketing strategy
- 3.- Analyze and compare alternative pricing strategies
- 4.- Develop pricing discrimination strategies to maximize value capture
- 5.- Understand innovation applied to pricing models.
- 6.- Develop competences to manage a pricing strategy considering demand, competitive forces, legal constraints and ethical principles.
- 7.- Understand the impact on pricing of emergent technologies such as machine learning, algorithms and personalization tools.

II. Methodology

In order to leverage the online context and the international component of the class, an intensive use of cases is considered, as well as a simulation software-game.

We will have a two-hour online session (for seven weeks) plus 30 minutes aprox. of video for class preparation (non-synchronic) each week. Zoom-sessions and videos will be posted on the Moodle Platform for your review. The student participation in the weekly 2-hour session is strongly encouraged, given that we will devote a significant part to the discussion of cases and group exercises.



The sessions will take place on Wednesdays from 11 AM to 1 pm (Chile-USA Eastern Time), September 23, 30; October 07, 14, 21, 28 and November 4. For the online sessions we will use the Zoom platform.

Case Write-up: You will prepare three written case analyses in a group. From the 6 cases that will be discussed in the course, 3 of them will be assigned randomly to each group formed. Submission must be in ppt format (with 6 slides limit). The report should answer the questions assigned for that case. In addition to the 6 slides, you may add as many exhibits, tables and figures as necessary. The file must be uploaded to the platform at the beginning of the class in which the case will be discussed – no exceptions.

The key to a good case analysis is to carefully analyze the situation, discuss it with your GNAM classmates, apply relevant conceptual materials, and evaluate possible courses of action before selecting your own recommendations.

Some suggestions regarding your Case report presentations

- Start early with a sketch/storyboard of your 6 slides. Put only the slide title or message. Identify info needs and assign them. Monitor missing slides and their info. Leave aesthetics and presentation preparation for the last days, not the content!
- A presentation usually has the objective of making the audience “buy” an idea or action plan. Therefore, marketing concepts should be applied to it. As in any business, the communication of the idea is as important as the content/message.
- Problems with a presentation appears when it shows:
 - Lack of preparation and knowledge of the content.
 - No clear message. Too much description but lack of deep analysis and supportive arguments.
 - Too many ideas.
 - There is no logic journey to the conclusions. Arguments are not linked between them.
 - Data, Charts, but not messages. You must guide your audience towards your conclusions
 - Slides over saturated with text and info.
 - Lack of creativity and boring style.
 - That it mainly depends on the oral presentation.
 - You didn't have fun preparing it!

Case Presentation: One of the three groups submitting their case reports will be invited to present to the class and lead the discussion of the case for about 20 minutes.

Final take-home exam: This is an individual assignment. You will have up to 48 hours to read the questions and answer the exam. For the final exam you will analyze a real-life situation making recommendations on issues associated with pricing strategies.



Pricing Simulation: Universal Rental Car (HBSP) (Team Work)

Students will form groups in order to participate in a collective decision making simulation.

At a Florida rental car agency, students assume the role of a district manager responsible for setting prices for rental cars across three Florida cities: Miami, Orlando, and Tampa. Over 12 simulated months, students must analyze price sensitivity between leisure and business travelers and consider strategies that maximize rentals across weekdays and

weekends in each city. Demand for rental cars can vary depending on the month and whether the location is more popular with business or leisure travelers. Unrented cars have associated holding costs while running out of cars is lost opportunity for profit.

Students can make periodic inventory adjustments among the locations to match anticipated demand. The market for rental cars in Florida is intensely competitive and students must also consider the likely competitive response to their pricing decisions.

Ultimately, students must analyze the economic, seasonal, and competitive forces of the rental car market and develop a pricing strategy **to maximize the cumulative profit for the firm.**

III. Grading

The grading policy is as follows:

Case write-ups (3)	30%
Pricing Simulation	30%
Case Presentation	10%
Take-home exam	30%

Grading System:

95.0-100.0 A+	81.0-85.9 B+	65.0-69.9 C
90.0-94.9 A	75.0-80.9 B	60.0-64.9 D
86.0-89.9 A-	70.0-74.9 B-	00.0-59.9 F



IV. Detailed course schedule

Session	Topic	Case Assignment	Readings
Week 1 Sept, Wed. 23rd	The Pricing Strategy Template	No case.	- Do you have a long term pricing strategy? http://www.mckinsey.com/insights/marketing_sales/do_you_have_a_long-term_pricing_strategy
Week 2 Sept, Wed. 30th	Pricing Models Innovation	Case: Hubspot	- Is Innovation in Pricing Your Next Source of Competitive Advantage? Andreas Hinterhuber; Stephan Liozu. Business Horizons - The future of pricing and revenue models, Irene C.L. Ng, 2010. Journal of Revenue and Pricing Management, Vol. 9, 3, 276–281
Week 3 Oct, Wed. 07th	The role of Costs; The key Demand Factors	Case: Building Hoopes Vision	-TBD
Week 4 Oct, Wed. 14th	Price Elasticity, Economic Value	Case: The Medicine Company	-TBD -
Week 5 Oct, Wed. 21st	Price Discrimination Strategies, Revenue Management	Case: Spotify	-.TBD -.
Week 6 Oct, Wed. 28th	Omnichannel pricing, Dynamic pricing	Case: Media Market	-. Pricing to create shared value, M. Bertini & J. Gourville, Harvard Business Review, Junio 2012 How retailers can drive profitable growth through dynamic pricing. Mc Kinsey, March 2017
Week 7 Nov, Wed. 04	Competitive Strategies, Pricing Analytics Wrap-Up	Case: TBD Simulation Feedback	-.TBD

V. Academic Honesty



It is expected from students:

- A genuine commitment for learning and sharing knowledge and cultural factors with their classmates within the online context
- An ethical behavior all evaluations and class activities.

The student honor code at PUC de Chile is included:

“Academic integrity is fundamental to the personal development of the current student and future alumni. Integrity is based on five values: honesty, trust, respect, responsibility, and impartiality. In order to get the most of this course, both students and professor must work together to create a learning environment to promote these values. Actions that go against these values are incompatible with the objectives of this course and those of the University and will not be tolerated. Each student is expected to promote the spirit of academic integrity among his/her classmates.”

Students must assume that collaboration in the completion of assignments is prohibited unless explicitly permitted by the instructor. Students must acknowledge any collaboration or external sources in all submitted work.

VI. Brief Instructor’s CV

Andrés Ibanez is Professor of Marketing at the Business School, Pontificia Universidad Católica de Chile. He has been a Visiting Scholar at Notre Dame University and has taught the graduate course “Pricing Strategies” at their MBA. He has also been invited to teach in France, México, Argentina and Perú.

He has been Dean of the School of Business and is currently the Dean for Executive Education and International Relations. He serves in different boards of private companies and is a consultant in pricing issues.

He holds a MBA from the Kellogg Graduate School of Management, Northwestern University, and an undergraduate degree in Economics & Business Administration from Pontificia Universidad Católica de Chile.