MIT SLOAN SCHOOL OF MANAGEMENT
15:818 PRICING

CATHERINE TUCKER

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Place and Time

Monday, Wednesday, Friday

- Section A: 8:30-10:00am, E62-233
- Section B: 10-11:30am, E62-233
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*Students should definitely attend this class.
Teams

You need to form teams of four students to analyze cases and prepare a group presentation. Please email the TA with your teams at the beginning of the first week. If you can’t find a team, email the TA and they will do random matching. The ideal way to form a team is for you all be excited by a similar product area and want to do a team pricing project on it. You can form teams across the two sections, but make sure you can all be in the same place for the group presentations.

Grading

(1) 12%: Individual Price Elasticity Exercise
   • This is a quite straightforward price elasticity exercise which will be posted on Stellar. The aim is to give you a change to practice using the Excel formulas we learned in class. The writing should be 1-page, but you are allowed a data appendix if you need one.

(2) 36%: Three Group Case Reports
   • We have three cases in this class: Filepicker, Keurig, and Ebooks
   • Each group will be required to hand in three case write-ups\footnote{I expect ‘Type 3’ collaboration. Each team member must make a substantial contribution to the assignment. It is not, for example, acceptable to divide the assignments amongst the team members. The team may not collaborate with other students outside of the team.}
   • The reports should be 2 pages long. This space constraint is designed to ensure that you think hard about the most important points to write down. Your reports must be handed in at the start of the class in which the case will be discussed. If your team is formed across sections, they must be delivered in the first section.
   • Separately answer each question. Use numerical analysis wherever possible. Describe the steps you took to reach your numerical conclusions.

(3) 40%: Group Pricing Project
   • See separate description

(4) 12%: Spoken Insight
   • This reflects the extent to which your participation in class discussion benefits other class members. It is not simply a count of the number of times that the student raises their hand and speaks.

(5) 12%: Price Elasticity Classroom Exercise (Optional)
   • This is a 60 minute ‘in-class’ simulation where I give the class some data, and the student calculates price elasticities with this data and explains how they would use these to improve pricing processes.
   • If you choose to do this option, it will substitute in for your Spoken Insight scores (if it is higher).
• Absolutely no preparation is needed. If you want to reassure yourself that no preparation is needed, look at past exercises on Stellar.

This is the universal grading plan. No makeups are allowed. If an assignment is late we deduct increments of 25% of the grade for every 24-hour period it is late. So for example, if you hand in a case report that usually would have got \( \frac{12}{12} \) and it is 1 hour late, your final grade will be \( \frac{9}{12} \).

**Course Materials**

Each lecture has accompanying notes. These notes are designed to prevent students from having to take copious notes and consequently enable them to focus on learning and reflection during lectures. The slides I use in class are designed to be evocative so they are not worth printing out. The lecture notes act as the textbook for the course.\(^2\)

On [http://stellar.mit.edu/S/course/15/fa14/15.818/](http://stellar.mit.edu/S/course/15/fa14/15.818/) I post additional links to web articles which may be of interest. You are not required to read the extra links. I also post on Stellar practical examples of calculations using Excel. These are as valuable as the written notes and are materials you should study.

The cases and lecture notes are in a packet that is available at the MIT Copy Technology Center located in E34-146. It is also possible to purchase this electronically.

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\(^2\)The best textbook to supplement the class is Thomas T. Nagle and John Hogan, The Strategy and Tactics of Pricing, 3rd Ed. (not 5th Ed), Englewood Cliffs: Prentice-Hall.
These are my suggested steps to help you manage your time for the Group Pricing Project.

(1) **By Session 4:** Identify a business that could profit from an overhaul of their pricing strategy.
   - The ideal would be a real-world company who would like your help. The Entrepreneurship center is full of students with such companies. Second best is a real-world company that you think needs your help.
   - This year our TAs have collected a database of companies who would love you to help them with their pricing.
   - Schedule one of the pricing presentation slots for week 6 using the link on stellar. If you cannot find a slot that works with your schedule alert the TA immediately. Since we have so many students, we have to spread presentations across many hours in order for you to each have a chance to shine. So be ready to sign up for a slot outside of regular class hours. [http://goo.gl/VDlKra](http://goo.gl/VDlKra)

(2) **By Session 8:** Narrow down your question.
   - Schedule a meeting with the Professor to discuss your idea for the pricing project using: [http://meetme.so/catherinetucker](http://meetme.so/catherinetucker)
   - Having identified an industry or product, your task is now to orientate your pricing project around a pricing question that you can hope to tackle within the confines of an eight-minute presentation. The secret to doing this is to make the question as narrow and as focused as possible around a very specific industry. Think about how you would either set the price or improve pricing for this very specific product and instance.

(3) **By Session 12:** Demonstrate (with numbers and real-world data) how you would improve pricing for your specific topic. Quantitative methods include:
   - EVC analysis: Calculate an EVC for one particular customer segment ideally documenting precise cost-savings. Do not include guesstimates for differentiation values.
   - Historical data on sales and prices. Then do price elasticity analysis for different segments. Ideally compare this to cost-based breakeven analysis.
   - Hypothetical price surveys (For example, a monadic pricing survey or a conjoint). I will coordinate the distribution of these to help people get responses.
If you are doing a pricing survey then you need to email the link to the TA by 9am on the Wednesday prior to the presentations. I will then bully the rest of the class to share the love and take each others’ surveys.

(4) By Session 20: Prepare an eight-minute presentation designed to persuade the CMO/CFO in that industry that this pricing strategy will revolutionize their business model.

- We will hear these presentations in Room E62-550 (for those presenting on Friday) and E62-687 (for those presenting Monday and Tuesday).
- Be there for the entire hour that your slot is in starting on the hour, rather than Sloan time. Ask questions of your classmates. Do not play with electronics. You do not have to attend classes where you are not presenting.
- **Upload your presentation to Stellar first thing on the morning you present.**
- You should hand your two-page technical appendix to me at the start of your presentation. The idea of this technical appendix is to impress me by outlining the steps you took and the data you used to reach your conclusions.
- Generally 5 slides work well for a presentation. One where you explain what you are pricing, another where you explain the methodology, another where you present results, another where you go into the nuances of your analysis, and the final one where you present your recommendations.

(5) By Session 25: I will choose the group who impressed me the most from each of the two sections to repeat their presentation on the final day of class.

**Simulation**

Towards the end of class, we do the Universal Rental Car simulation.

- You should have access as part of your coursepack purchase. We will email you with the details about how to register prior to the event.
- Split your teams into two pairs. Each pair should bring a laptop which is fully charged to class.
- Day 1. Teams have it relatively easy (only one market) and can play the simulation multiple times.
- Day 2: Teams face multiple markets and can play the simulation only twice.
• There is a bimodal distribution when it comes to enjoying having the full two session. The majority of students enjoy participating in both days. However, some students prefer to only attend one of the two classes.
Course Policies

Contacting the Professor. The best way to contact the Professor is by email (cetucker@mit.edu). For quick questions, feel free to speak with me at the end of class. To meet with me, book an appointment using the link in Stellar (http://meetme.so/catherinetucker). I have tried to schedule appointment slots so that they are timed to be most useful. If they are full, let me know and I will expand. With so many students, we will have to be ruthless about keeping to time, so it is your duty to make sure that we keep to 10 minutes.

Our Teaching Assistants are Harvey Xiao (hxiao@sloan.mit.edu) and Bonnie Wong (bonnie.wong@sloan.mit.edu.) Both of these students had terrific performances in last year’s pricing class. They are responsible for grading and most aspects of class organization such as the waitlist and teams. Announcements and class materials are on Stellar.

Waitlist, Listeners, Auditors. We have now closed the waitlist for both sections. The good news is that I should be teaching this class next year.

I do not allow students to be ‘Listeners’ for 15.818. However, if you want to learn about pricing but prefer not to register, I am very happy to give you access to all the materials on Stellar. The notes on Stellar are comprehensive in order to allow you to understand the material covered by 15.818 without attending the class.

Professional Standards. This class subscribes to the MIT Sloan Professional Standards and to MIT’s Standards of Academic Integrity. Please maintain a professional atmosphere. This includes silencing wireless devices, keeping computing devices in bags, and avoiding side conversations.

Please see https://sloanpoint.mit.edu/depts/deans/profstandards/Pages/default.aspx

Attendance and Latecomers. Students are free to attend the class as they see fit. They do not have to ask for permission to be absent. I have indicated in Table 1 which classes are most valuable to attend.

Please do not be late. If it becomes disruptive I will start using signs.

Student Support Services. If you are dealing with a personal or medical issue that is affecting your ability to attend class, complete work, or take an exam, please discuss this with Student Support Services (S3). The deans in S3 will verify your situation, and then discuss with you how to address the missed work. Students will not be excused from coursework without verification from Student Support Services. You may consult with Student Support Services in 5-104 or at 617-253-4861. Also, S3 has walk-in hours Monday-Friday 9:00-10:00am.
Student Disability Services. MIT is committed to the principle of equal access. Students who need disability accommodations are encouraged to speak with Kathleen Monagle, Associate Dean, prior to or early in the semester so that accommodation requests can be evaluated and addressed in a timely fashion. You may also consult with Student Disability Services in 5-104 or at 617-253-1674. If you have already been approved for accommodations, please contact me early in the semester so that we can work together to get your accommodation logistics in place.