

Syllabus

AEM 4160: STRATEGIC PRICING

Cornell University
Spring 2017

Lecture information

Professor: Jura Liaukonyte

Time and Location: Tuesday and Thursday, 2:55 – 4:10 PM (WARREN 150)

Email: Jurate@cornell.edu

Office: WARREN 340B

Office Hours: Tuesday 4:30-5:30 PM and by appointment

Teaching Assistant: Payal Seth

Email: ps842@cornell.edu

Office: WARREN B38

Office hours: Tuesday 11-12 AM and by appointment

Class Webpage: <http://faculty.cit.cornell.edu/jl2545/teaching.htm>

Class Blog: <http://www.overtcollusion.com>

HBS cases: (see class website)

Course Description

Over the past four decades, marketing scientists, consulting firms, business and academic economists have increased their interest in and research on pricing and yield management. This course will introduce students to a wide variety of their research results in a unified and systematic way. Some of the topics covered will include product tying and bundling, peak-load pricing, price matching, warranty pricing, advanced booking and the 99 cent pricing perceptions.

The course is quite quantitative in nature and takes into consideration the role of consumer behavior, economics, and management science in determining pricing policies.

This course will be especially useful and applicable to anyone who will be directly or indirectly involved in pricing decisions and will be particularly valuable to those who intend to work in general management, marketing, and consulting.

The lectures will be a mixture of theoretical price strategy analysis, problem solving, Harvard Business Review cases that put theoretical findings into practical perspective, and overviews of the recent empirical research in the field of strategic pricing.

Students will be expected to contribute to a class blog on a regular basis where they will analyze pricing strategies of selected products or services using the material covered in class.

Required Texts

- **Harvard Business cases** available through the website that was specifically set up for this course (see class website for link). Please register with the site and purchase the assigned material.
- **Other assigned readings** (all with free online access), which will be posted under the relevant sections of the course outline on the main course website.

Prerequisites

Managerial Economics (Intermediate Microeconomics), Statistics. Please talk to me, if you have not satisfied these prerequisites.

Homework and Exams

There will be 5 homework assignments, two exams, a final group project and a mini-exam. The point breakdown towards your final grade is as follows:

Class Participation	5%
Homework Assignments	10%
Exam 1	30%
Exam 2	30%
Mini-Exam	5%
Final Group Research Paper and Presentation	20%

- **Exams.** If you cannot take an exam during the scheduled time, you must let me know in advance so that a makeup can be arranged. Once an exam has been given, no arrangements will be made for a makeup. If you will be missing an exam, you will need to provide a note from an appropriate party substantiating your absence.
- **Homework assignments.** Homework will be posted on the course website about a week in advance of its due date (on average, once in 2 weeks). All homework will consist of 3 parts: (1) Analytical problems; (2) Question(s) about assigned academic paper and/or Harvard Business case; (3) A Blog Post (see below). Problem sets are due at the beginning of class. You can work in groups consisting 4 students. You will need to work on the first homework individually.
- **Blog Posts.** Your study group will be required to contribute to a class blog about current pricing topics relevant to the material learned at the time. The requirements of such blog posts will be posted on the course website.
- **Final Group Paper and Presentation.** The final project will consist of a classroom presentation and an accompanying paper (12-15 pages, double-spaced, plus figures, tables, references, etc.). Project grades will be based on your group's presentation and paper, and on your own participation in the group's work, in part determined by other group members. Details about the chosen topic appropriateness will be announced later. You will need to submit a one-page outline about the chosen topic.
- **Attendance.** If you are absent from class, you will need to fill out an online excuse form for each missed class within a week of missing it. You can write the excuse yourself. Acceptable excuses include, but are not limited to: job interviews, being sick, religious holidays, family emergencies, etc. You may miss 3 classes throughout the semester without any written excuse. If you miss more than 3 classes for which you do not provide an excuse online, each such absence will result in a 3 point deduction from your final score. To summarize, in order to not receive any penalties you can miss 3 classes without any excuse; you can miss more, if you have an excuse. **Please do not email me** about the reasons why you missed a class. Please consult with me if this attendance policy is unclear to you.

- **Being late to class.** When students are late to class it is very disruptive not only for the professor but also for other students. You probably think you will be invisible and that the professor will not notice you being late. In reality, I have a good memory of who is attending classes and especially who is consistently late. So please, **do avoid being late at all costs.** If you arrive more than 10 minutes late, you will not be given credit for attendance at that class. Note that this doesn't imply that you should come to class 1-9 minutes late.
- **Laptops and smartphones.** This class has a closed screen policy. This includes not checking your smartphone throughout the lectures and keeping the phones on silent.

Important Dates and Tentative Course Schedule

Almost certainly some dates will change. For the latest information, look on the course website, where you will also find detailed lecture notes and assigned readings. If certain dates in the syllabus and the course website do not match, assume that the dates on the course website are correct.

Important dates (check the course website for the most recent updates!)

Thu, March 2	Exam 1
Thu, March 30	Exam 2
Thu, April 13	Project topic and , outline,
Thu, May 9	Mini-Exam, Final paper due

Tentative course schedule

Lecture	Topic
Lecture 1	Introduction, Syllabus
Lecture 2, 3	Overview of demand and cost functions applicable to pricing analysis <ul style="list-style-type: none"> • Demand, elasticity, and revenue functions • Substitutes and complements • Consumer surplus • Lerner's index • Product differentiation • Price discrimination
Lecture 4, 5	Basic pricing techniques <ul style="list-style-type: none"> • Single-market pricing • Multi-market pricing • Market Segmentation • Two-part tariff • First/Second degree PD
Lecture 6	Price discrimination <ul style="list-style-type: none"> • Third degree price discrimination • Bundling • Tying
Lecture 7, 8	Other pricing and marketing techniques <ul style="list-style-type: none"> • Bundling

	<ul style="list-style-type: none"> • Tying • Price menus • Price matching
Lecture 9	<p>Advanced sales and Overbooking</p> <ul style="list-style-type: none"> • Services Pricing • Advanced booking • Refund strategies • Pricing with capacity constraints • Overbooking
Lecture 10	<p>Other pricing and marketing techniques</p> <ul style="list-style-type: none"> • Merck: Pricing Gardasil • Advertising • Dorfman-Steiner Condition • Combative Advertising • Prisoner's Dilemma in Advertising
Lecture 11, 12, 13, 14	<p>Pricing Information goods</p> <ul style="list-style-type: none"> • Cost Structure • Network Externalities • Free Information • Online Music Industry
Lecture 15	<p>Presentation Prep and Training:</p> <ul style="list-style-type: none"> • Presentation guidelines • Cornell Databases • Excel Tutorial • Data Analysis
Lecture 16-26	Student Presentations

Questions for the first class

Are you officially enrolled in this class as of right now? _____

Name: _____

How would you like me to call you? _____

Write something interesting about yourself (e.g. extracurricular activities, hobbies, talents, sports, etc.)

What do you expect to learn from this course? _____

What are your fears about this course? _____

Question to me: