

**The Wharton School
University of Pennsylvania**

**MKTG 777: Marketing Strategy
Fall 2014**

Syllabus

Specific dates still subject to changes in order to accommodate guest speakers

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Course objectives

The *main* objective is to better understand *how marketing relates to the key issues in business strategy*: choosing customers, defining and creating value, delivering and appropriating value, and sustaining value against competitors and over time. The course does so by:

- Reinforcing fundamentals like segmentation, targeting, and positioning, and providing additional opportunities to apply commonly used analysis tools like perceptual mapping and Porter-type analysis of markets and industries.
- Illustrating how marketing and business strategy interrelate. Examples include how marketing can be used to build barriers to entry and how marketing actions can affect the pattern of competition in an industry.
- Discussing some topics at the intersection between marketing, business strategy, and organization design. E.g., franchising and other hybrid go-to-market approaches.

The *secondary* objective is to deepen your *practical skills in quantitative marketing and customer analytics*:

- Using marketing mix analytics to improve marketing mix ROI. You will learn how to build and use simple market response models to improve marketing mix allocation.
- Using quantitative customer analytics to improve targeting decisions. You will learn how to build and use simple choice models to identify who is more/less likely to buy a new product or switch to a competitor, and so make better targeting decisions.

Target audience and prerequisites

The course assumes that you are already familiar with the basic ideas of marketing strategy. These include the benefits of being market oriented; the notions of segmentation, targeting, and positioning; product life cycle dynamics; the structural analysis of industries and markets; and the need to gain a sustainable competitive advantage.

The only formal prerequisite is MKTG 611.

The course uses the Markstrat computer simulation, which is similar to the Sabre simulation used in MKTG 613. So, whether you took MKTG 612 or 613 may affect whether you want to take this course or not.

Learning methods

The course uses (a) lectures and readings, (b) case discussions, (c) problem sets, and (d) an extensive computer simulation, complemented with (e) one small computer simulation exercise. You will accomplish the large simulation in teams.

Cases will allow you to identify and discuss key issues in value creation, appropriation, and sustenance, while at the same time gaining exposure to a variety of situations and industry contexts.

Several problem sets and case memos will allow you to sharpen your skills in marketing analytics.

A comprehensive strategic marketing simulation, Markstrat, will allow you and your fellow group members to develop marketing strategies, including targeting, positioning, and resource allocation decisions. This realistic computer simulation allows you *to learn by doing* (well, virtually) and to appreciate more deeply (a) the need for understanding customer needs, (b) the importance of managing market dynamics, and (c) the inherent ambiguities when developing strategies in dynamic competitive environments. Markstrat is completed in groups of 3 to 4 people.

Unlike MKTG 613, the course is not designed around the simulation. Markstrat is just another way for you to hone your analysis and decision making skills.

Grading

The final grade is based on the performance on various components:

Problem sets & Case memos	40%
Class participation	25%
Markstrat performance	25%
Markstrat post-mortem	5%
MarketSpace exercise	5%

Penalty for failing to attend a guest lecture during regular class time: -10%.

Unless I am informed otherwise, I will assume the workload in the Markstrat and other team efforts was shared equally by the members of the group.

Required materials

There is no textbook. A coursepack of readings and case studies is available through Study.Net. You can decide to purchase only the electronic (softcopy) version, or to add an order for Wharton Reprographics to produce a hard copy as well. You can do so by (i) going to the course's Canvas website, (ii) selecting the left tab titled "Study. Net Materials", and (iii) selecting the "Click here to purchase a printed TEXTPAK" link at the bottom of the page.

There is a \$60 license fee for Markstrat. Details will follow.

Other materials will be distributed in class or through Canvas. Wharton Repro may bill you for the print cost of in-class handouts at the end of the semester.

Office hours

I do not keep office hours at pre-determined, fixed times. I have found it is more convenient and efficient for students to work by appointment. Just send me an email providing me with a few timeslots you could meet, so I can pick one and confirm the appointment.

For non-Wharton students only: Obtaining a Wharton email account

Slide decks, problem sets and other materials will be distributed through Canvas. You need a Wharton email account for access. The first link below provides some information, and the second sends you directly to the application page.

<http://supportcenteronline.com/ics/support/default.asp?deptID=658&task=knowledge&questionID=82>

<https://apps.wharton.upenn.edu/accounts/>

Topical Overview

Specific dates still subject to changes to accommodate guest speakers

1.	Aug.	27	Introduction: Marketing and business strategy	
A. Choosing customers				
2.	Sep.	3	Targeting fast-adopters, influentials and influenceables	
3.	Sep.	8	Leveraging customer networks to drive sales -- with(out) peer influence	
4.	Sep.	10	Analytics for new product adoption	
5.	Sep.	15	Introduction to Markstrat	
6.	Sep.	17	Market research in Markstrat	
7.	Sep.	22	"Traditional" segmentation and targeting: <i>Ford Ka</i>	
8.	Sep.	24	<u>Guest lecture</u> : P&G's targeting and positioning in China	
9.	Sep.	29	Targeting the switchable customer: <i>ABB Electric</i>	1*
B. Sustaining value I: Competition				
10.	Oct.	1	Proactive defense and barriers to entry: <i>Xerox</i>	
11.	Oct.	6	Reactive defense: Debrief of MarketSpace exercise	2
12.	Oct.	8	<u>Guest lecture</u> : Making marketing decisions in large and small companies	
13.	Oct.	13	<u>Guest lecture</u> : Winning as a late entrant—P&G vs. Kao in Japan	3
14.	Oct.	15	Managing competition: <i>RTE cereals industry</i>	
C. Sustaining value II: Changing/Extending value propositions				
15.	Oct.	20	<u>Guest lecture</u> : Mining consumer behavior across social networks for brand insights	
16.	Oct.	22	Upward brand extension within a brand architecture: <i>Diesel Jeans</i>	4
17.	Oct.	27	Downward brand extension & fighting brands: <i>Altius</i>	
18.	Oct.	29	Value migration	5
19.	Nov.	3	<u>Guest lecture</u> : Social media in B2B: Every business is social business	
20.	Nov.	5	Integration case: <i>L'Oréal Plénitude</i>	6
D. Marketing mix analytics				
21.	Nov.	10	Building and estimating a marketing mix model	
22.	Nov.	12	Using a marketing mix model to help make decisions	7
23.	Nov.	17	Marketing and pricing a new product: <i>Keurig at Home</i>	
24.	Nov.	19	Applications and exercises: <i>Star Digital</i> and other	8
E. Delivering value				
25.	Nov.	24	Hybrid go-to-market systems and Franchising	
26.	Dec.	1	Channel conflict when pursuing new growth opportunities: <i>Pizza Hut</i>	9
27.	Dec.	3	Channel partner coordination: <i>Siebel</i>	
F. Course Wrap-up				
28.	Dec.	8	Discussion of Markstrat and course wrap-up	

* Markstrat decision #

Course Overview

Specific sequence subject to changes to accommodate guest speakers

1. Introduction: Marketing and business strategy

This session provides an overview of the course content, learning methods, and administrative matters. It also includes a lecture on how marketing relates to the key issues in business strategy: choosing customers, defining and creating value, delivering and appropriating value, and sustaining value in against competitors

2. Targeting fast-adopters, influentials and influenceables

Read “Leveraging to Beat the Odds: The New Marketing Mind-Set” (Coursepack)

Slywotzky and Shapiro propose that your segmentation and targeting decisions should depend on where you are in the product life cycle. In this class we focus on the earlier phases. Targeting fast-adopters makes sense when you have a high cash burn rate and want to gain market traction quickly. Targeting influentials makes sense if you want to leverage them to convert influenceables into buying a new product. But how do you identify early adopters, influentials and influenceables? This lecture discusses some classic and recent research findings.

3. Leveraging customer network to drive sales – with(out) peer influence

Read after class “Why Customer Referrals Can Drive Stunning Profits” (Coursepack)
“How Social Networks and Opinion Leaders Affect the Adoption of New Products” (Canvas)

This session challenges the popular notion of “contagion” among customers. Specifically, (i) what looks like evidence of contagion or peer influence may actually be an artifact, and that (ii) people and markets may differ greatly in how susceptible they are to contagion. However, there is also good news: (iii) Marketers can leverage the “birds of a feather flock together” phenomenon (aka homophily). The readings mentioned above are two non-technical write-ups targeted towards managers. I’ll post some actual research reports on Canvas for those who want to know more about “how the sausage was made”.

4. Analytics for new product adoption

This section introduces two quantitative models that analysts use to use understand and predict new product dynamics: (i) market-level diffusion models and (ii) individual-level adoption models. It also shows how to use Excel to estimate these models and provide analytic insights to put the ideas of sessions #2 and #3 into action.

5. Introduction to Markstrat

Read “Markstrat Participant Handbook” (pages 1-17 and 37-51 only)

6. Market research in Markstrat

Read “Markstrat Participant Handbook” (pages 18-36 and 52-61 only)

7. “Traditional” segmentation and targeting – *Ford Ka*

Prepare Ford Ka (Coursepack)
Read “Rediscovering Market Segmentation” (Coursepack)
Skim “A segmentation you can act on” (Canvas)

In response to the changes in the European small car market, Ford decided to launch a second small car, the Ford Ka. The car has already been developed, the production capacity determined, and the launch set for October 1996 in France. Before Gilles Moynier can get to the specifics of the marketing strategy, he must decide who the target customer for the Ford Ka should be. His main challenge is that the traditional way of segmenting the car market may not work anymore.

8. P&G’s targeting and positioning in China

Companies increasingly look for growth in emergent markets. In this guest lecture, Mr. Ravi Chaturvedi, former President Northeast Asia at Procter & Gamble and former CEO of Jet Airways in India, discusses P&G’s marketing strategy in China—focusing on the basic questions of “Who?” (choosing customers) and “What?” (choosing value propositions that resonate with the target customers).

9. Targeting the switchable customer using marketing analytics

Optional “A Choice-Modeling Market Information System That Enabled ABB Electric to Expand Its Market Share” (pages 6-16 only) (Canvas)

This lecture illustrates a segmentation and targeting approach recommended by Slywotzky and Shapiro (see session #2) for markets that are mature and congested. To do so, we delve deeper into the marketing analytics underlying the turnaround of ABB Electric. The lecture has two objectives: (1) Conveying the idea that focusing one’s resources on switchable customers is more efficient than focusing on loyals and (2) Introducing the multinomial logit model used very often in marketing analytics to understand what drives customer choice.

10. Proactive defense and barriers to entry – *Xerox in 1973*

Prepare Xerox in 1973 (Coursepack)
Read “Gateways to Entry” (Coursepack)

In 1973, Xerox was in position quite similar to Microsoft a few years ago and Google today: quasi-monopolist, extremely profitable, and with (the threat of) an anti-trust suit on its hands. The case describes in detail the marketing practices that Xerox used to build and sustain their dominant position. The lessons from this classic episode still greatly influence modern strategic thinking.

11. Reactive defense: MarketSpace exercise debrief

Read after class “Theory and Application of Defensive Strategy” (Coursepack)

We discuss the MarketSpace exercise which you completed before coming to class, learn about the marketing analytics behind the exercise that are used in practice, and draw some conclusions on defensive marketing strategy.

12. Making marketing decisions in large vs. small companies

Wharton alumna Rachel Porges shares her experiences and insights on making marketing decisions. Having worked in very large consumer packed goods companies Neutrogena and Unilever as well as smaller companies like Hello Products and pet food retailer Krisher's, she has unique insight what works and does not work in big mature and professional CPG companies versus more scrappy and entrepreneurial ventures.

13. Winning as a late entrant: P&G vs. Kao in Japan

In this guest lecture, Mr. Ravi Chaturvedi, former President Northeast Asia at Procter & Gamble and former CEO of Jet Airways in India, shares his insights on how to profitably attack as a late entrant (P&G in Japan) and profitably defend oneself against such entrants (Kao in Japan; P&G in China).

14. Managing competition – RTE cereals industry in 1994

Prepare Ready-to-Eat Breakfast Cereal Industry in 1994 (Coursepack)

This case illustrates how competitors in an industry have for years cultivated a *modus vivendi* with each other, and how this profitable state of affairs was put in jeopardy by changes in the market environment. The big-picture take-away is that marketing strategy can impact industry structure (like barriers to entry) and competitive intensity, rather than only the other way round.

15. Mining consumer behavior across social networks for brand insights

A key challenge for large, established companies is to continually find new opportunities to rejuvenate their offerings. Social media make it easier to continually monitor market trends and to keep customers engaged, but getting companies who are very successful with "traditional" marketing to embrace social media can be quite a challenge. In this guest lecture, Matthew Wilson, in charge of Consumer Intelligence; Global Consumer Insights at General Mills shares his experiences on his journey to mine consumer behavior across social networks to generate new brand insights and, hopefully, sustained growth at General Mills.

16. Upward brand extensions / Branding within a brand architecture – Diesel Jeans

Prepare Diesel for Successful Living (Coursepack)

Read Aaker and Joachimsthaler, "The Brand Relationship Spectrum" (Canvas)

Diesel, the innovative Italian casual wear company, is pondering how to brand its new upscale line of clothing: StyleLab. The case focuses on the brand architecture for StyleLab: should it be an independent brand with no link to Diesel, a sub-brand of Diesel, or an independent brand endorsed by Diesel? The case also raises some issues that are especially challenging in the marketing of fashion and luxury brands. In particular, it illustrates how Diesel has managed to grow without losing its core identity.

17. Fighting brands – Altius

Prepare Altius Golf and the Fighter Brand (Coursepack)

Read "Should You Launch a Fighter Brand?" (Coursepack)

Altius Golf is the clear leader in the golf ball market. The firm has so far maintained its position by introducing generations of advanced, super-premium golf balls that allow their customers to emulate professional golfers. The company has been losing market share to lower-priced competitors and the CEO wants to introduce a new program called Elevate to foster the next generation of golfers. With Elevate, the firm will introduce a ball that is more forgiving

and easier to drive for distance and offer it at a price 40% below the company's flagship brand. Elevate will be available through "off-course" channels such as golf specialty stores and big box retailers instead of "on-course" pro shops where the firm typically sells its products. The board of directors is divided on whether to support the decision.

18. Value migration dynamics

Read "Make Sure Your Customers Keep Coming Back" (Coursepack)

This session provides a framework linking commoditization and value migration (Sustaining value) to market segmentation and targeting (Choosing customers) and go-to-market approach (Delivering value). We'll use the framework to better understand different companies' changing fortunes, specifically Dell in the computer industry and Schwab in the securities retail brokerage industry.

19. Social media in B2B marketing: Every business is social business

Optional after class reading "Maersk Line" (Canvas)

B2B companies who have used social media successfully have recognized that social media are not just a substitute for traditional media, but can be used to humanize B2B companies, establish them as thought leaders, be a key part of tech support, and foster customer engagement through two-way communication and community building. Two poster children of such successful use are Dell and Maersk Line, the world's largest container shipping company. In this guest lecture, Richard Margetic, formerly Director of Global Social Media at Dell and currently Director of Social in the Small Business Group at Intuit, shares his experiences at both tech companies.

20. Integration case – *L'Oréal of Paris: Bringing "Class to Mass" with Plénitude*

Prepare L'Oréal Plénitude (Coursepack)

L'Oréal's strategy is to "trickle down" technology over time from high-end markets catered to by boutiques and department stores to mass markets served by drugstores. The mass market skin care brand Plénitude has become the market leader in France but sales in the United States have been quite disappointing. Even eight years after introduction the brand continues to lose money in the US. The case presents rich market research data to enabling you to diagnose the problem and develop an action plan.

21. Building and estimating a marketing mix model

Read "Tools for Marketing Engineering: Market Response Models." (pp. 29-45 and 52-57 only) (Coursepack)

This session shows how you can use simple models to quantify the impact of marketing decision variables on marketing outcomes. Model parameters are estimated using Excel Solver (though you can of course also use more sophisticated statistical packages).

22. Using a marketing mix model to help make decisions

This session shows how you can take marketing mix models, build a profit function around them, and then find the "optimal" marketing mix allocation. We will again use Excel Solver.

23. Marketing and pricing a new product – *Keurig at Home*

Prepare Keurig at Home (Coursepack)
Read “The monopolist’s optimal markup rule” (Canvas)

The case describes the pricing and distribution challenges of launching a new product into an emerging market. Keurig is a small, privately held firm that relies on a network of partners to bring its product to market. It has established itself in the US as a pioneer and market leader in single-cup brewing systems for the office coffee segment. With success in the commercial market, Keurig is now poised to launch its brewing system in the consumer market. However, penetrating this new market poses several challenges. Traditional retail distribution may not be feasible due to the current cost structure. The company has developed a direct marketing strategy with its partners, but will it work? Also, what price should it charge for the cups and for the brewer?

24. More marketing mix analytics applications and exercises

Prepare Star Digital (Coursepack)
Read “Sales-Force Decision Models: Insights from 25 Years of Implementation” (Canvas)

Star Digital is a multichannel video service provider. It has conducted an online display advertising experiment. What can you conclude from the data (provided as an Excel sheet)? Is online advertising effective for Star Digital? Does increasing the frequency of advertising increase the probability of purchase? Which sites should the company advertise on?

In the reading, the founders of ZS Associates, a major marketing strategy consulting firm that is the world leader in sales force optimization, reflect on their experiences with using models to improve marketing decisions.

25. Hybrid channels & Franchising

Read “Managing Hybrid Marketing Systems.” (focus on pp. 1-6) (Coursepack)
Read “The Theory of the Firm and the Structure of the Franchise Contract” (Coursepack)

This lecture first discusses how distribution channels can purposively be unbundled or deconstructed, so that different activities are assigned to separate media and partners in the distribution network. Next, it discusses business format franchising. This is a hybrid go-to-market approach where (i) some but not all activities are performed by downstream partners and (ii) companies manage the resulting coordination and incentive problems effectively.

26. Channel conflict when pursuing new growth opportunities

Prepare Pizza Hut, Inc. (HBS 588-011) (Coursepack)
Read “Channel Conflict: When Is It Dangerous?” (Canvas)

In 1986, after years of resisting entry into the delivery segment for fear of cannibalizing its eat-in business, Pizza Hut decides to offer home delivery. However, the company’s plan is not well received by its franchisees who are divided on their assessment of entering the delivery market and of the specifics of Pizza Hut’s plan to do so. This classic case gives the opportunity to learn more about franchising practice and about organizational challenges when trying to engage into new growth opportunities. The episode also illustrates that conflict between go-to-market partners can be healthy.

27. Channel partner coordination – *Siebel*

Prepare Siebel Systems (A) (Coursepack)

The disastrous roll-out of the HealthCare.gov, the “Obamacare website,” is a recent reminder that complex enterprise IT solutions are very hard to pull off, in part because of the challenge to coordinate multiple parties involved. The Siebel case raises several issues surrounding the use of systems integrators as implementation partners and the relationship among customers/user, systems implementation, and the selling function. The case also presents a very tough trade-off between speed of growth and customer orientation.

28. Discussion of Markstrat and course wrap-up