

Marketing Strategy MBA299M

Introduction

August 27

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1. Palm Computing

April 1996: Launch of Palm Pilot
1,000 software developers

September 1996: Microsoft launches Windows CE

October 1997: one million units sold
66% market share

January 1998: Microsoft launches Windows CE 2.0 (less than 20% market share)

March 1998: Palm III; development for Palm V and VII

November 1998: Founder Jeff Hawkins and Palm President Donna Dubinsky left to start Handspring because they felt they could not compete with Microsoft within 3Com. Handspring to use Palm OS

Palm Computing

September 1999: Handspring launches Visor. In first 3 weeks gets to 27% market share. Palm OS at 76% of market.

April 2000: Microsoft launches Pocket PC. (Close to \$1 billion in investment).
1/9 ratio to Palm sales by June 2000.
Palm continuing to cultivate software developers.

June 2001: Slow down in US economy. Palm has loss of \$150 M, and stock under \$2.

September 2001: Microsoft launches Pocket PC 2002 – gets 23% market share

June 2002: Palm: Palm OS was standard: most users, most software, most hardware options, most manufacturers. 145,000 software developers, 2,500 added each week.

Palm Computing

Palm's strategy:

- strengthen network effects
- get a head start
- manage expectations

Microsoft's strategy:

- shape expectations?
- redefine market?

Can two players survive?

2. Components of Strategy

- **Scope**
 - Breadth of strategic domain: number and types of industries, product lines, market segments
- **Objectives and Goals**
 - Desired level of accomplishment on one or more performance dimensions and growth
- **Resources and their deployment**
 - Allocation of human, financial and other resources across businesses, markets, etc.
- **Competitive advantage**
 - Distinctive competencies or strengths relative to competitors?
- **Synergy**
 - exploit synergies across businesses and product markets

Formulating and Implementing Marketing Strategy



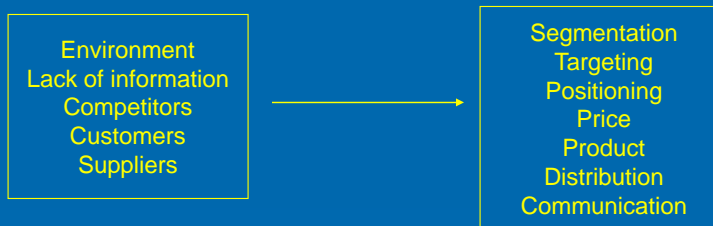
HP Strategy Statement

- Our strategy is to focus HP's inventive capabilities across three key dimensions of the emerging technology landscape:
 1. Enabling intelligent, connected devices and environments
 2. Enabling an always-on Internet infrastructure
 3. Enabling a new generation of applications delivered as e-services.
- By understanding the relationship among these three, we can help transform the experiences people have with technology and the role it plays in business and life

3. This Course

- How to “make profit by meeting a need of a customer”?

Formulate and plan a marketing strategy



- Worry about dynamics and contingencies/uncertainty
- Methods: Practice (computer simulation + cases)
Lectures

Course structure

First part: Industry analysis
Pricing
New products
Strategic segmentation
Market dynamics
Resource allocation

Markstrat: Understanding customers
R&D and product development
Market planning
Marketing diagnostics
Competition

Customer loyalty
Customer relationship management
Wrap-up

Markstrat

Complex business simulation: Manage a firm for eight periods, competing with different firms in an industry

Team composition: 3, 4 or 5, diversity, submit by September 10 (or earlier). Register at www.markstratonline.com, Course ID A96002. All students need to register. Download software version V1-2-0-1.

Team meetings: Thursdays, first decision on September 24th with class time. Time pressure.

Decisions: Marketing research, positioning, R&D, product design, product line, advertising, distribution, pricing.

Course evaluation

Markstrat (55%)

Firm performance

First Markstrat report (due October 20)

Final Markstrat report (due December 3)

Individual case write-ups (any 3 cases, 10% each = 30%)

(Sony PlayStation 3, 9/1; Nestle 9/8, Sony car navigation 9/15, Brita 11/24, American Airlines 11/17, Hilton HHonors Worldwide 12/1)

Class participation (15%)

4. Strategy: Analogy to war? (Chinese Classical Strategies of war – circa 500 BC)

- **IN STRATEGY IT IS IMPORTANT TO SEE DISTANT THINGS AS IF THEY WERE CLOSE AND TAKE A DISTANT VIEW OF CLOSE THINGS.**
- **THE IMPORTANT THING IN STRATEGY IS TO SUPPRESS THE ENEMY'S USEFUL ACTIONS BUT ALLOW HIS USELESS ACTIONS.**
- **TO KNOW THE TIMES: MEANS TO KNOW THE ENEMY'S DISPOSITION IN BATTLE. BY OBSERVING THE SPIRIT OF THE ENEMY'S MEN AND GETTING THE BEST POSITION, YOU CAN WORK OUT THE ENEMY'S DISPOSITION.**
- **TO BECOME THE ENEMY: MEANS TO THINK YOURSELF INTO THE ENEMY'S POSITION.**
- **TO PASS ON: WHEN THE ENEMY IS AGITATED AND SHOWS AN INCLINATION TO RUSH, DO NOT MIND IN THE LEAST. MAKE A SHOW OF COMPLETE CALMNESS AND THE ENEMY WILL BE TAKEN IN BY THIS AND BECOME RELAXED. WHEN YOU SEE THAT THIS SPIRIT OF CALMNESS HAS BEEN PASSED ON, ATTACK STRONGLY.**

ART OF WAR: SUN TZU (CIRCA. 500 BC)

- TO WIN WITHOUT FIGHTING IS BEST: THE IDEAL STRATEGY IS TO MAKE CONFLICT UNNECESSARY.
- THERE ARE ONLY FIVE NOTES IN THE MUSICAL SCALE, BUT THEIR VARIATIONS ARE SO MANY THAT THEY CANNOT ALL BE HEARD. THERE ARE ONLY TWO KINDS OF CHARGE IN BATTLE, BUT VARIATIONS ARE ENDLESS.
- ALL MEN CAN SEE THESE TACTICS WHEREBY I CONQUER, BUT WHAT NONE CAN SEE IS THE STRATEGY OUT OF WHICH VICTORY IS EVOLVED.
- TO UNFAILINGLY TAKE WHAT YOU ATTACK, ATTACK WHERE THERE IS NO DEFENSE. FOR UNFAILINGLY SECURE DEFENSE, DEFEND WHERE THERE IS NO ATTACK.
- THE RULE OF MILITARY OPERATIONS IS NOT TO COUNT ON OPPONENTS NOT COMING, BUT TO RELY ON HAVING WAYS TO DEAL WITH THEM.

5. Industry Analysis

The overall competitive activity facing an average firm is the interplay of five factors;

A. INTENSITY OF RIVALRY

NUMEROUS, EQUALLY BALANCED COMPETITORS
SLOW INDUSTRY GROWTH
HIGH FIXED COSTS
HIGH EXIT BARRIERS
LACK OF PRODUCT DIFFERENTIATION
COMPETITORS WITH DIVERSE VIEWS

B. THREAT OF ENTRY

ECONOMIES OF SCALE
PRODUCT DIFFERENTIATION
HIGH CAPITAL REQUIREMENTS FOR ENTRY
ENTRY DETERRENT PRICES

C THREAT OF SUBSTITUTE PRODUCTS

SUBSTITUTE INDUSTRY EARNS HIGH π
RELATIVE PRICE-PERFORMANCE OF SUBSTITUTES
SWITCHING COSTS

D BARGAINING POWER OF THE BUYERS

LARGE VOLUME PURCHASES RELATIVE TO THE SELLER'S SALES
LOW SWITCHING COSTS FOR BUYER/UNDIFFERENTIATED PRODUCT
ABILITY TO BACKWARD INTEGRATE
PRODUCT UNIMPORTANT TO THE QUALITY OF THE BUYER'S OWN PRODUCTS
BUYER INFORMATION

E BARGAINING POWER OF THE SUPPLIERS

SYMMETRIC TO THE CASE WITH BUYERS

Conclusion

- Course overview and organization
 - Components of strategy
 - Analogy of war? Understand competitors
 - Industry analysis
- Next week: Case Sony PlayStation 3