
Shopper Marketing (Pricing and Promotions)

Professor: Edgar Sánchez González

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Office hours: by appointment

Course Description

This course is designed to learn the essentials of pricing at both strategic and tactic levels. Topics cover themes divided in two categories. The first is about the traditional approaches to pricing, such as cost-based pricing or competition-based pricing.

The second, called Psychology of Pricing (or NEURO-Pricing), is about very new ways to approach pricing at the tactical level. Based on the latest neuroscientific findings about human behavior, this course teaches the psychological aspects of pricing. This is, the practical knowledge about mind/brain mechanisms like perception and decision making to be implemented in price displaying like exhibits, tags or advertisement.

Research in psychology reveals that prices level communicate, and the format used to present them, even more. The prices format or price display influence or determine customer perception and therefore customer decision making, such as buy or not buy.

Objectives

- Learning the basics of what is a price, what is value and the function of a price.
- Develop skills to detect, prioritize and summarize key ideas
- Traditional Pricing
 - Comprehend and learn the traditional main criteria to set prices

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- Understand the main elements to design price strategies as well as que key variables for designing a promotion
- Psychology of pricing
 - Become aware of the existence of psychology of pricing.
 - Understand deeply and learn what is psychology of pricing and why is important.
 - Learn the basic mind/brain mechanisms that influence perception and decision making and consumer choice
 - Evaluate whether a company is using correctly or not the psychology of pricing in pricing displays and promotions.
 - Propose initiatives to construct (online & offline) promotions implementing the different elements of psychology of pricing.

Methodology

This course is based on the following paradigm: The teacher is not the only person in the classroom that can share knowledge. Every student has the possibility to make relevant contributions to the learning process.

During the class the theory will be presented with practical cases illustrating it.

The students actively participate in the course performing different kind of activities, some of the individually and others working in groups.

Individual level

- Class participation contributing with relevant questions, insights and examples.
- Research for cases to present to the group

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- Self-learning and searching for complementary information and cases to share with the group.
- Final project.

Group level

- Subgroups assignments.

Competencies to acquire

CE5 Plan through the mastery of specific techniques, the different elements of the marketing mix that are connected to the marketing of a company

CE8. Apply market implementation techniques for the design and implementation of an action plan at the point of sale.

Learning outcomes

CE5

R1. Discriminate between the various decisions that make up the marketing mix for execution

R2. Apply the analysis techniques to facilitate the decision-making corresponding to the elements of the marketing mix based on the results

R3 Make management recommendations for all elements of the marketing mix

CE8

R1 Differentiate between the different tactical possibilities of implementing the marketing plan

R2 Develop a promotional plan

R3 Make an action plan at the point of sale

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Evaluation criteria

- Individual class participation, contributions and individual assignments: 30%
- Group projects: 40%
- Final Individual project: 30%

Important:

In courses that feature a final exam, a minimum grade of **4 out of 10** in the final exam is necessary for the other evaluation criteria to be taken into account when computing the student's overall grade for the course. Therefore, students who obtain less than a 4 out of 10 in the final exam will fail the course automatically. Those students will have to take a remedial exam (more details below).

Courses in the Program will generally include group assignments (case studies, projects etc.). At the end of each term, and in order to disincentivize free-riding behaviors, students will have the opportunity to evaluate the involvement of the rest of their team members in all group assignments that took place within the term. Students who obtain sufficiently poor evaluations from their team members will be penalized. The penalty will involve a reduction in the overall group assignment grades of **all** courses that include group assignments (max penalty: 20% reduction of those grades). More details on the topic are available on eCampus.

All the activities that are submitted past the deadline or that do not follow the submission instructions in terms of content, format, etc. will be considered as 'not submitted'. Students will be informed about the submission and presentation dates the first day of class.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

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As with all courses taught at the UPF BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. Students that pass any Retake exam should get a **5 by default as a final grade for the course**. If the course is again failed after the retake, students will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the "Retake" period). In the meantime, the student will get an "incomplete", which will be replaced by the actual grade after the final exam is taken. The "incomplete" will not be reflected on the student's Academic Transcript.

Plagiarism is to use another's work and to present it as one's own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the "Honor Code," students acknowledge that they understand the schools' policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program."

Calendar and Contents

| TOPIC | ACTIVITIES/READINGS |
|------------------------------------|---|
| Traditional Pricing & Neuropricing | Introduction to the course: Goals, Requirements, Criteria for Evaluation, Course dynamics. What is a price? What is the function of a price? Price Relevance Pricing and Promotions Complexities of pricing |
| Traditional Pricing | Traditional ways to determine prices Cost-Plus Pricing Market-Based Pricing Competition Based Pricing Client Based Pricing Different ways to determine Prices Pricing strategies |

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|------------------------------------|---|
| Traditional Pricing | Price Elasticity Determining Willingness to Pay Price Discrimination |
| Traditional Pricing | Value Based Pricing Promotions: fundamental variables & strategies |
| Neuropricing | Introduction to Neuromarketing, implementations of neuroscientific findings to pricing displaying & contextualization Subconscious: definition, size and importance What is psychology of pricing? |
| Neuropricing | Neuropricing, comparisons and context Pricing in catalogues and restaurant menus Mind Mechanism relatives and Context The Pain of Paying (also known as paying pain) Bigger price tastes better Neuropricing, Implementations in promotions (I/II) |
| Neuropricing | Pricing and Cognitive biases: Anchoring, Decoy and others Positive Framing Effect Pricing New products Pricing and segmentation 'Zero' as a price Neuropricing, Implementations in promotions (II/II) |
| Neuropricing | Pricing displays Why is very frequently to find prices ending in 99? Is it effective? Commas and Cents in pricing Moment to change prices Psychological importance of promotions The Psychological Power of Price |
| Neuropricing | Final project presentation: price strategies and promotions |
| Traditional Pricing & Neuropricing | Class wrap up & Conclusions |

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Reading Materials/ Bibliography/Resources

Anderson, E. T., & Simester, D. I. (2003). Effects of \$9 price endings on retail sales: Evidence from field experiments. *Quantitative marketing and Economics*, 1(1), 93-110.

Ariely, D. (2008). *Predictably irrational*. New York: HarperCollins.

Bizer, G. Y., & Schindler, R. M. (2005). Direct evidence of ending-digit drop-off in price information processing. *Psychology and Marketing*, 22(10), 771.

Coulter, K. S., & Coulter, R. A. (2007). Distortion of price discount perceptions: The right digit effect. *Journal of Consumer Research*, 34(2), 162-173.

Genco, S., Pohlmann, A. & Steidel, P (2013). *Neuromarketing for Dummies*. Canada: John Wiley & Sons

Larson, R. B. (2014). Psychological pricing principles for organizations with market power. *Journal of Applied Business and Economics*, 16(1), 11-25.

Nagle, T., & Hogan, J. *The Strategy and Tactics of Pricing*. 4th ed. Upper Saddle River, NJ: Prentice Hall, 2005.

Morwitz, V., Greenleaf, E., & Johnson, E. J. (1998). Divide and prosper: consumers' reaction to partitioned prices. *Journal of Marketing Research*, 35, 453-463.

Suk, K., Lee, J., & Lichtenstein, D. R. (2012). The influence of price presentation order on consumer choice. *Journal of Marketing Research*, 49(5), 708-717.

Van Praet, Douglas. *Unconscious Branding: How Neuroscience Can Empower (and Inspire) Marketing*. New York: Palgrave-Macmillan, 2012.

Zurawicki, L. (2010). *Neuromarketing, Exploring the Brain of the Consumer*. Berlin: Springer-Verlag.

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Bio of Professor

Edgar Sánchez González is a Professional Senior Level, Consultant in **Market Research & NEUROMARKETING**. He is trained in Economics (BSc) and Neurosciences (Ph.D.). Edgar has international experience as a professional in marketing, as scientific researcher and as a teacher.

He has worked in multinational companies such as **YAHOO!** For about 10 years, Dr. Sánchez has been working as a Senior Consultant in **NEUROMARKETING** consultancy projects with multinational companies such as **Almirall** (Pharma), **GRANINI** (FMCG), Lavinia Interactiva and **VUELING** (Traveling).

Member of the Advisory Council of **Harvard Business Review** and Audience Panel of **Scientific American (MIND)**.

With about 20 years of teaching experience, Dr. Sanchez is currently teaching in several Universities and Business Schools such as **EADA**, **Universitat Pompeu Fabra**, and **Universitat Autònoma de Barcelona** in subjects such as Psychology of Decision Making (managerial and consumption contexts), **Neuromarketing**, Market Research, Experiential Marketing, **Neuro-Finance**, **Behavioral Economics**, **NEURO-Brand Management** as well as Consumer Neuroscience.

For more details, please go to:

<https://www.linkedin.com/in/sanchezneuromarketing>

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