

**UNIVERSITY OF CALIFORNIA AT BERKELEY  
HAAS SCHOOL OF BUSINESS**

**Marketing Strategy**  
**BA 269C**  
F695  
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**SYLLABUS**

This course is designed with the goal of providing exposure to the major streams of research regarding marketing strategy. The primary goal of the course is to prepare students to read, appreciate, and critique the literature on marketing strategy.

The course will meet once each week for three hours. Students should come to lecture prepared to answer questions about assigned material. Attendance and participation at all class sessions is an important aspect of student performance.

Course requirements include: (1) regular attendance and participation in classes, which may include oral presentations; (2) regular assigned readings; (3) homework assignments; and (4) a final exam. The final will take place during the final exam period. The grading breakdown is as follows: class participation, 10%; homework assignments, 30%; final exam, 60%.

Lectures typically will add to and complement the reading material. I will indicate the material to be covered in upcoming lectures, and students are expected to read the relevant material in the text before the lecture. Students should come to class prepared to answer questions regarding the assigned material.

**Reference Books**

Lilien, G. L., P. Kotler, and K. S. Moorthy (1992), *Marketing Models*, Prentice Hall. (LKM)

J. Eliashberg, and G.L. Lilien, editors, (1993), *Marketing*, Amsterdam; New York: North-Holland. V. 5 of *Handbooks in Operations Research and Management Science*. (EL)

**Prerequisites**

Some knowledge of calculus of optimization will be useful. A good review of these techniques is provided in Appendix I of Lilien, Kotler, and Moorthy. Some of the papers

that we will discuss assume some knowledge of game theory, optimal control, and econometrics. I will discuss the basic concepts of these techniques in class.

## OUTLINE (preliminary)

\*Denotes readings of particular importance.

### I. Pricing

LKM, Chap. 4.

#### (a) Monopoly

Nagle, Thomas (1984), "Economic Foundations for Pricing," *Journal of Business*, 57, S3-S26.

Dolan, R. (1995), "How Do You Know When the Price Is Right?," *Harvard Business Review*.

\*Rao, V. (1993), "Pricing Models in Marketing," in EL, Chap. 11.

Kalish, S. (1983), "Monopolist Pricing with Dynamic Demand and Production Costs," *Marketing Science*, 2, 135-159.

\*Levinthal, D. and D. Purohit (1989), "Durable Goods and Product Obsolescence," *Marketing Science*, 8, 35-36.

Moorthy, K. (1988), "Consumer Expectations and the Pricing of Durables," in *Issues in Pricing: Theory and Research*, Tim Devinney (editor), Lexington: Lexington Books.

Monroe, K., (1990), *Pricing: Making Profitable Decisions*, 2nd. ed. New York: McGraw-Hill.

#### (b) Competition

\*Moorthy, K. S. (1993), "Competitive Marketing Strategies: Game-Theoretic Models," in EL, Chap. 4.

\*Moorthy, K. S. (1988), "Product and Price Competition in a Duopoly," *Marketing Science*, 7, 141-168.

\*Hauser, J. and S. Shugan (1983), "Defensive Marketing Strategies," *Marketing Science*, 3, 327-351.

Hauser, J. (1988), "Competitive Price and Positioning Strategies," *Marketing Science*, 7, 76-91.

Carpenter, G. (1989), "Perceptual Position and Competitive Brand Strategy," *Management Science*, 35, 1029-1044.

Wernerfelt, B. (1991), "Brand Loyalty and Market Equilibrium," *Marketing Science*, 10, 229-245.

\*Lal, R. (1990), "Price Promotions: Limiting Competitive Encroachment," *Marketing Science*, 9, 247-262.

Wernerfelt, B. (1989), "Tacit Collusion in Differentiated Cournot Games," *Economics Letters*, 29, 303-306.

\*Parker, P. and L.-H. Röller (1997), "Collusive Conduct in Duopolies: Multimarket Contact and Cross-Ownership in the Mobile Telephone Industry," *Rand Journal of Economics*, 28, 304-322.

Besanko, D., S. Gupta, and D. Jain (1998), "Logit Demand Estimation Under Competitive Pricing Behavior: An Equilibrium Framework," *Management Science*, 44, 1533-1547.

## **II. Product Management**

LKM, Chap. 5.

### *(a) Product Design*

\*Urban, G. and J. Hauser (1993), *Design and Marketing of New Products*, 2nd ed., Prentice-Hall: Englewood Cliffs, Chap. 9 and 10.

Green, E. P. and A. Krieger (1993), "Conjoint Analysis with Product-Positioning Applications," in EL, Chap. 10.

Urban, G. (1975), "PERCEPTOR: A Model for Product Positioning," *Management Science*, 21, 858-871.

Shocker, A. and V. Srinivasan (1974), "A Consumer-Based Methodology for the Identification of New Product Ideas," *Management Science*, 20, 921-937.

Griffin, A. and J. Hauser (1993), "The Voice of the Customer," *Marketing Science*, 12, 1-27.

*(b) Product Line and Price Discrimination*

\*Moorthy, K. S. (1984), "Market Segmentation, Self-Selection, and Product Line Design," *Marketing Science*, 3, 288-307.

Reibstein, D. and H. Gatignon (1984), "Optimal Product Line Pricing: The Influence of Elasticities and Cross-Elasticities," *Journal of Marketing Research*, 21, 259-267.

Oren, S., S. Smith and R. Wilson (1984), "Pricing a Product Line," *Journal of Business*, 57, S73-S100.

\*Narasimhan, C. (1984), "A Price Discrimination Theory of Coupons," *Marketing Science*, 3, 128-147.

Wernerfelt, B. (1986), "Product Line Rivalry: Note," *American Economic Review*, 76, 842-844.

Villas-Boas, J. M. (1997), "Competitive Product Lines," *mimeo*, University of California at Berkeley.

*(c) Branding*

Aaker, D. (1991), *Managing Brand Equity*, Free Press: New York.

Erdem, T. (1998), "Brand Equity as a Signaling Phenomenon," *Journal of Consumer Psychology*, 7, 131-157.

\*Simon, C. and M. Sullivan (1993), "The Measurement and Determinants of Brand Equity: A Financial Approach," *Marketing Science*, 12, 28-52.

\*Wernerfelt, B. (1988), "Umbrella Branding as a Signal of New Product Quality: An Example of Signalling by Posting a Bond," *Rand Journal of Economics*, 19, 458-466.

*(d) Signaling*

Chu, W. and W. Chu (1994), "Signaling Quality by Selling Through A Reputable Retailer: An Example of Renting the Reputation of Another Agent," *Marketing Science*, 13, 177-189.

Balachander, S. and K. Srinivasan (1994), "Selection of Product Line Qualities and Prices to Signal Competitive Advantage," *Management Science*, 40, 824-841.

\*Moorthy, K. S. and K. Srinivasan (1995), "Signaling Quality with a Money-Back Guarantee: The Role of Transaction Costs," *Marketing Science*, 14, 442-466.

Moore, M. (1992), "Signals and Choices in a Competitive Interaction: The Role of Moves and Messages," *Management Science*, 38, 483-500.

*(e) New Products and Diffusion Models*

LKM, Chap. 10.

\*Moorthy, K. S. and I. Png (1992), "Market Segmentation, Cannibalization and Timing of Product Introduction," *Management Science*, 38, 307-324.

Dhebar, A. (1994), "Durable-Goods Monopolists, Rational Consumers, and Improving Products," *Marketing Science*, 13, 100-120.

Purohit, D. (1994), "What Should You Do When Your Competitors Send in the Clones?," *Marketing Science*, 13, 392-411.

\*Mahajan, V., E. Muller and F. Bass (1993), "New-Product Diffusion Models," in EL, Chap. 8.

\*Kalish, S. (1985), "A New Product Adoption Model with Price, Advertising, and Uncertainty," *Management Science*, 31, 1569-1585.

Narasimhan, C. (1989), "Incorporating Consumer Price Expectations in Diffusion Models," *Marketing Science*, 8, 343-357.

\*Norton, J. and F. Bass (1987), "A Diffusion Theory of Adoption and Substitution for Successive Generations of High Technology Products," *Management Science*, 33, 1069-1086.

\*Silk, A. and G. Urban (1978), "Pre-Test Market Evaluation of New Packaged Goods: A Model and Measurement Methodology," *Journal of Marketing Research*, 15, 171-191.

Urban, G. (1993), "Pretest Market Forecasting," in EL, Chap. 7.

Chaney, P., T. Devinney and R. Winer (1991), "The Impact of New Product Introductions on the Market Value of Firms," *Journal of Business*, 64, 573-610.

### **III. Channels of Distribution**

LKM, Chap. 9.

*(a) Channel Coordination*

\*Jeuland, A. and S. Shugan (1983), "Managing Channel Profits," *Marketing Science*, 2, 239-272.

\*McGuire, T. and R. Staelin (1983), "An Industry Equilibrium Analysis of Downstream Vertical Integration," *Marketing Science*, 2, 161-192.

Lal, R. (1990), "Improved Channel Coordination through Franchising," *Marketing Science*, 9, 299-318.

\*Coughlan, A. and B. Wernerfelt (1989), "On Credible Delegation by Oligopolists: A Discussion of Distribution Channel Management," *Management Science*, 35, 226-239.

\*Chu, W. (1992), "Demand Signalling and Screening in Channels of Distribution," *Marketing Science*, 11, 327-347.

\*Desai, P. and K. Srinivasan (1995), "Demand Signalling under Unobservable Effort in Franchising: Linear and Nonlinear Price Contracts," *Management Science*, 41, 1608-1623.

Villas-Boas, J. M. (1998), "Product Line Design for a Distribution Channel," *Marketing Science*, 17, 156-169.

Gerstner, E. and J. Hess (1995), "Pull Promotions and Channel Coordination," *Marketing Science*, 14, 43-60.

Purohit, D. and R. Staelin (1994), "Rentals, Sales, and Buybacks: Managing Secondary Distribution Channels," *Journal of Marketing Research*, 31, 325-338.

Iyer, G. (1998), "Coordinating Channels under Price and Nonprice Competition," *Marketing Science*, 17, 338-355.

*(b) Retailing*

\*Lal, R. and C. Matutes (1994), "Retail Pricing and Advertising Strategies," *Journal of Business*, 67, 345-370.

\*Simester, D. (1995), "Signalling Price Image Using Advertised Prices," *Marketing Science*, 14, 166-188.

\*Messinger, P. and C. Narasimhan (1995), "Has Power Shifted in the Grocery Channel?," *Marketing Science*, 14, 189-223.

Iyer, G. and J. M. Villas-Boas (1998), "A Bargaining Theory of Distribution Channels," *mimeo*, University of California at Berkeley.

Lilien, G. and Rao, A. (1976), "A Model for Allocating Retail Outlet Building Resources Across Market Areas," *Operations Research*, 24, 1-14.

Padmanabhan, V. and I. P. L. Png (1997) "Manufacturer's Returns Policies and Retail Competition," *Marketing Science*, 16, 81-94.

Bultez, A. and P. Naert (1988), "S.H.A.R.P.: Shelf-Allocation for Retailers' Profit," *Marketing Science*, 7, 211-231.

Scott-Morton, F. and F. Zettelmeyer (2000) "The Strategic Positioning of Store Brands in Retailer - Manufacturer Bargaining," *mimeo*, University of California at Berkeley.

Kadiyali, V., P. Chintagunta, and N. Vilcassim (2000) "A Manufacturer-Retailer Channel Interactions and Implications for Channel Power: An Empirical Investigation of pricing in a Local Market," *Marketing Science*, 19, 127-148.

Villas-Boas, J.M., and Y. Zhao (2000) "The Ketchup Marketplace: Retailer, Manufacturers, and Individual Consumers," *working paper*, University of California, Berkeley.

Balasubramanian, S. (1998) "Mail versus Mall: A Strategic Analysis of Competition between Direct Marketers and Conventional Retailers," *Marketing Science*, 17, 181-195.

#### **IV. Sales Force Management**

LKM, Chap. 8.

Lodish, K. (1971), "CALLPLAN: An Interactive Salesman's Call Planning System," *Management Science*, 18, 25-40.

\*Basu, A., R. Lal, V. Srinivasan, and R. Staelin (1985), "Sales Force Compensation Plans: An Agency Theoretic Perspective," *Marketing Science*, 4, 267-291.

\*Rao, R. (1990), "Compensating Heterogeneous Salesforces: Some Explicit Solutions," *Marketing Science*, 9, 319-341.

Coughlan, A. (1993), "Salesforce Compensation: A Review of MS/OR Advances," in EL, Chap. 13.

Mantrala, M., P. Sinha and A. Zoltners (1992), "Impact of Resource Allocation Rules on Marketing Investment-Level Decisions and Profitability," *Journal of Marketing Research*, 29, 162-175.

\*Anderson, E. (1985), "The Salesperson as Outside Agent or Employee: A Transaction Cost Analysis," *Marketing Science*, 4, 234-254.

## **V. Advertising**

LKM, Chap. 6.

Little, J. (1979), "Aggregate Advertising Models: The State of the Art," *Operations Research*, 27, 629-667.

\*Feichtinger, G., R. Hartl and S. Sethi (1994), "Dynamic Optimal Control Models in Advertising: Recent Developments," *Management Science*, 40, 195-226.

Erickson, G. (1985), "A Model of Advertising Competition," *Journal of Marketing Research*, 297-304.

\*Chintagunta, P. and D. Jain (1995), "Empirical Analysis of a Dynamic Duopoly Model of Competition," *Journal of Economics and Management Strategy*, 4, 109-131.

\*Mahajan, V. and E. Muller (1986), "Advertising Pulsing Policies for Generating Awareness," *Marketing Science*, 5, 89-105.

Simon, H. (1982), "ADPULS: An Advertising Model with Wearout and Pulsation," *Journal of Marketing Research*, 19, 352-363.

\*Villas-Boas, J. M. (1993), "Predicting Advertising Pulsing Policies in an Oligopoly: A Model and Empirical Test," *Marketing Science*, 12, 88-102.

\*Gross, I. (1972), "The Creative Aspects of Advertising," *Sloan Management Review*, 14, 83-109.

Silk, A. and E. Berndt (1993), "Scale and Scope Effects on Advertising Agency Costs," *Marketing Science*, 12, 53-72.

Villas-Boas, J. M. (1994), "Sleeping with the Enemy: Should Competitors Share the same Advertising Agency?," *Marketing Science*, 13, 190-202.

## **VI. Promotion**

LKM, Chap. 7.

\*Blattberg, R. and S. Neslin (1993), "Sales Promotion Models," in EL, Chap. 12.

\*Narasimhan, C. (1988), "Competitive Promotional Strategies," *Journal of Business*, 61, 427-449.

\*Raju, J., V. Srinivasan and R. Lal (1993), "The Effects of Brand Loyalty on Competitive Price Promotional Strategies," *Management Science*, 36, 276-304.

Rao, R. (1991), "Pricing and Promotions in Asymmetric Duopolies," *Marketing Science*, 10, 131-144.

\*Villas-Boas, J. M. (1995), "Models of Competitive Price Promotions: Some Empirical Evidence from the Coffee and Saltine Crackers Markets," *Journal of Economics and Management Strategy*, 4, 85-107.

Rao, R., R. Arjunji and B. Murthi (1995), "Game Theory and Empirical Generalizations Concerning Competitive Promotions," *Marketing Science*, 14, G89-G100.

\*Lal, R. and J. M. Villas-Boas (1998), "Price Promotions and Trade Deals with Multi-Product Retailers," *Management Science*, 44, 935-949.

## **VII. Market Structure and Entry**

\*Golder, P. and G. Tellis (1993), "Pioneer Advantage: Marketing Logic or Marketing Legend," *Journal of Marketing Research*, 30, 158-170.

Urban, G., P. Johnson and J. Hauser (1984), "Testing Competitive Market Structures," *Marketing Science*, 3, 83-112.

Kalyanaram, G., W. Robinson and G. Urban (1995), "Order of Market Entry: Established Empirical Generalizations, Emerging Empirical Generalizations, and Future Research," *Marketing Science*, G212-G221.

Carpenter, G. and K. Nakamoto (1990), "Competitive Strategies for Late Entry in a Market with a Dominant Brand," *Management Science*, 36, 1268-1278.

DeSarbo, W., A. Manrai and L. Manrai (1993), "Non-Spatial Tree Models for the Assessment of Competitive Market Structure: An Integrated Review of the Marketing and Psychometric Literature," in EL, Chap. 5.

## **VIII. Marketing Response Models**

Cooper, L. (1993), "Market-Share Models," in EL, Chap. 6.

Hanssens, D. and L. Parsons (1993), "Econometric and Time Series Market Response Models," in EL, Chap. 9.

Gatignon, H. (1993), "Marketing-Mix Models," in EL, Chap. 15.

Wind, Y. J. and G. Lilien (1993), "Marketing Strategy Models," in EL, Chap. 17.

\*LKM, Chap. 11.