

Marketing Strategy (EWMBA299M-11 - Fall 2012)

Zsolt Katona
F694
Tel: (510) 643-1426
Email: zskatona@haas

Introduction

The purpose of this course is to develop the skill and the experience in formulating and planning marketing strategies. This course looks in depth at strategic decision making in companies at the top management level, bringing together concepts that you learned in other courses. In particular, the course brings together and develops further concepts from the Marketing, Strategy, and Microeconomics core courses while touching on elements of Finance and OB. The course provides a framework for analyzing the strategies of companies, identifying strategic synergies, and understanding a company's core strengths. The course is designed to be essential for students interested in a career in strategic management consulting, in marketing, or in M&A. If your career will involve analyzing, formulating and/or implementing the strategy of a company, analyzing a company's core strengths and its relation to the industry, and/or exploring strategic synergies, this course is for you.

The course builds on the foundation developed in Marketing Management: A successful firm delivers value to customers better than its competitors. The first marketing core course focuses on introducing the basic elements which underlie the practice of marketing - segmentation, targeting, positioning, 4 Ps. In contrast, this course emphasizes how to execute marketing: how to put these basic elements into practice is a strategic way. The general idea behind marketing may be simple “make profit by meeting a need of a customer” but the art of putting it into practice is complex. A major part of the course is the *MARKSTRAT* simulation. This has the feel of running an actual company, and while applying the concepts developed in class and/or learned in other courses, each team formulates and implements the company's long-term strategy, in competition with other companies. This is the ultimate strategy simulation, used at all the top schools, and *MARKSTRAT* will be one of things that you will remember most from your MBA. Learning through the simulation puts special emphasis on teamwork and the application of the technical and conceptual skills under time pressure.

Course Format

The pedagogical approach will be three-fold: a competitive simulation and the use of lectures and case discussions. The computer simulation, *MARKSTRAT ONLINE*, is used as a vehicle for learning-by-doing. Traditional case analyses or lectures do not expose participants to the complexity of operating in a competitive environment with incomplete information or to the process of “learning over time” which is fundamental to successful marketing. That is the objective of *MARKSTRAT*. In the context of a fast paced changing simulated business environment, *MARKSTRAT* forces participants to deal with competitive initiatives and reactions, market uncertainty and unfamiliarity, and a set of marketing tools that must be used strategically. Lectures are used to guide the simulation and explore the marketing process in

greater depth. The cases are used to round out the course coverage and expose participants to several key topics in the practice of marketing that are not covered in the simulation.

Required Course Material

- Larréché, Jean-Claude, Hubert Gatignon, and Rémi Triolet, “Markstrat Online Student Handbook” (LGT)
- A package of cases and readings. Additional reading material may be distributed during the course.

Class Preparation and Participation

The success of this course depends on everybody’s effort to prepare before class. Most learning occurs when you are actively engaged in thinking about and doing marketing rather than passively absorbing the material. This is true for both Markstrat (when you are working in teams) and during the class sessions. Everybody’s contribution is important. It is rare that there is one right answer to a particular marketing strategy issue. Do not expect one. Rather, you should expect to learn from seeing how others address the problem that you have thought seriously about. The better prepared you are the more you will learn. However, to keep everyone on the same page, please do not look up what happened to the companies discussed in the case.

MARKSTRAT

A Markstrat Industry and Its Firms

Each team is assigned the responsibility of managing a Markstrat firm for eight decision periods. Every industry will likely be comprised of five Markstrat firms so each firm is in competition with four other firms in its industry.

Decision Making

Markstrat requires teams to make typical marketing decisions and exposes them to forces over which a marketing manager has limited control but which he must manage to be successful. These forces include competitive interactions, uncertainty, limited resources, and time pressure.

Team Meetings

Eight class sessions are partly dedicated to Markstrat decisions. Depending on the different stages of the game, one and a half to 2 hours of class time (usually at the end) are allocated for each decision. These time blocks are classes and attendance is mandatory, and checked by the group. In case the decision time includes the break, you are free to leave or continue working during the break.

Time Pressure

Given the tight schedule, it is absolutely essential that you be on time. Any team filing a decision after the posted deadline will be subject to a fine. You will find that the length of the decision period places you under considerable time pressure. This is by design and not by accident. First, the time pressure forces you to work together as a team. This will give you the opportunity and the need to apply concepts you have been exposed to in Organization Behavior. Second, the time pressure forces teams to

set clear priorities. While there is always some benefit to learning more about the market environment for each decision, the time limit forces teams to consider the marginal value of paying attention to different problems or pieces of information. An important skill of effective marketers is their ability to discern the critically important from the merely important.

End-Gaming

You are expected to manage your firm such that it will be competitive in periods after you have completed decision 8. Do not maximize short-term net contribution at the expense of the long-term position of your firm and the ability of a future management team to continue to run your firm.

Collusion

Price fixing, market splitting and sharing of confidential information are illegal. Meeting places of competing teams are off-limit. Company reports contain confidential information and must be stored appropriately.

Assignments

Markstrat group assignments

Apart from the usual individual preparation for class session, reading your cases or reference articles, there will be two group assignments involving Markstrat. After three decision periods, each team will be asked to submit concise five-year strategic plans, committing to certain performance measures. These documents will contain a strategic analysis of the past performance along with the contingent scenarios for the future and the reasoning for the path you have chosen. If you choose to change strategy, or the scenarios change, you will have to submit replacement strategic plans, specifying your new objectives. Please limit the length of your strategic report to 3-5 double spaced pages. The assignment is due at the beginning of the class of Week 7, after Decision 3.

The other formal assignment involving Markstrat is the final report, due the beginning of the last class. This report has a six-page limit (double space) excluding figures. The final report is used to assess a team's competence, i.e., its understanding of the market environment and ability to design, implement, and adjust a marketing strategy. A competent team is well organized, is able to cope with customer behavior and competitive reactions, understands the value and limitation of the available market research, and knows how to effectively allocate its limited resources to various marketing mix elements. A successful team as judged by firm performance is not necessarily a competent team. The final report provides teams with the opportunity to show that good performance is not (only) due to luck, but that during the course of the eight decisions the team has learned about customers, competitors and the capabilities of your own company. Details about the requirements for this report will be provided later in class. Depending on the number of groups, some of them will be asked to present their report in the last session.

Individual Case Write-ups

A four-page write-up on any two of the following cases is required.

- Clocky: The Runaway Alarm Clock

- Product Team Cialis: Ready to Market
- Beckton Dickinson & Co.: VACUTAINER Systems Division
- Skoda Auto (A): Rebuilding the Brand
- PayPal Merchant Services
- The New York Times Paywall

The write-up should follow the line set out by the questions provided for each case in the schedule below. Papers are due at the start of the class in which the case is discussed. Late papers will not be accepted. Although I tried to avoid to include cases that were discussed in other classes, it is possible that some of you already know a particular case. Please refrain from submitting a write-up of a case that you have already discussed in another class. The four-page limit constitutes an upper-bound. So please do not feel compelled to turn in 4 pages each time. It takes some time to grade a case. So you may have to write a second case prior to getting feedback on the first.

Submission Document Format

All assignments that require a document to be submitted should use 12pt font, double spacing, and 1 inch margins. Submit all the assignments on bSpace in .docx or .pdf format, no paper submission is necessary. If there is a problem with bSpace, email me a copy. The comments and grades will be added to the file electronically which look better in Word, so .docx is the preferred to .pdf if you use Word. Team submissions should be submitted by only one team member to avoid confusion. If multiple members submit from a team, the last submission will be graded.

Evaluation and Grading

My expectations for you are straightforward: come to class on time, be prepared and participate. To help your preparation and guide your learning, in this syllabus, you will find the topic of each session, a description of the required reading material, a list of study questions and assignments. For cases, the study questions will guide our in-class discussion.

Grading

Your grade in this course will be based on Markstrat (50%), individual case write-ups (2 cases, 12.5% each = 25%), and Class Participation (25%). The Markstrat portion of the grade will result from a combination of firm's performance and my evaluation of the group's competence based on the two reports and my interaction with the groups during the decision periods.

Class Sessions

Week 1. Introduction and Industry Analysis (8/18 - Haas)

Case: Renova

1. Analyze the toilet paper category from the end consumer's point of view. How do people choose what toilet paper to buy? What is the shopping experience like? What is the role of brands and why are private labels so successful?
2. Analyze the structure of the toilet paper market. Who are the biggest competitors? What is the role of retailers? What are the trends in this category and what could the future look like?
3. Analyze the Renova company. Does it have any unique capabilities? How about the Renova brand? And what are the goals and aspirations of Renova's management and owners?

Readings:

- The Five Competitive Forces That Shape Strategy (Porter)
- *Applying the Thirty-six Chinese Classical Strategies of War to Retail Marketing and Planning

Readings marked with '' are optional.*

Week 2. New Product Development and Industry Lifecycle (8/25 - Haas)

Case: Rogers Communications, Inc.: The Wave

1. What is meant by the “convergence” of television, telephone and computing and how does it affect the future of cable television? How does it affect Rogers?
2. Consider this convergence from the perspective of the consumer. How will convergence deliver benefits to consumers? How rapidly are consumers likely to embrace these benefits? What impediments exist to their adoption?
3. What is your assessment of Rogers’ new product development process with respect to high speed Web access?
4. What is the likely size of the market for high speed Web access in the Newmarket suburb of Toronto over the next three years? On what factors does your estimate depend?
5. How should Rogers design its launch offering of the WAVE?

Case: Emotiv

1. What is the role of game developers in the success of EPOC?
2. Should Emotiv charge game developers for the SDK?
3. Should they go after the PC market or team up with one or more of the “big three” video console makers?
4. Which consumer segment should be targeted?
5. How should marketing (4P's) be implemented in the different scenarios?

Readings:

- "Marketing Strategy: How It Fits with Business Strategy"
- *"First to market, first to fail? Real causes of enduring market leadership"
- *"Developing New Products and Services: The Marketer's Role"

Week 3. Segmentation, Targeting and Positioning (9/8 - Techmart)

Time: 10am-1pm (only this day)

Case: **Clocky: The Runaway Alarm Clock**

1. What are the key marketing challenges facing Gauri Nanda? How would you prioritize them in terms of which are most crucial to effectively bring her new product to market?
2. Nanda has several options for positioning Clocky. How would you segment the potential market for Clocky? Are there additional segments other than the "Need" and "Fun" target markets outlined in the case? On which target market segments should Nanda focus?
3. Which of the positioning options are most feasible given the product development of Clocky to date and Nanda's goals, resources, and capabilities? Do you see the positioning of Clocky changing over time?
4. Given your chosen positioning option, recommend the key components of a marketing launch plan for Clocky. Include recommendations on Clocky's product design/features and manufacturing location, pricing, retail channels and distribution plan, and marketing communications. Be sure that your launch plan recognizes Nanda's budgetary constraints.
5. What are the rewards and the risks of the flurry of media attention surrounding Clocky one year prior to its launch? How can Nanda better capture the rewards and minimize the risks? How would you manage continued media interest given the product is not completed?

Case: **Product Team Cialis: Ready to Market**

1. What are the most relevant dimension along which to segment the patient market for ED treatment? Of the segments identified, which would you target initially with Cialis?
2. What is Viagra's positioning in the marketplace in 2002? How would you characterize the Viagra brand?
3. What would be the most effective way to position Cialis in the marketplace? Identify and compare potential alternatives.
4. What marketing mix activities should accompany the launch of Cialis?
5. What competitive response do you anticipate from Pfizer? From Bayer-GlaxoSmithKline?

Readings:

- *"Market Customization: Segmentation, Targeting and Positioning"
- *"Rediscovering Market Segmentation"

Week 4. Introduction to Markstrat (9/15 - Haas)

MARKSTRAT Decision 1

The objective of this session is to prepare you for the launch of the Markstrat simulation. I will review some aspects of the Markstrat environment (described in detail in Chapter 2 of Larréché & Gatignon) and the decisions you have to make to compete in this environment. We will then have a brief discussion of the most difficult challenge in getting started. A core element of marketing is the selection of customers, i.e., segmentation, targeting, and positioning but Markstrat firms operate in a competitive environment. A critical hurdle is understanding who your competitors are and why.

During the decision you cannot change or reposition your two Sonites, but you can change your prices, your advertising and/or your sales force spending. I recommend that you order all available market research and look at them before deciding that some reports are not worth ordering.

Readings:

- LGT, Chapters I,II,III,IV.1-2.,V

Week 5. Understanding Customers (9/22 - Haas)

MARKSTRAT Decision 2

In marketing, there is nothing more important than understanding customer needs and behavior. This is particularly important when developing new products or repositioning old ones. Different market research tools are available for this task and no single tool can provide all the answers. Every tool has advantages and disadvantages and misinterpretation can lead to poor decisions. It is therefore essential that managers have some knowledge of how to interpret results from these different research tools. I will then review how you can take this knowledge to reposition brands and launch new products. During the decision you can now reposition and introduce new brands to affect the future of your company. You have a limited budget available, so set priorities and spend your money wisely.

Readings:

- LGT, Chapter IV.3
- "How to diagnose what buyers really want"
- "Conjoint Analysis: A Manager's Guide"
- *"A Practical Guide to Conjoint Analysis "

Week 6. Research and Product Development (9/29 - Techmart)

MARKSTRAT Decision 3

We will review how to take the knowledge from the Marketing Research reports to develop new products in Markstrat, i.e., how you interact with your R&D department. You can now develop new products to determine the future of your company.

Readings:

- LGT, Chapter VI, VII
- "Reducing the Risks of New Product Development"
- "Disruptive Technologies: Catching the wave"

Week 7. Differentiation and Competition (10/6 - Techmart)

MARKSTRAT Decision 4

Assignment

Markstrat strategic plan due

Readings:

- "[How Game Theory Rewrote all the rules](#)"
- "Right Game: Use Game Theory to shape Strategy"

Week 8. Branding (10/13 - Haas)

MARKSTRAT Decision 5

Case: Becton Dickinson & Co.: VACUTAINER Systems Division

Case Questions:

1. What does the DRG regulation mean for BD?
2. What is the meaning of the BD brand?
3. What is the role of distribution in BD's business model?
4. What should BD propose to APG?

Readings:

- *"[Brazdz: Top 100 Most valuable global brands 2012](#)"
- *"[Interbrand: Best Global Brands 2011](#)"
- *"[If Brand Are Built over Years, Why Are They Managed over Quarters?](#)"

Week 9. Advertising I. (10/20 - Techmart)

MARKSTRAT Decision 6

Case: Skoda Auto (A): Rebuilding the Brand

Case Questions:

1. How do you evaluate Skoda's marketing campaign in the UK till 2000?
 - a. Which are its key attributes?
 - b. What might be the problem(s)?
2. Identify potential target markets for Skoda in the UK. How would you advertise to these targets? How would you supplement advertising with other marketing activities
3. What is the key challenge in making your target market buy the car? How would advertising address this?

Readings:

- *"The Role of Differentiation in Markets Driven by Advertising"

Week 10. Advertising II. (10/27 - Techmart)

MARKSTRAT Decision 7

Guest Speaker: Tom Geary (Co-Founder, School of Thought Advertising Agency)

Week 11. Two-sided Markets (11/3 - Haas)

MARKSTRAT Decision 8

Case: PayPal Merchant Services

Case Questions:

1. What explains PayPal's early success?
2. How vulnerable are Visa and MasterCard to share erosion in e-commerce payments? What, if anything, should the card associations and their members do about PayPal's "off-eBay" initiative?
3. Does Google represent a serious threat to PayPal? What strategy for payments would you recommend for Google? For eBay/PayPal in defending against Google's attack?
4. What strategy should PayPal pursue for Merchant Services? How should PayPal allocate investments between the merchant and consumer sides of its network? On the consumer side, should PayPal target existing or new PayPal users? Should it target large or small merchants?

Week 12. Marketing Strategy Online (11/10 - Techmart)

Case: The New York Times Paywall

Case Questions:

1. Is the Paywall working?
2. How would you evaluate the current Paywall compared with the two prior ones?
3. Why are newspapers in trouble? What is the goal of *The Times* in creating the Paywall?
4. Should *The Times* actively manage its transition from print to digital?
5. Does the paywall seem like a good strategy for newspapers in general?

Case: Online Marketing at Big Skinny

Case Questions:

6. What should Kiril focus on next? What should be his lowest priority? Why?
7. Evaluate Big Skinny's sponsored search strategy. Are there any search keywords or which you would encourage Big Skinny to increase its bid? To lower its bid?
8. How effectively is Big Skinny using social media to sell its wallets?
9. Should Big Skinny expand its partnerships with online distributors? directly?

Readings:

- ["The Online Advertising Industry: Economics, Evolution, and Privacy"](#)
- [*"Online Advertising"](#)

Week 13. Social Media Strategies (11/17 - Techmart)

Case: United Breaks Guitars

Case Questions:

1. Evaluate United's response to Dave Carroll's video? Did the airline handle the incident well?
2. Why was this video seen by so many people, so quickly?
3. In general, how should corporations prepare for the challenge posed by user-generated video and other material disseminated on social media?

Guest Speaker: Geoffrey Shenk (Kenshoo)

Readings:

- "BestBuy's CEO on Learning to Love Social Media"

- "Branding in Social Media: Evidence from Starbucks, Harley-Davidson and Ryanair"
- "[Olivier Blanchard Basics Of Social Media Roi](#)"

Week 15. Final Presentations and Course Wrap-up (12/1 - Haas)

Assignment due: Markstrat Final Report