

## PRICING STRATEGY

Course code	MNG300
Compulsory in the programmes	-
Level of studies	<i>Undergraduate</i>
Number of credits	6 ECTS (48 <i>in-class hours</i> + 6 <i>consultation hours</i> + 2 <i>exam hours</i> , 104 <i>individual work hours</i> )
Course coordinator (title and name)	<i>Phd. Candidate Aušra Paukštytė</i>
Prerequisites	-
Language of instruction	<i>English</i>

## THE AIM OF THE COURSE:

Pricing is a central element of marketing strategy and business performance. The aim of this course is to provide students with a foundational understanding of pricing. They will explore the the key roles of cost, customer value, and competition and the methods by which businesses set prices. Through case studies, in class exercises, and group project, the course develops both analytical and practical skills, enabling students to understand the composition of price, assess market situation and consumer willingness to pay. Students will learn to notice, recognize and, most importantly, apply behavioral pricing tactics for products and services both digital and physical. By course completion, students will be able to analyze, apply, and communicate pricing strategies that drive businesses forward.

## MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESSMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives (Number of LO)	Assessment methods	Teaching methods
CLO1. Explain the role of pricing in the marketing mix and its historical development.	BLO1.1.	In-class quizzes, group assignments	Lectures, analysis of readings, guided discussions
CLO2. Apply different pricing methods (cost-based, customer-based, competition-based, value-based) to calculate markups, end prices, and profit.	BLO1.1. BLO1.2.	Case studies, in-class exercises	Lectures, numerical exercises
CLO3. Analyze customer behavior in pricing decisions by interpreting willingness to pay, elasticity, and perceived value, and by designing surveys or simple conjoint analyses.	BLO1.1. BLO1.2.	Case studies, group assignments, group project, survey design tutorial	Lectures, group work, analysis of case studies
CLO4. Evaluate and apply behavioral and psychological pricing tactics (anchoring, decoy, charm, bundling, subscription models) while recognizing underlying	BLO1.2. BLO4.1.	Case study analysis, group project	Lectures, case-based discussions

mechanisms.	BLO4.2. BLO4.3.		
CLO5. Assess competitive pricing strategies and positioning (penetration, skimming, parity, game theory, signaling) in different market contexts.	BLO4.1.	Case study analysis, group project	Lectures, debates, group work
CLO6. Communicate and justify pricing decisions effectively while considering ethical, cultural, and legal aspects.	BLO4.1.	Final group project, class presentation	Case studies, group presentations, peer feedback

### ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. Regarding remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

### COURSE OUTLINE\*

NO	CONTENT	In-class hours	Readings
Week 1	<b>Introduction to the course and aligning expectations</b> Theoretical Foundation: Overview of Pricing. Why pricing matters in the marketing mix. Roles of cost, customer, and competition. Historical evolution of pricing thought. <b>Seminar.</b> Case study: Ford Mustang market entry	4	Chapter 1 of Pricing Strategies Book
Week 2	<b>Lecture:</b> How to calculate price? Cost based, consumer based, competition based vs. value-based structures. <b>Seminar:</b> Exercises and calculations of markup and margin. Pricing relative to competitors (penetration, skimming, parity). Price Thermometer exercise.	4	Chapter 2 of Pricing Strategies Book
Week 3	<b>Lecture:</b> Customer value, Breakeven analysis. <b>Seminar:</b> Case study analysis, in class exercises and calculations	4	Chapter 5 of Pricing Strategies Book
Week 4	<b>Lecture:</b> Price elasticity. Willingness to Pay and Perceived Value. <b>Seminar</b> WTP mistake search.	4	Chapter 6 of Pricing Strategies Book
Week 5	<b>Lecture:</b> Price research: Van Westendorp's Price Sensitivity Meter, Gabor Granger method, Conjoint analysis. <b>Seminar:</b> Group work: product selection. Survey creation and testing.	4	Chapter 7 of Pricing Strategies Book
Week 6	<b>Lecture:</b> Price Discrimination. Market segmentation and targeted offers. <b>Seminar:</b> Case studies: student discounts, airline pricing, freemium models.	4	Chapter 10 and 11 of Pricing Strategies Book
Week 7	<b>Lecture:</b> Predicting price-change response: economic, cognitive and emotional factors: game theory and competitive reactions. Prospect theory.	4	Chapter 6 and 7 of Pricing Strategies Book

	<b>Seminar:</b> Case study analysis. Group work.		
Week 8	<b>Lecture:</b> Behavior pricing overview. Introduction to main tactics and its underlying mechanisms. Anchor, decoy, charm. <b>Seminar.</b> Case study analysis.	4	Peer Reviewed Papers will be provided
Week 9	<b>Lecture 1:</b> Communicating prices: visual and phonetic pricing tactics. Ending design, menu design, price lining. Psychological presentation vs. manipulation. <b>Seminar.</b> Case study analysis.	4	Peer Reviewed Papers will be provided
Week 10	<b>Lecture:</b> Pricing for products. Bundling, versioning, add-on pricing. Cannibalization and product line optimization. Pricing for services. Intangibility, perishability, variability in services. Subscription models, SaaS, freemium, pay-per-use. <b>Seminar.</b> Case: Apple's tiered iPhone strategy. Case: Spotify, Netflix, Adobe Creative Cloud.	4	Peer Reviewed Papers will be provided
Week 11	<b>Lecture 1.</b> International and legal aspects. Fairness in Pricing. <b>Lecture 2.</b> Case study analysis.	4	Chapter 10 of Pricing Strategies Book
Week 12	<b>Group presentations</b>	4	
		<b>Total: 46 hours</b>	
	CONSULTATIONS	6	
	FINAL EXAM	2	

\*The outline of the course is subject to change.

## FINAL GRADE COMPOSITION

Type of assignment	%
<i>Group Components 40%</i>	
Group presentation	40
<i>Individual Components 60%</i>	
Individual tasks	20
Final exam	40
<b>Total:</b>	<b>100</b>

## DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

### GROUP PRESENTATION

Group presentation will require students to present pricing strategy for a selected product or service. The presentation will have to include cost structure discussion, price level and 3C model analysis, PSM and implemented market research justifying the

selected price. 3 pricing tactics will be selected for the set price and presented (incl. visual examples). More details will be provided during classes. This assignment carries a weight of 40% toward the final cumulative grade.

### **INDIVIDUAL TASKS**

Twenty percent of the final grade will come from a series of short individual assignments distributed throughout the course. Four tasks will be given at different moments during the semester, typically during class as quick "go-and-find" activities, short presentations, applied exercises, or small homework tasks. Students will be asked to complete each activity independently and upload their work to the e-learning platform by the specified deadline. These assignments are designed to reinforce key concepts in real time, encourage active participation, and ensure continuous engagement with the course material.

### **INDIVIDUAL WRITTEN FINAL EXAM**

The individual written final exam, conducted at the end of the semester, assesses students' understanding of the entire course, encompassing both theoretical and practical aspects. The exam will cover all the material covered during lectures and seminars. This exam carries a weight of 40% toward the final cumulative grade.

The final grading for the course follows the accumulative formula specified in the Regulation of studies at ISM. It's important to note that negative grades (below 5) are not included in the accumulative grading system.

In the event of a failing final grade, students could retake the exam during the re-sit week, which comprises 30% of the final grade and includes all semester material. It's worth mentioning that home assignments cannot be retaken later; only the grades for home assignments collected during the course will be included in the final grade.

### **Miscellaneous**

The lecturer reserves a right for minor changes in course programme (for example, changing places of topics without harm to the overall course logic). Also, the lecturer might decide to invite guest speakers – practitioners for deeper presentation of some practical aspects of marketing. When changes in schedule / programme prevail, students will be informed in advance.

### **RETAKE POLICY**

The Retake exam will replace the 40% of final grade corresponding to the Final Exam. The Retake Exam will have the same duration and will follow the same structure of the Final Exam. Acquired scores from all assignments will be summed up and the final (cumulative) grade will be given.

### **ADDITIONAL REMARKS**

Given that the course deals with a rather dynamic domain of knowledge, a certain proportion of the lecture and discussion material for the course will be delivered "just-in-time" (uploaded to e-learning or indicated for downloading from the Internet). This is intended to ensure up-to-date coverage of the course topics. Students should be committed to follow the e-learning system and observe uploaded course material on a daily basis. The instructor may assign additional articles, publications, interviews and studies published by top scholarly and practitioner journals.

### **REQUIRED READINGS**

- Baker, W. L., Marn, M. V., & Zawada, C. C. (2010). *The Price Advantage* (2nd ed.). John Wiley & Sons.
- Nagle, T. (1984). Economic Foundations for Pricing. *The Journal of Business*, 57(1), S3–S26. <http://www.jstor.org/stable/2352919>
- Nagle, T. T., Müller, G., & Gruyaert, E. (2023). *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably* (7th ed.). Routledge.
- Schindler, R. M. (2012). *Pricing strategies: A marketing approach*. Sage Publications.

### **ADDITIONAL READINGS**

Simonson, I. (1989). Choice based on reasons: The case of attraction and compromise effects. *Journal of Consumer Research*, 16(2), 158–174.

Morwitz, V., Greenleaf, E. A., & Johnson, E. J. (1998). Divide and Prosper: Consumers' Reactions to Partitioned Prices [Article]. *Journal of Marketing Research*, 35(4), 453–463. <https://doi.org/10.1177/002224379803500404>

Lichters, M., Sarstedt, M., & Vogt, B. (2015). On the practical relevance of the attraction effect: A cautionary note and guidelines for context effect experiments [Article]. *AMS Review*, 5(1-2). <https://doi.org/10.1007/s13162-015-0066-8>

Kahneman, D. (2011). *Thinking, fast and slow*. macmillan.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 363–391.

Huber, J., Payne, J. W., & Puto, C. P. (2014). Let's be honest about the attraction effect [Article]. *Journal of Marketing Research*, 51(4), 520–525. <https://doi.org/10.1509/jmr.14.0208>

Huber, J., & Puto, C. (1983). Market boundaries and product choice: Illustrating attraction and substitution effects. *Journal of Consumer Research*, 10(1), 31–44.

Frederick, S., Lee, L., & Baskin, E. (2014a). The limits of attraction [Article]. *Journal of Marketing Research*, 51(4), 487–507. <https://doi.org/10.1509/jmr.12.0061>

More might be provided in e-learning platform during the course.

## DEGREE LEVEL LEARNING OBJECTIVES

**Learning objectives for the Bachelor of Business Management***Programmes:*

*International Business and Communication,  
Business Management and Marketing, Finance,  
Industrial Technology Management*

Learning Goals	Learning Objectives
Students will be critical thinkers	BLO1.1. Students will be able to understand core concepts and methods in the business disciplines
	BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions
Students will be socially responsible in their related discipline	BLO2.1. Students will be knowledgeable about ethics and social responsibility
Students will be technology agile	BLO3.1. Students will demonstrate proficiency in common business software packages BLO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations BLO4.2. Students will be able to convey their ideas effectively through an oral presentation BLO4.3. Students will be able to convey their ideas effectively in a written paper

**Learning objectives for the Bachelor of Social Science***Programmes:*

*Economics and Data Analytics,  
Economics and Politics*

Learning Goals	Learning Objectives
Students will be critical thinkers	ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines
	ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements
Students will have skills to employ economic thought for the common good	ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving
Students will be technology agile	ELO3.1. Students will demonstrate proficiency in common business software packages ELO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations ELO4.2. Students will be able to convey their ideas effectively through an oral presentation ELO4.3. Students will be able to convey their ideas effectively in a written paper