The Wharton School
University of Pennsylvania

Updated November 6, 2007
Marketing Metrics (MKTG 893)
Spring 2008
Professors Paul Farris and David J. Reibstein
Monday, Wednesday 9:00 am -10:30 am, 10:30- 12

Administrative details

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Office Hours: By appointment

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Required Text: Marketing Metrics: 50+ Metrics Every Executive Should Master, Wharton School Publishing, 2006, ISBN 0-13-187370-9

Required Material: Course bulk pack

Optional Texts:

I. Objectives

Marketing budgets are legitimately being challenged as the value of these expenditures to the organization is less than clear. The purpose of this course is to a) make sure we have a common definition of the metrics being used in marketing today, b) identify metrics that should be used by marketers, c) show how we can use marketing metrics to help shape how much we should be spending and on which marketing activities, d) draw the link from marketing expenditures to the financial well-being of the course, and d) work towards an overall framework for connecting the marketing expenditures to the financial well being of the organization.

II. Who should take this course?

This course is intended for second year MBA students aspiring to

- **Marketing** positions, so they could better understand the measures they are getting, identify other measures they should be gathering, and to justify their expenditures to the rest of the organization.
- **Financial roles,** so they can better assess the viability of budgets that are proposed, and to assess the financial value of such expenditures.

- **General managers,** so they can assess the health of their organization and the wisdom of allocating budget to marketing, and
- **Venture capitalists,** so as the health and well being of potential investments and the expected time horizon for a financial payoff.

III. Process

Note: Please notify me if you will not be in class or if you are not prepared to participate!

1. Lectures/Discussions

These sessions introduce principles, theories and concepts constructive discussion and critique are strongly encouraged.

2. Case Discussions

For all case discussions, it will be assumed that everyone has read the case thoroughly and is prepared to discuss it. This assumption will be tested (cold calling, spot presentations, etc.) The case will be used to illustrate a particular theory or principle. It is not necessary to do any additional work to bring in outside information about the company or industry beyond what has happened in the case, although we will do this in some instances. You should view the date of the case as irrelevant to its pedagogical purpose. In some of the cases, we will be operating with live cases. There is some information which is provided, but it is left to you to search it out, primarily via the web and other current information relevant to the case.

3. Simulation Projects

There are three simulations in the course:

a) Pricing Simulation (Session 9):
This will be done individually and in the computer lab. Here each individual will serve as a pricing manager and set prices each quarter for the next several years.

b) RATE (Sessions 10 and 11):

c) Allocator (Sessions 12 and 13)

4. Group Dashboard Project

Each group will select a company, build, and design a marketing dashboard. Due on last day of class.

5. Group metrics paper

Each group will select a topic from the list of available metrics topics and will hand in a paper (max 10 pages) on the last day of class. They will also have prepared a 10 minute presentation which they may be called

to present during that session.

5. Readings

A bulk pack provides some initial readings. It will be augmented with material distributed in class or added to the class web site. The readings in the bulk package are only illustrative of articles addressing the various topics we discuss. Feel free to substitute any of the readings with other recent articles or books. We strongly encourage you to seek out relevant websites.

VI. Assessment

Your final grade in the course will be based on the performance on the following components

- Class Participation (individual) 25%,
- MBTN 15%,
- Required MBTN Modules

(minimum level 4, additional credit for level 5 and repeating for module speed)

- Allocator 10%,
- RATE 10%
- Dashboard Project 25%
- Metrics Paper 15%

VII. Course philosophy

The belief is that a firm's value is heavily determined by marketing expenditures, yet the reality is, very little is known about how marketing directly affects market capitalization. The conceptual structure looks like:



As such, the direct link between marketing spending and the value of the firm is somewhat obscured. As such,

it is necessary to understand how marketing impact the interim measures and their ultimate link to the value of a firm.

A considerable part of the course will focus on understanding what are the intangible that are created by marketing and who we measure these. It will also be the case we concentrate on what are the right measures to be taken and how do we best measure marketing's impact.

III. Class schedule at a glance

	MONDAY	WEDNESDAY
The Context		1. January 16 Topic: Lecture—Linking Marketing to Financial Consequences • What is the role of Intangible Assets for the Valuation of the Firm o Valuing Customers o Valuing Brands o Valuing Distribution
	2. January 21 Martin Luther King Day—no class	3. January 23 Topic: Margins and channel margins
	4. January 28 Topic: Lifetime Value of the Customer Case: Virgin Mobile	5. January 30 Topic: Valuing a brand Case: Samsung Electronics Company: Global Marketing Operations
	6. Feb 4 Topic: Lecture – Brand & Brand Value	7. Feb. 6 Topic: Distribution metrics Case: Bayern Braueri
	8. Feb. 11 Topic: Alternative channels assessment Case: Progressive Media	9. Feb. 13 Topic: Assessing our competitive situation— Simulation: Pricing simulation
	10. February 18 Topic: Resource Allocation: Exercise: RATE I	11. February 20 Topic: Resource Allocation: Exercise: RATE II
	12. February 25 Topic: Using your dashboard for marketing allocation within a brand— Exercise Simulation: Allocator Simulation I	13. February 27 Topic: Using your dashboard for portfolio allocation Exercise Simulation: Allocator Simulation II
	14. March 3 Topic: Building and Using Your dashboard	15. March 5 Metrics Paper presentations

IX. Initial List of Class Assignments

Session	Date	Preparation/Readings	Assignments
1	Jan. 16	Lecture—Linking Marketing to Financial Consequences • What is the role of Intangible Assets for the Valuation of the Firm o Valuing Customers o Valuing Brands o Valuing Distribution	
2	Jan. 21	**NO CLASS**	
3	Jan. 23		
4	Jan. 28	Case: Virgin Mobile	Read and be ready for discussion
5	Jan. 30	Case: Samsung Electronics Company: Global Marketing Operations	Read and be ready for discussion
6	Feb. 4		
7	Feb. 6	Case: Bayern Braueri	Read and be ready for discussion
8	Feb. 11	Case: Progressive Media	Read and be ready for discussion
9	Feb. 13	Pricing Simulation (in computer lab)	Review the literature on competitive marketing strategy
10	Feb. 18		RATE Simulation
11	Feb. 20		Review the Literature on Resource Allocation, such as the relevant chapters in Lilien and Rangaswamy, *Marketing Engineering*. RATE Simulation.
12	Feb. 25		Allocator Simulation
13	Feb. 27		Allocator Simulation
14	March 3		
15	March 5		Metrics Paper presentations

X. Suggestions for Marketing Readings