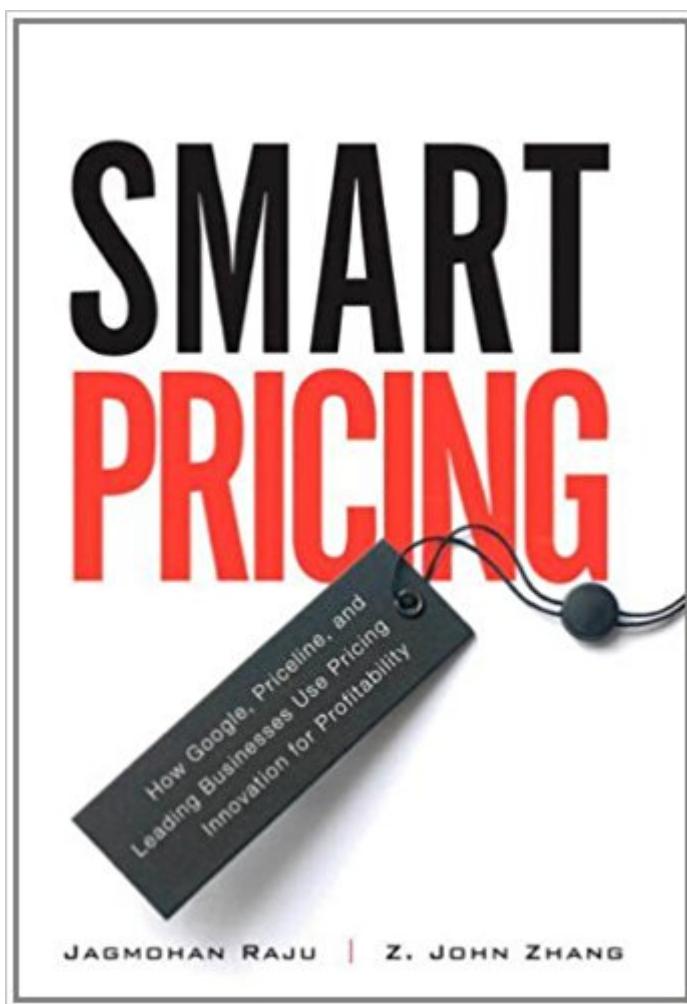


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# Smart Pricing: How Google, Priceline, And Leading Businesses Use Pricing Innovation For Profitability



## **Synopsis**

In *Smart Pricing: How Google, Priceline and Leading Businesses Use Pricing Innovation for Profitability*, Wharton professors and renowned pricing experts Jagmohan Raju and Z. John Zhang draw on examples from high tech to low tech, from consumer markets to business markets, and from U.S. to abroad, to tell the stories of how innovative pricing strategies can help companies create and capture value as well as customers. They teach the pricing principles behind those innovative ideas and practices. *Smart Pricing* introduces many innovative approaches to pricing, as well as the research and insights that went into their creation. Filled with illustrative examples from the business world, readers will learn about restaurants where customers set the price, how Google and other high-tech firms have used pricing to remake whole industries, how executives in China successfully start and fight price wars to conquer new markets. *Smart Pricing* goes well beyond familiar approaches like cost-plus, buyer-based pricing, or competition-based pricing, and puts a wide variety of pricing mechanisms at your disposal. This book helps you understand them, choose them, and use them to win.

## **Book Information**

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## **Customer Reviews**

"Pricing innovation is not for the timid," conclude Jagmohan and Zhang (both, Wharton School, Univ. of Pennsylvania), "getting the pricing right is, in the end, both art and science." Nonetheless, they endeavor to broach the subject with an accessible range of modern price-setting techniques. Smart Pricing is at its best in consolidating "the art" of inventive price discrimination, assembling

best practices from different companies across industries. Smart Pricing does provide an adequate, instructive primer on less conventional approaches to price decision making. Summing Up: Recommended. General readers; undergraduate students at all levels; professionals. A --A A S. M. Mohammed, SUNY Fredonia. Reprinted with permission from CHOICE, copyright by the American Library Association. A A A

""If you ever wondered how prices are determined, you will find it in "Smart Pricing." This is the most comprehensive coverage on the topic for today's new economy. The insights in this book are priceless." David J. Reibstein, The William S. Woodside Professor and Professor of Marketing, The Wharton School, University of Pennsylvania, and coauthor of "Marketing Metrics" ""Global competition and digital technology have made pricing decisions more challenging than ever before. In this smart and excellent book, Jagmohan Raju and John Zhang have packed many years of experience and expertise to help managers navigate through the complex environment that they face today." Sunil Gupta, Edward W. Carter Professor of Business and Head of the Marketing Department, Harvard Business School ""Smart Pricing "offers a unique perspective on how pricing innovations can grow business and transform markets. Synthesizing best pricing practices from various businesses worldwide and research insights is quite illuminating. This superb book is a must-read for anyone interested in exploring the power of pricing." Kamel Jedidi, John A. Howard Professor of Business, Columbia University ""A must-read for all managers who have to make profitable pricing decisions in an increasingly international market environment. Raju and Zhang provide highly innovative solutions for the most challenging problems in modern pricing-scientifically founded, management-focused, and fun to read." Dr. Harley Krohmer, Chairman of the Institute of Marketing and Management, University of Bern - The Capital University of Switzerland Innovative Pricing Strategies that Improve Profitability, Attract New Customers, and Transform Industries In "Smart Pricing", " Wharton professors and renowned pricing experts Jagmohan Raju and Z. John Zhang draw on examples from high tech to low tech, from consumer markets to business markets, and from U.S. to abroad, to tell the stories of how innovative pricing strategies can help companies create and capture value as well as customers. They teach the pricing principles behind those innovative ideas and practices. "Smart Pricing" introduces to marketing and product executives, along with corporate strategists, many innovative approaches to pricing, as well as the research and insights that went into their creation. Filled with illustrative examples from the business world, readers will discover restaurants where customers set the price...learn how Google and other high-tech firms have used pricing to remake whole industries...and understand how executives in

China successfully start and fight price wars to conquer new markets. " ""Smart Pricing" goes well beyond familiar approaches like cost-plus, buyer-based pricing, or competition-based pricing, and puts a wide variety of pricing mechanisms at your disposal. This book helps you understand them, choose them, and use them to "win". "Name your own price" not just for Priceline anymore"New ways to match the right offer with the right customer at the right moment" The new art of the price war"How to plan and execute a price war to conquer new sales territories" Are the best things in life really free?"What you can give away, what you can't, and how to defend against "free"" The snob premium: from cachet to cash"The more you pay, the more it's worth"

If your job is to set prices or you're looking for a technical introduction to pricing, this book is not for you. The book is written like a *BusinessWeek* article: a quick read, informative and thorough, but not detailed or a "how to" for practitioners. It's a great way to expand your thinking about the possible ways pricing and merchandising can work. The authors outline nine alternative pricing models including free, "pay as you wish", "pay if it works", and premium pricing. They also cover price wars and various types of discounting. I enjoyed the book because it broadened my horizons in terms of viable pricing models. You won't walk away with any techniques, but if you enjoy pricing stories and insights into pricing strategies you may not have encountered before, it's a good read. The authors give some interesting insights for each of the pricing models that make it engaging. For instance, they give detailed examples of why some restaurants have effectively implemented a "pay as you wish" pricing model. They also go into detail about why pricing wars work in some markets and give an interesting history of discounting methods. There's not really a conclusion to the book nor does it culminate in a summary; rather, the authors stay true to their initial premise that pricing is an explicit activity, not governed by an "invisible hand of the market." They write that pricing should be informed by business and customer context so each example is a way of getting you to think about what might work for different markets and customer groups. If you're looking for a professional pricing book that will help you actually set prices, try "The Strategy and Tactics of Pricing" by Thomas T. Nagle and Reed K. Holden. For a less technical treatment of pricing, I'd suggest "The Price Advantage" by Michael V. Varin or "Pricing with Confidence" by Reed K Holden. If you liked "Freakonomics" and are interested in more detail about pricing in the real world, try "Why Popcorn Costs So Much at the Movies" by Richard B. McKenzie.

I got this book while in John Zhang's pricing class at Wharton. He basically taught us everything that is in the book. I never knew that pricing was such a complex tool for companies to use. And I never

realized how ignorant people are to pricing strategies. this book really teaches you a lot. I cannot recommend it more to someone interested in marketing, or any concept of business for that matter. Not only are the concepts in this book essential for domination in the business world, but they can help in any situation. I really urge you to read it. It shows you how to think outside of the box. John Zhang taught how to look at pricing in a different way, and now I approach every situation differently. It's just amazing how much one book can change your outlook on life. Get it.

This book tells some excellent stories about innovation in pricing. The focus is B2C (pricing of consumer goods), but that does not mean it is irrelevant to B2B. As we have seen time after time on the Internet, consumer models and applications often go on to spawn disruptive innovations in business markets. I found Chapter 3 on price wars in China, Chapter 4 on thinking small (which has some good points about Bottom of the Pyramid markets and what we can learn from them), Chapter 5 on automatic mark downs, and chapter 9 on pay for performance models especially useful. In chapter 3 on price wars in China there is a nice light explanation of Incremental Break Even Analysis and how it intersects with strategic choices in pricing competition. When reading this section I suggest you pop up your favorite spreadsheet and build the model then run a few scenarios on it to get a feel for its behavior (unless you are one of those rare people who can understand the behavior of an equation just by running it in your own mind). Then apply the model to yourself and your competitors and see what pricing decisions it leads to. The historical treatment of automatic markdowns at Filene's basement (I am writing in this in Cambridge, just across the Charles River from Filenes) and the analysis of buying psychology are also compelling. Pay for performance will be, I believe, one of the most disruptive pricing strategies going forward, and the more different examples one can read the better. I am glad that they included the classic Tom Nagle article "Money-Back Guarantee ... and other ways you never thought to buy your drugs" (the article is available on-line at LeveragePoint). There are useful 'rules of thumb' at the end of this chapter on when pay performance is likely to work. (Other chapters also have this feature, which is a nice feature of the book - the authors give you some guidance on when a particular pricing strategy is likely to work.). On the other hand, although the authors introduce two-sided markets in the chapter on Google, they do not unfold the implications for pricing and pricing strategy. Two-sided markets are likely to eat through traditional markets everywhere they can be applied (see Catalyst Code by David S. Evans; Richard Schmalensee). This book does not do for B2C pricing what Strategy and Tactics of Pricing (Nagle, Hogan and Zale) does for B2B. It does not have an integrative framework that can help one think through B2C pricing. Sadly, I do not think such a book has been written or

such a framework developed. This may be because B2C pricing is very much a part of brand strategy, and any integrative approach to B2C pricing would also have to be a book on branding (and how branding is changing in a social media world). Pricing experts and brand builders are seldom the same people and often do not work well together, but a transformative book on B2C pricing will require input from both sides.

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