Lincoln University Fall 2017
School of Business Mr. Hibshoosh

Course: BA 373 Pricing
3 units, 45 contact hours
Day/Time: Monday1830-2115PM
Instructor: Aharon Hibshoosh
Office Hours: M 2115-2315, T 1530-1730
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Textbook: Jack Hirshleifer, Amihai Glazer and David Hirshleifer (2015) Price Theory and Applications, , 7th Edition , Cambridge University Press(Several ISBNs are available: ISBN-13, 978 0-521-81864-3 (hardback , : ISBN-10, 0-521-81864-8 (hardback), ISBN-13, 978 0-521-52342-4 (paperback), ISBN-13, 0-521-52342-7 (paperback).

BA 373 Pricing

Course description:

Course Catalog Description: This course is designed to provide students with the concepts and techniques for assessing and formulating pricing strategies. Topics include: utility theory, market structures, sales promotion and price discrimination, international pricing, game theory, and auction designs. The topics may vary each term. Additional emphasis will be on measuring the return on investment (ROI) of marketing decisions. (3 units) *Prerequisites: BA 301, BA 304.*

Based on prerequisites in Managerial Economics (BA 301) and Marketing Management (BA 304), this course builds a firmer conceptual foundation for formulating price strategy. The course builds foundations in price strategy based on in-depth study of some topics in Price Theory as they apply to marketing problems. It helps the student develop some basic modeling, analysis, and measurement skills. It exposes the student to the vast literature of Pricing Strategies in Marketing Science, which in turn is related to substantive developments in Economics, Psychology and the basic quantitative disciplines. Many of the pricing strategies used in marketing traditionally appear in journals and books of these disciplines. The purpose of the literature review is to enhance student exposure to the Pricing Literature, and is not an attempt to develop the student as a pricing modeler.

Instructional Methodology:

The course is based on lecture, analytical exercises, academic literature exposure, and observations of current market practices. It is partially based on a classical Price Theory textbook, and partially on external material in academic and trade journals, as well as my

dedicated lecture presentations. HW comes in the form of analytical problem solving, academic and trade literature reading.

The spectrum of the instructional methodology is thus quite wide. It will include: a) Review and consolidation of classical results of Price Theory which were derived in the past Managerial Economics courses b) Enhanced mathematical foundation building c) In depth analytical study of new textbook topics e) Reviewing of some market structures and pricing strategies in the academic and trade literature. This review (e) will focus on qualitatively understanding the nature of key assumptions, qualitative characterization of the analytical methodology and implications of pricing strategies, as well as some empirical positive pricing practices.

HW is critical and will vary in nature, requiring analytical problem solving, calibration of models using Excel, detailed literature review of models and practices. There will be both individual and group assignments.

In individual homework, students are expected to first try to solve their problems alone, but then compare their solutions with those of other group members. In case of difficulty, the group should work on the problem(s) together. Answers for some of the problems are provided briefly in the back of the book. The homework is then submitted individually. The group must review the progress of each member weekly, and report the completion of the homework of every member by the homework deadline. In group assignment, the full names of all group members participating in the assignment must appear (Last name first).

HW format: Quantitative exercises including diagrams will be required to be processed in Word and or Excel. Typically, homework must be typed, unless otherwise specified.

My teaching assistant evaluates assignments under my direct guidance, and issues a preliminary grade. If any student has a question about the evaluator's comments and/or grade, he/she should first discuss it with the teaching assistant, and then with me if there are further questions. My teaching Assistant would be available on weekly bases for reviewing the HW answers with inquiring students.

We are using the CANVAS software for HW collection, submission time monitoring and grade assignments. The HW files are submitted *only* through CANVAS. No hard copy is turned in. Every student must be listed with CANVAS. An adding student must belong to a group and inform the teaching assistant his/her adding status and group number. HW is due by 1AM Monday as instructed by CANVAS. If you are late, you still may use an automatic extension of 8 hours and submit the HW by 9 AM Monday through CANVAS. CANVAS has a built in time cut off function and would not allow submission past the deadline or the deadline extension. No further extension would be provided. Hence, any homework passed the due date extension deadline would not be accepted for grading. The hard copy submitted with to CANVAS must be brought to class. It may be examined by the professor at the roll call and would help the students when we review the HW answers in class. Individual students and group may be called to present their HW to the class.

In reporting to CANVAS every student must list on his/her assignment by the following order the following information: Student ID, Last Name and First Name- as appear on the enrolment sheet and

group number. In reporting group work all group members must reported on the assignment in this format but only one submission per group is allowed.

Course Learning Outcomes

	Course Learning Outcome	Assessment activities
1	Derive first and second order conditions for twice differentiable objective functions with multivariate arguments with and without constraints.	Homework midterm/final exams
2	Qualitatively compare assumptions and applicability of variety of optimization methods such as Linear, integer and mixed programming, Convex Programming, and Dynamic Programming and Optimal Control.	Homework midterm/final exams
3	Compare the basic approach to proximity and preference measurements in Economics and Psychology. Identify principles of price perceptions and comparisons, based on findings from Psychology, Marketing, and Behavioral Economics.	Homework midterm/final exams
4	Bid price optimally in English and Dutch Auctions	Homework midterm/final exams
5	Attain familiarity with basic concepts of Game Theory. Identify features of the zero sum game, with pure and mix strategies under expected utility maximization.	Homework midterm/final exams
6	Identify and compare a Cooperative solution and the Prisoner Dilema solution, in a two rivals game.	Homework midterm/final exams
7	Derive rival's response functions under various conjectural variations in a duopoly game. Calculate equilibrium in a Cournot-Nash equilibrium. Qualitatively compare this solution with alternative models like the Leader-Follower model and the Stackelberg Solution.	Homework midterm/final exams
8	Demonstrate knowledge of the assumptions, features and	Homework

	implications of Hotelling's spatial pricing framework.	midterm/final exams
9	Grasp the basic rationale of modeling assumptions, analysis and implications of various models of voluntary and involuntary price discrimination. Specifically, understand the rationale in optimal couponing with or without multipart pricing.	Homework midterm/final exams
10	Qualitatively demonstrate knowledge of principles and conclusions of channel's pricing, as modeled in Staelin and McGuire's based extensions of the model of Downward Successive Monopolies.	Homework midterm/final exams

Student Conduct:

- Please participate. What you put into the class will determine what you get out of it – and what others get out of it.
- Please come **on time.** Late arrivals disturb everyone else. Plan to stay during the whole class period. Attendance may be taken at least one time in of each class. In the case where more than one attendance is taken, only students attending all attendances would be considered as present.
- Students may not read other materials (newspapers, magazines) during class an no multitasking is allowed.
- Students are not allowed to come and go during class sessions.
- If you miss a class, you are responsible for getting notes/slide printouts on the material covered from a classmate in your group.
- To avoid distracting noise in class, cellular phones **must** be turned off or the ringing mode silenced.
- During the exam all recording devices of any form must be closed and stored in closed bags. (See also Examination Policy).
- All class participants are expected to exhibit respectful behaviors to other students and the instructor. All students have the right and privilege to learn in the class, free from harassment and disruption. Inappropriate or disruptive behavior will not be tolerated, nor will lewd of foul language.

Examination Policy:

I will use objective exams consisting of T/F and MC questions. Many of these questions will require mathematical derivation and computations. The final would be comprehensive and consists of two parts. The midterm would include only chapters covered in the lecture prior to the midterm and associated extra lecture information. The final is comprehensive. The exams

are closed book exams, without a restroom break (or any other break) during the midterm or the final. (I will make alternative examination opportunities where the need for break is medically required and professionally supported by a letter from a medical doctor). No exchange of pencils, erasers and any other material between students is allowed during the exam. No electronic instrument capable of copying material in any form (in particular, in print or visual image) is allowed in the exam. In particular, cell phones, organizers, calculators, tape recorders cameras, computers, etc. must be closed and stored inside a closed bag. No exchange of pencils, erasers and any other material between students is allowed during the exam. Likewise, any conduct that constitutes subversion of the exam is punishable in at least a course failure. These specifically include: Removing or reproducing examination material; communication with anyone with the purpose of reconstructing the examination or any part of it; keeping or using the instructor's past exam questions to prepare for the exam without specific instructor authorization; distributing any examination material; impersonating an examinee or having an impersonator take the examination. This list is not exhaustive.

A student violating these requirements should expect an F grade, in addition to other disciplinary consequences.

Grading Guidelines:

Class attendance and participation 10 pts

Homework 30 pts*

Midterm 30 pts

Final 50 pts.

Total course points: 120 pts

The grade will be based on a curve. Gaining the following number of course points would assure the grade:

Course Points	Grade
96 and above	A
90-95	A-
80-89	B+
70-79	B
60-69	B-

50-59	C+
48-49	C
46-47	C-
44-45	D+
42-43	D
Below 42	F

Topics:

Chapter numbers correspond to Hirshleifer, Glazer and Hirshleifer, Price Theory and Applications

Date^	Topics	Assignments Chs^^
8/21	Introduction to Pricing	1
8/28-9/11	Mathematical Tools	2, Henderson and Quandt's Mathematical Review, and elements of 3, 4, 5
Utility and Preference		3
9/11-9/18	Review of Demand, production and cost functions	Elements of 4-7
Market Structures	9/18-9/25	2, 6, 8, 9, 10, and Instructor notes
9/25-10/9	Oligopoly and Game Theory	10, and elements of 16, 17
10/2-10/16	Hotelling Spatial competition Model	Handout and presentation
10/30-11/6	Price Discrimination and Sales Promotion	8 and Handout and presentation
11/6-11/20	Special Topic in Channel pricing-- the Staelin and McGuire Model	10 and Handout and presentation
11/13-11/27	Special topics in Auctions	14 and handout
11/27 Review		

Special Dates:

September 4: Labor Day holiday.

Fall Recess: November 21-25.

Midterm: October 23. Final: December 4.

^ The time table is tentative. This is not an exclusive list of topics to be covered in this course. If time permits, I will accelerate the presentation. Alternatively, if necessary, pace and intensity of coverage may be traded off to assure greater comprehension.

^^ The numerical reference to a chapter in the textbook.

Updated: August 16, 2017 The syllabus may be updated in the future as necessary

Appendix

Institutional Learning Outcomes (ILOs)	
MBA Graduates of Lincoln University should be able to:	
1b	Recognize and be able to work with the components of reasoning and problem solving; understanding concepts, assumptions, purpose, conclusions, implications, consequences, objections from alternative viewpoints, and frame of reference.
2b	Gather and assess relevant information, using abstract ideas to interpret it effectively; being able to develop well-reasoned conclusions and solutions, and testing them against relevant criteria and standards
3b	Be exemplary business professionals and try to ensure that the products of their efforts will be used in socially responsible ways, will meet social needs, and will avoid harmful effects to health and welfare
4b	Lead by example in order to create highly collaborative organizational environment, and be able to develop and use strategies to encourage employees at all organizational levels to do the same.
5b	Set goals and have a vision of the future. The vision should be owned throughout the organization. As effective leaders, they should habitually pick priorities stemming from their basic values.
6b	Continually look for, develop, and offer new or improved services, and be able to use original approaches when dealing with problems in the workplace.
7b	Demonstrate fluency in the use of tools, technologies and methods in the field. They should know how to evaluate, clarify and frame complex questions or challenges using perspectives and scholarship from the business discipline.

Program Level Outcomes (PLOs)	
Students graduating our MBA program will be able to:	
1	Develop and exhibit applied and theoretical knowledge in the field of management and business administration
2	Use theoretical knowledge and advanced problem solving skills to formulate solutions and identify risks in the following fields: international business, finance management, general business, human resources management, management information systems, marketing management
3	Communicate within a highly specialist environment that allows the presentation of critiques of complex strategic matters
4	Demonstrate autonomy, creativity, and responsibility for managing professional practices
5	Demonstrate leadership and set strategic objectives for team performance
6	Identify ethical issues/problems in business organizations and reach decisions within ethical framework