

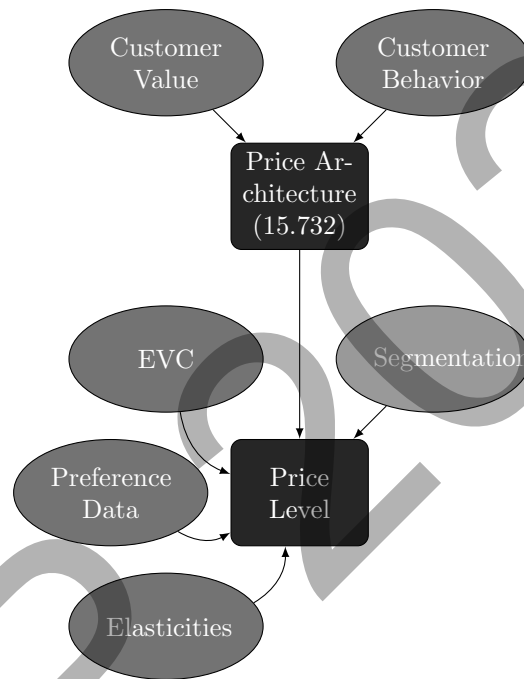
PRICING WORKSHOP: MIT SLOAN EXECUTIVE ELECTIVE

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1. OVERVIEW

This is a compressed version of the Pricing Elective offered to full-time MBA students. It complements the material that is taught as part of the marketing core (15.732) for the EMBA program and (15.09) for the Sloan Fellows. The 15.732 class emphasizes the importance of thoughtful consideration about ‘what to charge’ for. The emphasis of this elective is predominantly on determining how much to charge for a new product or how to improve the pricing performance of existing products.



2. DAY 1 MORNING: INTRODUCTION AND EVC

A summary of the mistakes firms make regarding pricing approaches, and how to establish the broad value band within which prices need to be set. We then discuss how to use the EVC approach for setting prices in certain specific B2B settings.

3. DAY 1 AFTERNOON: PRE-LAUNCH PRICING METHODS

A description of survey methods used to set prices before the launch of a new product or service.

Afternoon Group Task: Set up a Monadic Pricing Survey or Conjoint as a team for your pricing analysis in your groups.

4. DAY 2 MORNING: POST-LAUNCH PRICING METHODS

A summary of elasticity analysis and field testing for products and services that already exist.

Morning Group Task: In-group implementation of elasticity analysis for different product segments.

5. DAY 2 AFTERNOON: REPORTING BACK TO THE GROUP

- Share Pricing Presentations.
- A few last words from the professor.

6. GRADING

- Group Presentation: 50%
- Individual Assignment: 50%

6.1. Group Presentation. The major task during our workshops is to construct and present a preliminary pricing study.

- This should be in groups of 5.
- Set-up analysis in the later afternoon of the first day.
- Complete the presentation and analysis in the later morning/lunch break of the second day.

This will involve a lot of dedication on the part of students, but it is the best way to actually learn the tools we cover. We have around 60 students in the class, so I am anticipating 12 presentations. Each team will have 10 minutes, including questions. We will have three sessions of four talks each, each lasting around one hour. This does require concentration by participants, but I find that seeing what other teams have attempted to do and providing feedback to them is a very valuable learning experience. Each team has five minutes for presentation, and five minutes for questions.

In those five minutes, it would be usual to do one slide on what you are pricing, one slide on the pricing methodology used, one slide on results and one slide on recommendations.

6.1.1. Forming Groups. It would be helpful if you could form groups of four prior to the elective. It would be wonderful if each team could have at least one member from another year to allow you to meet each other.

6.1.2. What Makes a Good Pricing Project. As we have to do a pricing project within the space of eight hours, it is good to choose a subject which makes team members' lives easy.

Life will be far easier when the project:

- Involves pricing goods or services where prices are posted publicly and not negotiated.
- Involves a good or service whose features can be explained online to the general public.
- Involves a good or service whose target market is not too specialized.

Possible sources of inspiration for a pricing project:

- The first-best is a product or service that your firm makes or a start-up you are involved in makes, which satisfies these criteria. If you are unsure - run it past me.
- The second-best is a relative or spouse of a team member who has their own business. Do you have a wife who owns a custom-carpentry business? Do you have an uncle who owns a mobile-disco business? Do you have a mother who helps coach students for college admissions? All of these have been successful pricing projects in the past.

- The third-best is a business idea or product that interests you as a group. If you have been inspired by a start-up idea while at Sloan, now is the time to study it.

Obviously, these shortcuts, while making the task actually doable, do restrict the number of contexts that can be studied as part of the workshop project. We will discuss how to modify the procedure to other instances when the product or service being priced presents more challenges.

6.2. Post-Class Individual Assignment. I want each student to write a two-page assessment of how their firm currently determines its price level. To do this, answer the following questions:

- What are you pricing?
- How many observations of a positive price do you observe? If it is just a few and your firm is in an 'EVC' world, describe what policies your firm has to buttress the value it delivers in pricing negotiations. How is the starting price in pricing negotiations determined?
- Is this enough observations to do a realistic historical analysis of price elasticities? If yes, does anyone do this? If yes, does anyone break down these elasticities by market segment?
- Is it possible for you to determine prices from survey research? For example, are consumers non-strategic but still well enough informed about your product? Do you do survey research into pricing? Do you do survey research into pricing? If so what flaws or problems do you observe?
- What randomization is inherent in your pricing process?

Deadline: 11:59pm Jan 21 2024

Do not use Chat GPT3 for this as it gives very generic unhelpful answers and you learn little. If you do use Chat GPT3 please tell us the prompt and how you modified the output.

7. READINGS

Please see the links on Canvas.

- 'The Price Is Right (or is it?)' - Lyon, David W., Marketing Research; Winter 2002, Vol. 14 Issue 4, p8-13. Please read this before the class.
- The lecture notes (and posted Google Sheet examples) will form the major readings and materials for the course.