Lincoln University

BA 373 – Pricing

COURSE SYLLABUS
Spring 2021

Instructor: Prof. Aharon Hibshoosh, PhD.

Lecture Schedule: Monday, 6:30 PM – 9:15 PM
Credits: 3 units / 45 lecture hours
Level: Mastery 2 (M2)
Office Hours: Monday, 9:15 PM – 11:15 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: January 22, 2021

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

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). Those who did not participated in the group effort must not be reported and are not gaining the HW credit.

HW format: Quantitative exercises including diagrams will be required to be processed in Word and or Excel. Typically, homework must be typed. We are using the CANVAS software for HW collection, submission time monitoring and grade assignments. The HW files are submitted *only* through CANVAS. Every student must be listed with CANVAS. An adding student must belong to a group. 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 of the material submitted to CANVAS must be available by the student by presentation in the meeting. It may be examined by the professor at the roll call and would help the students when we review the HW answers in class. For validation, individual students and groups will be called to present their HW to the class and their performance graded.

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 website (ctl.lincolnuca.edu).

COURSE LEARNING OUTCOMES[1]

	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 Various pricing models as they fit different market structures.	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 to the session **on time.** Late arrivals disturb everyone else. Plan to stay during the whole class session period. Attendance may be taken at least one time in each class. In the case where more than one attendance is taken, only students attending all attendances would be considered as present. Attendance is a component of the overall grading.
- Students computer cameras must be opened throughout the meeting.
- Students may not read other materials (newspapers, magazines) during class and 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 on the material covered from a classmate in your group.
- 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.

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

EXAMINATION POLICY

The midterm would include only chapters and topics covered in the lecture prior to the midterm and associated extra lecture information. However, it will not cover the Hoteling model. 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)

Facing the Covid-19 Pandemic, it is not clear at this point in time, whether it will be possible to administer in school exam(s) or to have the exam(s) online. Hence, this section of the syllabus may be updated. Announcements regarding updates would be sent via Canvas. The exams are closed books exams. In case of an online exam, for greater validity, the student may be expected to explain his/ her answers orally in a special meeting.

The exams are comprised of problems and questions which require students' written answers, plotting of diagrams, and answering objective questions (MC).

The student is required to bring an approved simple calculator to the exams. This calculator should have the four arithmetic operations and square root, but no second functions.

The exams are timed and will be automatically closed. No credit is received for any answer not submitted on time. This regardless of the reason for which the answer was not received. Hence, a hardware or software failure, unless universal and thus applying to every student in the class, would not result in any individual credit adjustment. So please make sure that you do not face any such problem. The proper interface with the exam is entirely considered a student responsibility.

The exams are strictly individual ones. In case of online exams, the student must take them alone in a closed room. The exam would begin by checking the student surrounding. Any communication by any means, with anyone except the exams' supervisors is not allowed. The student camera must be opened and available for showing the full closed room with the individually examined student. A student whose camera is not operative is not allowed to participate in the exam. A student whose camera stopped operating is considered as someone who finished the exam. Unlawful participation regardless of its reason, technical or otherwise would automatically result in an F grade. The individual participation in the exam would be supervised throughout the exams, so dress properly and be ready to individually modify your interface environment according to the supervisors' comments.

Any conduct that constitutes subversion of the exam is punishable in at least a course failure. These specifically include: copying, 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. No equipment capable of communication or allowing copying of the exam's question is allowed. In particular, no phones are allowed in the student's examination room.

Online exams must be taken by using computers, and no other devise is allowed. The computer is needed for both participating in the meeting and exam control on one hand, and access to Canvas on the second hand. Beyond that no Internet Use is allowed. In particular, no search on the Internet for any course term is allowed. An exam question may have a link to an entry in the Internet (due to software link on Google) , but this link should not be followed.

During the exam no communication with other students is allowed. 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, computer, calculators, tape recorders cameras, computers, etc. must be closed and stored inside a closed bag. Only a simple calculator, without second functions as described above is allowed and required. 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 any of these requirements or similar ones should expect an F, 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*

Period	Topics^^	Assigned reading^
2/1-2/8	Introduction to Pricing	Chapters 1,2
2/1-3/1	Mathematical Tools for equilibrium and optimization. Utility and Preference	Elements of chapters 2, 3, 4, 5 Henderson and Quandt's Mathematical Review.
2/22- 3/1	Utility optimization and demand	Elements of chapters 4 - 7
3/1-3/8	Characterization of Demand and elements of production and costs	Chapters 2, 6, 8, 9, 10 and instructor notes
3/8-3/15	Market Structures	Chapters 2, 6, 8, 9, 10
3/15-3/22	Oligopoly and Game Theory	Chapter 10 and elements of 16, 17
3/22-4/19	Hotelling Spatial competition Model	Handouts
3/29	Midterm exam	
4/19-5/3	Price Discrimination and Sales Promotion - Price Deals	Handouts
3/22-5/3	Special Topics	Handouts
5/3	Review	
5/10	Final exam	

^The references are to chapters^, in textbooks of Hirshleifer et al.

^^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.

Special Dates:

Presidents' Day Holiday: February 15.

Midterm: March 29

Final: May 10

Flex. Sched. Mathematical and Statistical Software for Modeling and Analysis.

Updated: January 22, 2021. The syllabus may be updated in the future as necessary. Expect possible changes, and follow announcements regarding them on CANVAS.