

**The Wharton School
University of Pennsylvania**

Marketing 777-Fall 2007

MARKETING STRATEGY

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Web Café Address: <http://webcafe.wharton.upenn.edu>

Class Schedule: Monday and Wednesday
9:00am – 10:20am and 10:30am-11:50am

Introduction

This course views marketing as both a general management responsibility and an orientation of an organization. Relatively less attention will be given to the specific activities of the marketing department, sales group, or advertising function in implementing strategic decisions.

We will take the viewpoint of the general manager and the chief marketing officer to address the issues of:

- Formulating segmentation and focus strategies
- Understanding, attracting and keeping valuable customers
- Positioning the business to achieve an advantage over competitors
- Identifying and exploiting organic growth opportunities
- Allocating resources across businesses and segments
- Aligning the organization to changing market requirements.

course will use a mix of cases, lecture/discussion, outside speakers, and group projects. This material will be integrated throughout the course with three over-riding themes. First, that successful market strategies deliver superior customer value; second, that successful implementation of these strategies requires a high level of market orientation – a market-driven firm has superior skills in understanding, attracting, and keeping customers; and third, that the market arena in which the strategies are implemented is increasingly global.

Objectives

Your basic objective is to develop your own understanding and management skills. My primary objective is to stimulate this process. Specifically, the course will attempt to help you develop your knowledge and skills in the application of advanced frameworks, concepts, and methods for making strategic choices at the business unit level. At the end of the course, you should have a working knowledge of the approaches that organizations use to resolve market strategy issues.

Teaching Method and Performance Evaluation

This course will be taught as a seminar so participation during the lectures and meaningful contributions to the case discussions are essential. There are five components to the course grade:

1. **Class Participation (20%).** This part of the grade depends on the quality of your contributions. Highly valued contributions include asking insightful questions about the assigned readings, redirecting a case discussion when the current point has been adequately covered, providing an appropriate qualitative analysis, summarizing and/or reconciling previous comments, and drawing generic learning points from a particular case.
2. **Individual Written Case Analysis (20%).** This should be handed in at the beginning of the session for which the case has been assigned. The choice of the specific case is made by each person. The write-ups should be in essay form. Also, they should be double-spaced and typed and not exceed six (6) pages, including exhibits and tables. Do not rely on the questions for discussion in the syllabus as the structure for your report. These questions are meant to signal the main issues to be addressed during the class discussion.
3. **Book Review (15%).** Write a two-page, double-spaced review of a marketing strategy-related book, for your class-mates. What is the main message of the book, and should they read it? All the reviews will be posted on web-café. At the end of this syllabus is an illustrative list of books to review. Feel free to select any other book in this domain, if you so desire. This review is due October 22nd.

4. Course Examination (15%) This will be an open book examination, to be held during the regular class session on November 12. The questions will emphasize the understanding and application of concepts and frameworks we have covered to that point in the course.

5. Marketing Strategy Project (30%). This report is to be prepared and presented by self-selected groups of three or four people. The topic should relate to the content of the course and provide a significant learning experience for all members of the group. A list of candidate topics is provided in Exhibit 1 (attached). However, every effort will be made to accommodate other topics. Feasible topics include an evaluation of the strategy of a firm or business, or the applicability of a concept or method useful in strategic marketing. The report will ordinarily be based on secondary sources and information in the public domain, but can also be based on field research or interviews and data collection within a company.

The reports will be evaluated according to the following criteria:

1. The quality of the analysis – were the right questions asked?
2. The feasibility of the conclusions or recommendations – did they follow from the analysis?
3. Evidence of mastery of the frameworks, concepts, and methods developed during the course; and
4. The effectiveness of the written and verbal presentation of the report. The presentation and the written report should conclude with a brief section on lessons learned.

Unless I am informed otherwise, I will assume the workload was shared equally by the members of the group.

Please prepare a brief (one-paragraph to one-page) typed proposal to be submitted with the names of the team members by **September 26**. A one-page double-spaced progress report is due on **November 5**. The final paper should be between 12 and 15 double-spaced pages, excluding any charts, graphs, and figures. This paper is due on **November 28**. A class presentation of the project will be scheduled for **November 28, December 3 or 5**.

Materials

A bulkpack of printed case studies and readings will be provided.

Along with the assigned readings, you are encouraged to regularly read strategy-related items in the *Wall Street Journal* and articles in *Business Week*, *Fortune*, *Forbes*, and other publications.

This syllabus – and any updates is available at:

<http://webcafe.wharton.upenn.edu>

Course Philosophy

The starting point is the belief that you cannot develop a sound competitive market strategy unless you first understand the problem or situation. This requires not only an understanding of what the important features are in the situation you face, but also of how these features will impact your strategy. In other words, you need to have a good theory. “Cook-book” solutions rarely work in practice because every situation is somewhat unique, and there are no universal marketing solutions. Alfred Whitehead expressed this very well in a famous essay from 1929:

Whatever be the detail with which you cram your student, the chance of this meeting in after-life exactly that detail is almost infinitesimal; and if he does meet it, he will probably have forgotten what you taught him about it. The really useful training yields a comprehension of a few general principles with a thorough grounding in the way they apply to a variety of concrete details. In subsequent practice the (students) will have forgotten your particular details; but they will remember by an unconscious common sense how to apply principles to immediate circumstances.

- Alfred Whitehead, *The Aims of Education and Other Essays*

Exhibit One
Illustrative List of Topics for Marketing Strategy Project

1. Analyze the role and effectiveness of the CMO of one or more firms, and recommend ways to increase their influence and value.
2. Determine the effectiveness of a strategy of close customer relationships, in terms of the mutual benefits, organizational requirements, and prospects for competitive advantage.
3. Assess the present orientation of a firm to its market, by comparing the judgments of senior managers with the perceptions of major customers, and identify barriers to becoming more market-driven.
4. Evaluate the effectiveness of an application of CRM processes and technologies in retaining a company's most valuable customers.
5. Review the portfolio of organic growth initiatives for a firm, assess the likelihood the growth objective will be achieved, and propose changes to the growth strategy.
6. Propose strategies for maximizing the value of a brand through line extensions, or other approaches.
7. Use a scenario analysis methodology to understand the impact of an environmental discontinuity on the viability of a market strategy.
8. Develop a marketing dashboard that can reveal the performance of a firm's marketing activities. What are the key metrics and their drivers?
9. Forecast the pattern of value migration in a market as the market requirements or technology change, and identify feasible strategies for the incumbent to use in response.
10. Undertake an analysis of the capabilities, strategies, and intentions of a major competitor, and propose a defensive strategy to counter their likely moves.
11. Assess the ability of the organization to learn about its markets and act on the information.
12. Identify and evaluate strategic alternatives for a follower when the leader has preempted most of the positions of advantage.
13. Identify and evaluate the strategic alternatives for a market leader in response to an aggressive price value competitor.

14. Redesign a marketing organization: what is the right mix of centralized and decentralized marketing activities? What is the right balance of outsourcing and insourcing of these activities?
15. Propose ways of ensuring an integrated value proposition when the customers are being served through many different channels, and reached with a wide array of digital and established media.

OVERVIEW OF THE COURSE

(A) INTRODUCTION

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|-----------------|---|
| 1. September 5 | Introduction to the Course |
| 2. September 10 | The Fundamentals of Marketing Strategies
<i>Case: Becton-Dickinson & Co.:
VACUTAINER Systems Division</i> |
| 3. September 12 | Strategies for Market Leadership |
| 4. September 17 | Strategies for Market Leadership (continued)
<i>Case: Zara: Responsive High Speed, Affordable Fashion</i> |
| 5. September 19 | Dynamics of Value Strategies |
| 6. September 24 | Dynamics of Value Strategies (continued)
<i>Case: Strategic Inflection: TiVo in 2005</i> |

(B) MANAGING CUSTOMER RELATIONSHIPS

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|-----------------|---|
| 7. September 26 | Customers as Assets. |
| 8. October 1 | Competing for Customer Relationships
<i>Case: Hilton HHonors Worldwide: Loyalty Wars</i> |
| 9. October 3 | Customer Relationship Management at Fidelity Investments
<i>Speaker: Sanjiv Mirchandani, Executive Vice President,
Fidelity Investments</i> |
| 10. October 8 | Implementing Relational Value Strategies
<i>Case: Tetra-Pak (A) and (B)</i> |

(C) BRAND STRATEGIES

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|----------------|--|
| 11. October 10 | Managing Brand Equity |
| 12. October 22 | Managing Brand Equity (continued)
<i>Case: Lenovo: Building a Global Brand</i> |
| 13. October 24 | Building Brand Equity
<i>Speaker: Larry Light (Chairman and CEO, Arcature LLC)</i> |
| 14. October 29 | Building Brand Equity (continued)
<i>Case: Black & Decker Corporation (A)</i> |
| 15. October 31 | Measuring Marketing Performance |

(D) MARKET-DRIVEN GROWTH

16. November 5	Market Driven Growth Strategies: Evaluating Growth Opportunities
17. November 7	Course Examination
18. November 12	Market-Driven Innovation <i>Case: Electronic Arts Introduces The Sims Online</i>
19. November 14	Seeing Market Opportunities Sooner
20. November 19	New Product Entry Decisions <i>Case: The Brita Products Company</i>

(E) MARKET -DRIVEN ORGANIZATION

21. November 22	Becoming Market-Driven
22. November 26	The Pay-off from a Market Orientation <i>Case: Tesco PLC</i>
23. November 28	Group Presentations
24. December 3	Group Presentations (continued)
25. December 6	Summary: Challenges for Marketing

DETAILED CLASS SCHEDULE

(A) INTRODUCTION

1. September 5 **Introduction to the Course**

Reading: Frederick Webster, Alan Malter and Shankar Ganesan
 “The Decline and Dispersion of Marketing Competence”

2. September 10 **The Fundamentals of Market Strategies**

Case: *Becton-Dickinson & Co.: VACUTAINER Systems*
 Division

Questions:

1. Why do most hospitals and medical laboratories choose VACUTAINER products?
2. What are the major challenges to the dominant position of BDVS in the market for blood collection products?
3. What specific proposal should BDVS management submit to APG on August 15th? How would you respond to APG demands regarding private labeling, use of distributors and pricing?

3. September 12 **Strategies for Market Leadership**

Readings: (1) Chapter One, Day and Moorman, “The Customer Value Imperative”

(2) Chapter Two, Day and Moorman, “Strategies for Market Leadership”

4. September 17 **Strategies for Market Leadership (continued)**

Case: *Zara: Responsive, High speed, Affordable Fashion*

Questions:

1. What is the Zara value proposition? What does the Zara brand promise to the target customers? How does Zara differ from H&M and the Gap? (each group will be assigned to one of these three chains to make a mystery shopping expedition to a nearby store.)
2. How does Zara build its brand?
3. How does the Zara supply chain differ from the traditional retail model?

4. What are the limits to the Zara business model, and its growth prospects?

5. September 19 **Dynamics of Value Strategies**

Readings: (1) Chapter Three, Day and Moorman, “Dynamics of Value Strategies”

6. September 24 **Dynamics of Value Strategies**

Case: Strategic Inflection: TiVo in 2005

- Readings:*
- (1) Gerard J. Tellis and Peter N. Golder, “First to Market, First to Fail? Real Causes of Enduring Market Leadership.”
 - (2) Geoffrey A. Moore, “Darwin and the Demon: Innovating Within Established Organizations.”

Questions:

1. What are TiVo’s competitive advantages and disadvantages?
2. What should Tom Rogers, as the new CEO, do? What are his options? What would you recommend?

(B) MANAGING CUSTOMER RELATIONSHIPS

7. September 26 **Customers as Assets**

- Readings:*
- (1) George S. Day, “Creating a Superior Customer-Relating Capability”
 - (2) Angel’s and Devils: Best Buy’s New Customer Approach (A)
Note: This case illustration is not suitable for a case write-up
 - (3) Sunil Gupta and Donald Lehmann, “Customers as Assets”

Questions:

1. What are the differences between loyal buyers, defectors, switchers and prospects?
2. What benefits do customers get from a close relationship with a supplier?
3. What are the benefits and risks of Best Buy's approach to customer selection?

8. October 1**Competing for Customer Relationships**

Case: Hilton HHonors Worldwide: Loyalty Wars

Questions:

1. What are the strengths and weaknesses of the Hilton HHonors Program from the perspectives of the Hilton brand, the member properties and the guests?
2. What should Hilton do in response to Starwood?

9. October 3**Customer Relationship Management at Fidelity Investments**

Speaker: Sanjiv Mirchandani, Executive Vice President, Fidelity Investments

10. October 8**Implementing Relational Value Strategies**

Case: Tetra-Pak (A) and (B)

Reading: Frederick F. Reichheld "The Microeconomics of Customer Relationships"

Questions:

1. What has been learned from the experience with Pantero in Italy, and the results of the CSI survey?
2. What recommendations would you make to Gunnar Brock for improving customer satisfaction and retention across the company?
3. Is customer satisfaction the best metric for Tetra-Pak to use? Could they also use the net promoter score advocated by Fred Reichheld?

(C) BRAND STRATEGIES**11. October 10****Managing Brand Equity**

Readings: (1) Peter Farquhar, “Brand Waves: Building Momentum Throughout the Ownership Cycle”

(2) Douglas Holt, “Brands and Branding”

(3) Kevin Lane Keller, Brian Sternthal and Alice Tybout, “Three Questions You Need to Ask About Your Brand”

Case: Neptune Gourmet Seafood

Note: This case is not suitable for a case write-up

Questions:

1. Should Neptune launch a mass-market brand? If yes, what strategy would you recommend? If no, what should they do about the excess inventory problem?

12. October 22**Managing Brand Equity (continued)**

Case: Lenovo: Building a Global Brand

Questions:

- a. Why did IBM sell their PC business to Lenovo?
- b. What challenges did Lenovo face after the acquisition?
- c. How should Lenovo handle the brand management challenges associated with the acquisition?

13. October 24**Building Brand Equity**

Speaker: Larry Light (Chairman and CEO, Arcature LLC)

14. October 29**Building Brand Equity (continued)**

Case: Black & Decker Corporation (A)

Questions:

1. What is the cause of Black & Decker's 9% share versus Makita's 50% share?
2. How does the buying behavior of the tradesman influence the Situation?
3. What is Makita's competitive strategy, and what role does Milwaukee play?
4. What action alternatives should B&D pursue?

15. October 31**Measuring Marketing Performance**

Reading: Chris Ittner and David Larcker, "Coming Up Short on Non Financial Performance Measurement"

(D) MARKET-DRIVEN GROWTH**16. November 5****Market Driven Growth Strategies: Evaluating Growth Opportunities**

- Readings:*
- (1) W. Chan Kim and Renée Mauborgne "Creating New Market Space"
 - (2) Chris Zook and James Allen "Growth Outside the Core"
 - (3) Interview with Jeffrey R. Immelt, "Growth as a Process"

17. November 7**Course Examination**

There will be an open book examination during this class session.

18. November 12**Market-Driven Innovation**

Case: *Electronic Arts Introduces The Sims Online*

Questions:

1. Why is *The Sims* the best-selling PC game in history? Why has consumer enthusiasm lasted for so long?
2. What are the major threats and opportunities facing EA? Should they continue to invest in EA.com at such a high rate?
3. What launch plan would you recommend for *The Sims Online*?

19. November 14 Seeing Market Opportunities Sooner

Reading: George S. Day and Paul J. H. Schoemaker, “Scanning the Periphery”

“A Note on Scenario Planning” (useful background if you are not already familiar with this methodology)

20. November 19 New Product Entry Decisions

Case: *The Brita Products Company*

Team Assignment:

Each team should be prepared to make a brief (5 minute) presentation of their recommendation to Clorox on whether or not to launch a faucet-mounted water filter.

IF GO: What launch plan would you recommend?

IF NO GO: What other actions would you recommend?

Note: In your comparison of the profitability of different scenarios assume a \$15.00 direct cost and a 30% retail mark-up. In retailing, this mark-up is a percentage of the retailer’s selling price.

(E) MARKET – DRIVEN ORGANIZATION

21. November 21 Becoming Market - Driven

Readings: (1) George S. Day, “What it Means to be Market-Driven”

22. November 26 The Pay-off from a Market Orientation

Case: *Tesco PLC*

Questions:

1. How did Tesco go from being a perennial second, to the dominant grocery retailer by 2000?
2. Has Tesco succeeded internationally? Will they succeed in their planned entry into the U.S.?

23. November 28**Group Presentations**

Each group will make a presentation of the highlights of their project and the main insights that were gained. Presentations must be no more than 10 minutes.

24. December 3**Group Presentations (continued)****25. December 5****Summary: Challenges for Marketing**

Suggestions for Books to Review

- Aaker, D., *Strategic Market Management*. N.Y. John Wiley and Sons. 2001.
- Aaker, D. and Erich Joachimsthaler, *Brand Leadership*, New York: Free Press 2000
- Aaker, D., *Building Strong Brands*, New York: Free Press, 1996.
- Anderson, Chris, *The Long Tail*, NY: Hyperion, 2006
- Bartlett, C. and S. Ghishal, *Managing Across Borders*. (2nd Edition) HBS Press, November 2001.
- Barwise, P. and Meehan, S., *Simply Better*, Cambridge MA: HBS Press 2004
- Basch, M. D. *Customer Culture: How Fed Ex and other Great Companies Put the Customer First Every Day*. Upper Saddle River: Prentice Hall, 2002.
- Bass, F. and J. Wind, eds., *Empirical Generalizations in Marketing*, special issue of *Marketing Science*. August 1995.
- Brown, John Seely and Paul Dugold, *The Social Life of Information*. HBS Press, February 2002.
- Brown, S.L. and Eisenhardt, K.M. *Competing on the Edge: Strategy as Structured Chaos*. HBS Press, 1999.
- Carville, J., and P. Begala. *Buck Up, Suck Up...and Come Back When You Foul Up*. N.Y. Simon and Schuster. 2002.
- Christensen, Clayton, *Seeing What's Next: Using Theories of Innovation to Predict Industry Change*. Harvard Business School Publishing Co. 2004.
- Clancy, Kevin J., Peter C. Krieg. *Counter-Intuitive Marketing*. The Free Press. 2002.
- deGeus, A., *The Living Company: Habits for Survival in a Turbulent Business Environment*. HBS Press 2002.
- Day, George S., *Market-Driven Organization*, New York: Free Press, 1999
- Dell, M., with Catherine Fredman. *Direct from Dell: Strategies That Revolutionized an Industry*. HarperBusiness. 2002.
- Farris, P.W., et al, *Marketing Metrics*, Upper Saddle River, N.J.: Wharton School Publishing 2006
- Geus, Arie De, *The Living Company*. Longview Publishing Limited. 1997, 2005.
- Gladwell, Malcolm, *Blink*. Little, Brown and Company, Time Warner Book Group. January 2005.
- Gladwell, Malcolm, *Tipping Point*. Little, Brown and Company. 2000.
- Gobe, M. *Emotional Branding*. NY Allworth Press. 2001.
- Greenberg, Paul. *CRM at the Speed of Light*. McGraw-Hill Osborne Media. May 2004.
- Hartley, R.F., *Marketing Mistakes and Successes*. (8th Ed.) John Wiley and Sons. 2001.
- Hill, Sam, Glenn Rifkin. *Radical Marketing: From Harvard to Harley, Lessons from Ten That Broke the Rules and Made it Big*. HarperBusiness 1999.
- Hine, Thomas. *I Want That! How We All Became Shoppers*. HarperCollins. 2002.
- Holt, Douglas B., *How Brands Become Icons*. Harvard Business School. 2004.
- Kao, John. *Jamming: The Art and Discipline of Business Creativity*. Harper Collings. 1996.
- Kawasaki, Guy, with Michele Moreno. *Rules for Revolutionaries: The Capitalist Manifesto for Creating and Marketing New Products and Services*. HarperBusiness. 1999.
- Keller, *Strategic Brand Management, Build, Meaning and Managing Brand Equity*. Prentice Hall. 1996.

- Kotler, P., D.C. Jain and S. Measincee. *Marketing Moves: A New Approach to Profit Growth and Renewal*. Boston: HBS Press. 2002.
- LaSalle, D. and Terry A. Britton. *Priceless: Turning Ordinary Products into Extraordinary Experiences*. HBS Press. 2002.
- Lehman & Winer, *Analysis for Marketing Planning*. Chicago: Irwin, 1997.
- Lilien and Rangaswamy *Marketing Engineering*. Prentice Hall, 1992.
- Lynn, G. S., and R. Reilly. *Blockbusters: The Five Keys to Developing GREAT New Products*. HarperBusiness. 2000.
- Mahajan, V. and Wind, J. *Digital Marketing*. Wiley. 2001.
- Moore, G. A., *Dealing with Darwin*, Cambridge MA: HBS Press, 2005
- Moore, G. A., *Crossing the Chasm; Marketing and Selling High-Tech Products to Mainstream Customers*. HarperPerennial. 1999.
- Moore, G. A., *Inside the Tornado; Marketing Strategies from Silicon Valley's Cutting Edge*. HarperPerennial. 1999.
- Negroponte, N. *Being Digital*. NY: Alfred Knopf. 1995.
- Nirmalya Kumar, *Marketing as Strategy*, Cambridge MA: HBS Press, 2004
- Nunes, Paul, Brian Johnson. *Mass Affluence*. Harvard Business School Press. September 2004.
- Osenton, T., *Customer Share Marketing: How the World's Great Marketers Unlock Profits from Customer Loyalty*. Upper Saddle River, Prentice Hall. 2001.
- Peppers, D. and M. Rogers, *Return on Customers*, New York: Random House, 2005
- Peppers, D. and M. Rogers. *The One to One Future*. Doubleday 1993.
- Piercy, N. F., *Market-Led Strategic Change: A Guide to Transforming the Process of Going to Market*. Oxford: Bultenworth Heinemann. 2002.
- Pine II, B. Joseph, J. H. Gilmore. *The Experience Economy: Work is Theatre & Every Business a Stage*. HBS Press. 1999.
- Rita McGrath and Ian MacMillan, *Market Busters*, Cambridge MA: HBS Press, 2005
- Reichheld, F., *The Ultimate Question*, Cambridge MA: HBS Press, 2006
- Reichheld, F. F. *Loyalty Rules! How Today's Leaders Build Lasting Relationships*. HBS Press. 2001.
- Ries, A., and L. Rics. *The Fall of Advertising and the Rise of PR*. Harper Business. 2002.
- Ries, A., and L. Ries. *The 11 Immutable Laws of Internet Branding*. HarperAudio. 2000.
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- Rust, R. T., V. A. Zeithaml, Katherine N. Lemon. *Driving Customer Equity: How Customer Lifetime Value is Reshaping Corporate Strategy*. The Free Press. 2000.
- Silverstein, Michael, Neil Fiske, *Trading Up: The New American Luxury*. Portfolio Hardcover. December 2004.
- Simon, H. *Hidden Champions. Lessons from the Worlds Best Unknown Companies*. HBS Press. 1996.
- Swift, R.S., *Accelerating Customer Relationships: Using CRM and Relationship Technologies*. Upper Saddle River, Prentice Hall. 2001.
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Vijay Govindarajan and Chris Trimble, *10 Rules for Strategic Innovations*, Cambridge MA: HBS Press, 2005

Wiefels, P., *The Chasm Companion; A Fieldbook to Crossing the Chasm and Inside the Tornado*. HarperBusiness. 2002.

Wind and Main, *Driving Change*. Free Press, 1998.

Windham, L., *The Soul of the New Consumer*. Oxford. Windsor. 2000.

Zyman, Sergio, *The End of Marketing As We Know It*. HarperBusiness. 1999.