MKT 777
MARKETING STRATEGY
PROFESSOR PRASHANT MALAVIYA

Administrative details

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Required Material: Course bulk pack

Optional Texts: Any of the following texts are good for background reading (in alphabetical order):
Roger Best, *Market Based Management,* Prentice-Hall, 2004.
Alexander Chernev, *Strategic Marketing Analysis*, Brightstar Media, 2006.
George Day, *Market Driven Strategy*, Free Press.
George Day and David Reibstein (eds.) *Wharton on Dynamic Competitive Strategy* John Wiley & Sons. May 1997

COURSE OBJECTIVES

The objective of this course is to help the students develop their competencies in the creative, analytic, and systematic use of marketing concepts and methods in the *design, evaluation, and implementation of marketing driven business strategies* of organizations in the rapidly changing and complex global information age. In support of this objective, students are expected to:

1. Understand how global changes in the 21st century are affecting the currently accepted marketing strategy concepts, methods and practices as they relate to both marketing strategy and marketing perspective for business strategy.
2. Develop a working knowledge of the strategic marketing concepts, methods and practices that reflect the impact of the changing global digital world.
3. Apply this knowledge to practical problems in a creative and analytic way.
4. Prepare and present persuasive marketing strategies and plans.

OVERVIEW OF THE COURSE

This course is organized around four modules. The first module (Foundations of Marketing Strategy) is about understanding that the objective of any marketing strategy is to create shareholder value by creating value for customers. This requires two things – adopt a strong customer orientation within the organization and ceaselessly search for customer insights. In the second module (Elements of Marketing Strategy), we will discuss the three building blocks of every marketing strategy – segmentation, targeting and positioning. Segmentation helps us understand customers from different perspectives, so that we can decide which perspective is the most insightful in revealing unmet customer needs. Targeting requires that we make an informed decision about which segments should we focus on after careful consideration of the 5Cs (customer, competition, company, collaborators and context). Finally, the positioning decision determines the value proposition that will be offered to the target customers –who we are, who we compete with, how are we better/different from competition, and why should the customer care about our proposition.

Module three (Managing the Assests in Marketing Strategy) will examine how to manage for growth and profit the two most important assets in the arsenal of the marketing strategist – brands and customers. In examining marketing strategy from the brand's perspective, we will consider two general situations: (1) how to build strong brands and (2) how to manage existing brands. Finally, in module four (Coordination of Marketing Strategy) we will discuss how marketing strategy can integrate the interests of other stakeholders of the organization, especially its collaborators in proving value to customers. We will also discuss the idea of a "Blue Ocean Strategy" that examines the critical and delicate handover between corporate strategy and marketing strategy.

The common thread across all these modules is a focus on customers as the starting point and the end goal of all marketing actions. For this reason it is probably more appropriate to call this course "Customer Focused Marketing Strategy."

ACHIEVING THE COURSE OBJECTIVES

Marketing appears easy, but is often frustratingly difficult to master. Why? Not because the concepts are difficult to grasp, but because marketing requires a healthy balance of technical skills and customer psychology. This is why the best way to improve marketing decision-making skills is through practice. In this course, you will practice by solving 16 cases, which all involve making important marketing decisions that you will face at one time or another in your future line of work. Of course, there will be a lecture associated with each topic in the course, in which we will confront our reasoning and discuss the conceptual frameworks and technical tools that can be helpful to solve the kinds of problems seen in the case.

I chose the cases because they ask you to make a specific important marketing decision (e.g., brand extension). Their goal is not to provide general world knowledge about marketing practices in a certain industry. As a result, some of the cases may appear somewhat removed from the specific problems pertinent to your particular industry experience and interests. However, the lessons to be learned from the cases selected in this course are universally relevant and transcend the particular companies, countries, or industries in which they are set. The chances that you will work in the industry, country or company described in a case are infinitesimal, anyway.

Case preparation and class discussion

To benefit from the case method, you must be intimately familiar with the facts of each case. I also recommend that you follow these simple steps:

-       When reading a case, you should try to <u>identify the underlying marketing problems</u> (not just the symptoms described in the case). While doing this, you should think about how these problems apply to your industry and company. Do not attempt to find out what happened to the company, as this would greatly reduces what you will learn from the case.

-       You should then <u>generate alternative marketing actions</u> (incl. their pros and cons) and make a decision about what should be done before you come to class. As is often the situation in actual practice, cases may not have all the data you would like. Nevertheless, it is critical that you develop a reasoned plan of attack on the basis of the data available. The arguments behind your recommendation are more important than your decision itself.

-       Finally, you should <u>be prepared to discuss your analysis and decisions</u> with other course participants in a constructive manner. Repeating case facts or personal experience is not enough. Building on other people's comments is as important as coming up with answers.

A typical question at the end of a case discussion is: "So what is the answer?" In case studies, as in the real world, there is no unique answer (although some answers are better than others)! What is important is that you know what you would have done in that specific marketing situation, and why, and that you begin to construct your own framework for approaching more general marketing problems.

Course material

-       Packet of cases and readings.

- There is no required textbook for this course; should you wish to purchase a text, I recommend several good books on Marketing Strategy on the cover page of the syllabus.
- Copies of the lecture notes and data I will be using will be available at the course site in PowerPoint format.

Target audience and prerequisites

This course is a capstone course in marketing that ties everything together. It is a generalist's course, not a specialist's course: we will not spend a large amount of time on any one marketing mix variable (e.g., advertising), or on one marketing function (e.g., marketing research). Instead, all marketing mix variables will be discussed in an integrated way, with a focus on the fundamental, strategic issues that confront senior management. The course is most tailored to those intending to pursue careers in marketing, consulting, or general management.

This course is designed for second-year MBA students. MKTG 621, MKTG 622 and MGMT 654 are prerequisites. Students who failed MKTG 621 or 622 (NC) are not permitted in this course section. First-year MBA students who have already taken or obtained a waiver for MKTG 621, MKTG 622 and MGMT 654 are allowed to take the course.

Evaluation

Your overall evaluation will be based on the following five components, according to this weighting scheme:

- Class participation: 20%
- Individual case memos: 10%
- Group case write-ups: 40%
- Individual Final exam: 30%

Class participation

Almost every session of the course will involve interaction in the form of class discussion. In particular, the case method requires you to be an active participant in resolving a marketing problem. I expect you to be prepared at all times to comment in any class session. If you must miss a class, email me in advance so that you do not lose credit for class participation. Note that missing more than three class sessions is strongly discouraged and may lead to a grade adjustment. In case of emergencies, the absence form can be submitted after you have missed a class but no later than two days after that.

Class participation is not simply a function of the amount of "air time" you take up, but will be evaluated on (1) preparation (comments add to our understanding of the situation beyond simple repetition of case facts and show an understanding of the concepts and tools presented in class or in the reading materials) and (2) listening and communication skills (the points are linked to the comments of others and presented in a concise and convincing fashion). So, if you haven't read the case, simply say so.

Note that you will not be evaluated on questions that you ask to clarify lecture or course material. If you have a question, chances are that the same question is on the minds of some of your classmates as well. Thus, you are doing the class a favor by asking it.

Individual case memos

You must hand in an individual report on each case (not including the three cases that comprise your group report). This report should be no more than **one page** in length and should briefly summarize your answer to each of the case questions listed in this syllabus.

The goal of these write-ups is to make sure that you have prepared the case. You will receive credit simply for handing in each of these reports on time. These reports will not be further graded or returned. However, they will be used to help determine final grades for people close to the letter cutoffs.

Group case write-up

You will have to prepare a written analysis of three of the following cases in self-selected groups of 5 to 6 students:

- Johnson & Johnson (Philippines).
- Ford Ka (A).
- Vermont Teddy Bear.
- TiVo.
- Bugles.
- Skoda Auto (A)
- Lays Potato Chips (Hungary)
- Invisalign
- Yellow Tail Wine

You will have to form your own group. I will assign people without group to existing groups. Please send your individual and group write ups by email to: pm2006@wharton.upenn.edu **before class begins on the day the case is scheduled for class discussion**. There will be a grade penalty for late write-ups.

Group reports must be sent **in a single word document**, single-spaced, and **must not exceed 1,500 words**. You may include exhibits in the group write-up. Exhibits do not count toward the word limit but must not exceed **3 pages**. The format for the written case analyses is as follows:

1. A concise executive summary. This should define the single most important problem facing the company and outline the recommendations in a very short paragraph.

2. Recommendations.

   a. This should start with a statement of the quantitative and qualitative marketing objectives (including timetable).

b. The marketing strategy recommended to achieve this goal comes next (i.e., the targeting and positioning statement).

c. The action plan comes next (i.e., specific marketing mix actions). It should include detailed and actionable solutions.

d. The expected benefits of the recommended solution come next.

e. The expected drawbacks of the recommended solution and the key major impediments come last.

3. Appendices. These should provide supporting analyses as needed, including a brief analysis of the market (customers, competitors, company, collaborators & context), the customer segmentation scheme (if applicable), support for the targeting decision (target attractiveness vs. company resources), and information supporting chosen positioning. Reasons why obvious alternative strategies and actions were not chosen should be given. Finally, the appendices should include relevant financial forecasting and break even analyses.

Case write-ups will be graded according to:

1. Quality of problem diagnosis. The source of identifiable symptoms or key impediment to attaining valued goals is defined (i.e., the correct problem is identified).

2. Quality of recommendations. Specific, comprehensive and practical plans recognizing issues of implementation are provided.

3. Writing style and organization. The write-up is logically structured and is clear and concise. Use exhibits to amplify and support your paper, but ensure the argument in the paper can stand on its own. Never append an exhibit that is not referred to in the text. There is no need to repeat facts from the case except to explicitly support a conclusion.

Final exam

In the final class, you will be asked to solve a case similar to the ones we have analyzed throughout the course. It is designed to test how well you can apply the knowledge and skills learned in the course. The same criteria used to assess the written case assignment will be used to judge your test performance. Thus, the best way to prepare for the exam is to conscientiously study each of the cases throughout the term, read the assigned readings, and attend the classes. **The exam will be closed-book in-class case analysis.**

Grades

All assignments (except the individual memos) will be graded on a 20-point scale. The grades are interpreted as follows.

- 17 to 20: Inspired work.

- 13 to 16: Excellent work, only minor lapses.

- 9 to 12: Satisfactory. Some good insights but need more.

- 5 to 8: Serious problems. Probably structural.

- Below 5: Terrible! We need to talk!

Final grades usually range from A to C. The grading is "on the curve" and the total number of As in any given section will not exceed 45%. Keep in mind that your grade is not always a perfect indicator of your potential marketing skills; it simply reflects your relative performance on the set of specific tasks outlined above.

Rules

The following rules apply to this class:

- Discussion cases may be prepared either with your group members or individually.
- Group written cases are to be prepared by group members only. The cases are not to be discussed with anyone who is not a member of the group, regardless of whether they are in the class.
- Individual written cases are to be prepared without consulting group members, other class members, or outside sources of information.
- I expect you to demonstrate respect for the professor and fellow students during the class period. Students, therefore, should refrain from distracting behavior such as disruptive eating, using laptops to surf the Web or check e-mail and holding side conversations.

Course philosophy

The starting point is the belief that you cannot develop a sound marketing 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 how these features will impact your marketing 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 his 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*

Course instructor

Professor Prashant Malaviya joined INSEAD in 1999. Prior to that he was tenured Associate Professor of Marketing at the University of Illinois, Chicago. He obtained his Ph.D. in Marketing

from the Kellogg School of Management, Northwestern University, MBA (with honours) from the University of Delhi, India, and engineering degree (with honours) from the Institute of Technology, Varanasi, India. Before entering the world of academia, Professor Malaviya worked for Nestlé and Tata Motors in India.

Professor Malaviya does research on customer psychology and consumer behaviour. His research has appeared in leading marketing journals, including the *Journal of Marketing, Journal of Consumer Research, Journal of Marketing Research, Journal of Consumer Psychology, Psychology & Marketing,* and *Marketing Letters.* He applies insights from consumer research to better understand how marketing actions, such as brand positioning, marketing communication, product design, and customer service, influence consumer evaluations and choices, and customer satisfaction and relationships. Based on his research record, John Wiley & Sons recently named Professor Malaviya as a "Next Generation Business Thought Leader."

Professor Malaviya's teaching and consulting reflects his research expertise in customer psychology. He has taught seminars and conducted workshops on Marketing Strategy, Psychology of Customer, Customer Behaviour, Customer Orientation, Branding and Brand Management, Internal Marketing, and Marketing of Services. The executive programs he has been involved with include company specific programs for professional consulting, telecom, financial institutions, insurance, pharmaceuticals and consumer goods companies, and open-enrolment programs. Professor Malaviya has served as a consultant for various multinational and national companies all across the world.

COURSE OVERVIEW

MARKETING STRATEGY (MKTG 777)

SESSION	TOPIC	Case/Readings/Assignment
SECTION 1: FOUNDATIONS OF MARKETING STRATEGY		
1 (Jan 9)	A framework for strategic marketing analysis	Reading
2 (Jan 11)	Customer Centricity and Marketing strategy	Case: ***Bombardier & Alstom***
3 (Jan 16)	Customer Insights	Reading
4 (Jan 18)	Customer Insights and Marketing action	Case: ***J&J (Philippines) Face Powder***
SECTION 2: ELEMETNS OF MARKETING STRATEGY		
5 (Jan 23)	Marketing Strategy 1: Segmentation and Targeting	Reading
6 (Jan 25)	Segmentation strategy	Case: ***Ford Ka (A)***
7 (Jan 30)	Targeting strategy	Case: ***Vermont Teddy Bear Co.***
8 (Feb 1)	Marketing Strategy 2: Brand Positioning Strategies	Reading
9 (Feb 6)	Brand Positioning Strategies 1: Defining the competition	Case: ***TiVo***
10 (Feb 8)	Brand Positioning Strategies 2: Effective Differentiation	Case: ***Bugles***
SECTION 3: MANAGING THE ASSESTS IN MARKETING STRATEGY		
11 (Feb 13)	Managing Brands: Resource allocation	Reading
12 (Feb 15)	Brand as asset: Building a brand	Case: ***Black & Decker (A)***
13 (Feb 20)	Brand as asset: Re-building a brand	Case: ***Skoda Auto (A)***
14 (Feb 22)	Brand and Products in crises	GUEST SPEAKER: TBA
15 (Feb 27)	Managing brands using consumer metrics	Case: ***Lay's Potato Chips (Hungary)***
16 (Mar 1)	Internal Branding	Reading
17 (Mar 13)	Identifying, Creating & Defending the Brand Identity	Case: ***Cacharel***
18 (Mar 15)	Managing Customers: Acquisition & Retention	Reading
19 (Mar 20)	Customer acquisition & retention strategies	Case: ***TBA***
20 (Mar 22)	Profitable customer management	Case: ***Capital One***
21 (Mar 27)	Managing Customers: Relationship & Loyalty	Reading
22 (Mar 29)	Growth through balanced acquisition & retention	Case: ***First Direct 2005***
SECTION 4: COORDINATION OF MARKETING STRATEGY		
23 (Apr 3)	Multiple bottom-lines and collaborators	Reading
24 (Apr 5)	Go-to-market strategy and collaborators	Case: ***Invisalign***
25 (Apr 10)	Blue Ocean Strategy	Reading
26 (Apr 12)	Identifying and developing a Blue Ocean	Case: ***QB House***
27 (Apr 17)	Marketing a Blue Ocean idea	Case: ***Yellow Tail Wine***
28 (Apr 19)	Closing session	

ASSIGNED READINGS (in bulk pack)

LIST OF CASE STUDIES

1. *Bombardier & Alstom (INSEAD), 2003*
2. *J&J (Philippines) Johnson's Face Powder (Ivey), 1994*
3. *Ford Ka (A) (INSEAD), 2001*
4. *Vermont Teddy Bear Co. (Kellogg), 2005*
5. *TiVo (Kellogg), 2002*
6. *Bugles (Kellogg), 2002*
7. *Black & Decker (A) (HBS), 1995*
8. *Skoda Auto (A) (INSEAD), 2003*
9. *Lay's Potato Chips (Hungary (INSEAD), 2006*
10. *Cacharel (INSEAD), 2001*
11. *Capital One (INSEAD), 2003*
12. *First Direct 2005 (INSEAD), 2005*
13. *Invisalign (Kellogg), 2002*
14. *QB House (Nihon University, Japan), 2002*
15. *Yellow Tail Wine (Kellogg), 2005*

LIST OF READINGS

Session 1:
- Dolan, R J, "Note on Marketing Strategy", *Harvard Business Review*, July 1998
- "It's Now Time to Change Marketing's Name," *Marketing News*, October 22, 2001.

Session 3:
- Gouillard, F. J. & Sturdivant, F. D. (1994) "Spend a Day in the Life of Your Customers," *Harvard Business Review*
- Gerald Zaltman (2003), *How Customers Think*, Harvard Business School Press, Boston MA, Chapter 3 ("Consumers' Cognitive Unconscious"), page 47-71
- "Uncovering your customer's hidden needs," *EBF*, 18 (summer), 2004

Session 5:
- Sternthal, B. and Tybout, A. M. (2001), "Segmentation and Targeting," *Kellogg on Marketing*
- "In hot oursuit of Yoga Mama," *Businessweek*, October 31, 2005.
- "The MySpace Generation," *Businessweek*, December 12/19, 2005.

Session 8:
- Tybout, A. M. and B. Sternthal (2001), "Brand Positioning," *Kellogg on Marketing*

Session 11:
- Aaker, David A and Erich Joachimsthaler (1999), "The lure of global branding," *Harvard Business Review*, 77 (6), 137-44.
- Holt, Douglas B. (2003), "What Becomes an Icon Most?," *Harvard Business Review*, 81 (3), 43.
- "Why Brands are Good for You," *Economist*

Session 14:
- Berman (1999), "Planning for the inevitable product recall", *Business Horizons*, Spring.

Session 17:
- Colin Mitchell, "Selling the brand inside," *Harvard Bu siness Review*, January 2002
- Leanord L. Berry, and Nelli Bendapudi, "Clueing in Customers," *Harvard Business Review*, February 2003

Session 18:
- Werner Reinartz and V. Kumar, "The Mismanagement of Customer Loyalty", *Harvard Business Review*, July 2002, pp. 4- 12
- Jacquelyn S. Thomas, Werner Reinartz, and V. Kumar, "Getting the most out of all your customers," *Harvard Business Review*, July-August 2004, volume 82

Session 21:
- Malaviya, Prashant and Sarah Spargo (2004), "Relating To Customers: How And When To Strengthen Your Customer Relationships," *John Wiley NGBT Book Series*.
- Andy Taylor, "Top Box: Rediscovering Customer Satisfaction," *Business Horizons*, Sept-Oct 2003.
- Fred Reichheld, "The microeconomics of customer relationships," *Sloan Management Review*, Winter 2006

Session 23:
- Malaviya, Prashant, Arvind Singhal and Peer-Jacob Svenkerud (2004), "Telenor in Bangladesh (A): The Prospect of Doing Well and Doing Good," *INSEAD Case Study*
- Narayanan, V.G. and Ananth Raman (2004), "Aligning Incentives in Supply Chains," *Harvard Business Review* (November), 94-102.
- "A Bombay Lunchbox," *The Guardian*, June 24, 2002

Session 25:
- W. Chan Kim and Renée Mauborgne, "Blue Ocean Strategy," *Harvard Business Review*, October 2004

Session 28:
- "Designing and delivering more customer value," Chapter 8, *Kotler on Marketing*, Free Press.