



Lincoln University

BA 373 – Pricing COURSE SYLLABUS 2018

Instructor: Prof. Aharon Hibshoosh, Ph.D.
Lecture Schedule: Wed, 12:30 PM – 3:15 PM
Credits: 3 units / 45 lecture hours
Level: Mastery 2 (M2)
Office Hours: Tue, 3:30 PM – 5:30 PM
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Textbooks: 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)).

Last Revision: February 1, 2018

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.

EDUCATIONAL OBJECTIVES

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

This is a direct classroom instruction course.

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.

Assignments and projects require students to actively use resources of the library. Detailed guide to business *resources of the library* as well as the description of Lincoln University approach to *information literacy* are available at the [Center for Teaching and Learning](http://ctl.lincolnuca.edu) website (ctl.lincolnuca.edu).

COURSE LEARNING OUTCOMES¹

	Course LO	Program LO	Institutional LO	Assessment Activities
1	Grasp the basic rationale of modeling assumptions, analysis and implications of various models of voluntary and involuntary price discrimination.	PLO 2	ILO 1b, ILO 2b, ILO 4b	Homework
2	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.	PLO 3	ILO 2b, ILO 7b	Homework
3	Identify principles of price perceptions and comparisons, based on findings from Psychology, Marketing, and Behavioral Economics.	PLO 5	ILO 4b, ILO 5b	Homework
4	Demonstrate the understanding of ethical theories in their application to the pricing strategy of the organization.	PLO 6	ILO 3b	Homework

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.

¹ Detailed description of learning outcomes and information about the assessment procedure are available at the [Center for Teaching and Learning](http://ctl.lincolnuca.edu) website (ctl.lincolnuca.edu).

- 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 or 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 exam	30 pts
Final exam	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

COURSE SCHEDULE*

Week	Topics	Assigned reading
1	Introduction to Pricing	Chapters 1,2
2	Mathematical Tools. Henderson and Quandt's Mathematical Review. Utility and Preference	Elements of chapters 3, 4, 5
3	Review of Demand, production and cost functions	Elements of chapters 4 - 7
4	Market Structures - 1	Chapters 2, 6, 8, 9, 10 and instructor's notes
5	Market Structures - 2	Chapters 2, 6, 8, 9, 10 and instructor's notes
6	Oligopoly and Game Theory -1	Chapter 10 and elements of 16, 17
7	Oligopoly and Game Theory -2	Chapter 10 and elements of 16, 17
8	Hotelling Spatial competition Model	Handouts
9	Midterm exam	
10	Price Discrimination and Sales Promotion -1	Handouts
11	Price Discrimination and Sales Promotion -2	Handouts
12	Special Topic in Channel pricing-- the Staelin and McGuire Model	Chapter 10, handouts
13	Special topics in Auctions	Chapter 14
14	Review	
15	Final exam	

*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.