0IBUSX22 – The Power of pricing

Lecturer: Augustin Manchon
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Department: International affairs
Semester: 1

Course level: L3 Undergraduate
Domain: Business
Teaching language: English
Number of in-class hours: 33
Number of course sessions: 10 + Exam
ECTS: 6

Course description and objectives

This course explores the strategic, analytical, and behavioral dimensions of pricing. Students will discover how pricing decisions impact profitability, customer perception, market dynamics, and innovation. Combining classical economic models with modern approaches—including digital pricing, behavioral economics, and AI—the course equips students to make pricing a core driver of competitive advantage. Case studies, simulations, and current events will complement theoretical learning.

This course is suitable for future consultants, entrepreneurs, marketing and finance professionals, or anyone aiming to design and manage pricing strategies in a rapidly changing world.

Objectives

- Understand foundational and advanced concepts of pricing across B2C, B2B, SaaS, and platform business models

- Evaluate and apply various pricing approaches: cost-based, competition-based, and value-based

- Analyze customer psychology, segmentation, and willingness to pay

- Address pricing challenges in the digital economy, including AI, algorithms, and sustainability

Develop frameworks to make ethical, legal, and effective pricing decisions in complex markets

Prerequisites

None. No prior coursework in marketing, finance, or economics is required. The course is self-contained and suitable for students from diverse academic backgrounds.

Learning outcomes

By the end of the course, students will be able to:

- Explain the main theories, models, and historical evolution of pricing
- Design pricing strategies adapted to customer segments, product lifecycles, and market structures
- Use analytical tools to evaluate elasticity, profitability, and competitor behavior
- Integrate customer psychology and behavioral insights into pricing tactics
- Apply differentiated pricing models such as bundling, versioning, and yield management
- Understand how AI and sustainability are reshaping pricing in the 21st century
- Make pricing decisions grounded in ethical, strategic, and data-informed perspectives

Assignments and grading

Evaluation

- **Class participation and case discussions** – 40%
- **Reflection essay: “What kind of pricer will I be?”** – 20%
- **Exam: Pricing strategy for a real or fictional company** – 40%

The numerical grade distribution will dictate the final grade. The passing grade for a course is 10/20.

Class participation: Active class participation – this is what makes classes lively and instructive. Come on time and prepared. Class participation is based on quality of comments, not quantity.
Exam policy: In the exam, students will not be allowed to bring any document (except if allowed by the lecturer). Unexcused absences from exams or failure to submit cases will result in zero grades in the calculation of numerical averages. Exams are collected at the end of examination periods.

Course structure

- 2 classes per week
    - 6 classes 8-28 Sept (3 weeks)
    - Long break in October and early November
    - 4 sessions 10-22 November (2 weeks)
- Exam: week of 1-6 Dec

Session	Topic
1	**Session 1 – Introduction to Pricing** **Topic**: *What is Pricing? Definitions, Objectives, and Strategic Role* • History of pricing: barter to AI • Key terms: price vs. value vs. cost • The strategic role of pricing in business models • Overview of pricing methods and when to use them
2	**Session 2 – Price and Classical Economics** **Topic**: *Elasticity, Monopoly, and Price Discrimination* • Supply and demand curves • Price elasticity of demand and revenue optimization • Market structures and pricing power • Price discrimination
3	**Session 3 – Strategic Pricing Approaches** **Topic**: *Cost-Based, Competition-Based, and Value-Based Pricing* • Frameworks for each approach • When each method works—and fails • Transitioning from one model to another • The role of internal capabilities and market maturity
4	**Session 4 – Value Perception and Customer Psychology** **Topic**: *Segmentation, Willingness to Pay, and Perceived Value* • Measuring and influencing willingness to pay • Psychological pricing, decoy effects, and price perception

	• Customer value mapping and persona-based pricing
5	**Session 5 – Differentiated Pricing and Bundling** **Topic**: *Versioning, Premiumization, and Yield Management* • Designing product versions (Good–Better–Best) • Unbundling, bundling, and subscription packaging • Yield and revenue management techniques • Tiered pricing and customer self-selection
6	**Session 6 – Pricing and Competition** **Topic**: *Price Wars, Competitor Reactions, and Strategic Defense* • Analyzing competitor moves: game theory and signaling • Price wars: triggers, costs, and exit strategies • Defensive pricing tactics and customer retention • Real-world war stories and what we learn from them
7	**Session 7 – Pricing for Platforms and SaaS** **Topic**: *Multi-Sided Markets, Network Effects, and Growth Models* • Platform pricing: user subsidies, monetization points • SaaS metrics • Tiered pricing for SaaS • Freemium vs. premium strategies • Intro to usage-based pricing
8	**Session 8 – B2B Pricing and Negotiation** **Topic**: *Complex Deals and Performance Pricing* • B2B buyer personas and procurement logic

	• Configurable offers and quoting tools (CPQ) • Value-in-use vs. value-in-exchange
9	**Session 9 – Behavioral Pricing and Neuroscience** **Topic**: *Anchoring, Loss Aversion, and Perception Biases* • The neuroscience of pricing perception • Anchoring, decoys, framing, and relativity • Reference prices and mental accounting • How behavioral science reshapes pricing decisions
10	**Session 10 – AI, Ethics, and Sustainability in Pricing** **Topic**: *Dynamic Pricing, Algorithmic Fairness, and the Future* • Machine learning for pricing: what it can and cannot do • Fairness, transparency, and algorithmic bias • Legal constraints on automated pricing • Carbon pricing, eco-conscious consumers, and sustainable value models
11	**Final Exam**

Bibliography

Recommended but not compulsory:

- “The Strategy and Tactics of Pricing, a guide to Growing More Profitably” (2021) by Thomas Nagle and 2 more, 5th or 6th editions are both fine
- ”Smart Pricing” (2010) by Raju and Zhang

Lecturer’s biography

- **Augustin Manchon** is a global expert in pricing strategy and business model innovation. A graduate of HEC Paris and NYU, he launched and led the pricing consulting practices at both Deloitte and Accenture in North America, becoming Global Head of Pricing in each firm.
- Recognized by Slipstream as one of the world’s Top 10 Pricing Experts since 2010, Augustin has advised CEOs and executive teams at Microsoft, Carrefour, Walmart, Schneider Electric, Renault, L’Oréal, and several Silicon Valley pioneers.
- He is the founder of **Manchon & Company**, a boutique firm based in Paris and Toronto, and for over 16 years has helped companies develop innovative, profitable, and resilient pricing strategies.

- Augustin also serves as a business angel, board advisor, and strategic partner to private equity firms. He is the co-author of *Pricing: The New CEO Imperative*, the first executive-focused book on pricing strategy.

Moodle

This course is on Moodle

Academic integrity

Be aware of the rules in Université Paris Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work, or that of your own group. Working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.