

**The Wharton School
University of Pennsylvania**

**MKTG 777/277: Marketing Strategy
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Course objectives

The first purpose of this course is to deepen your understanding of 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. 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 structural 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. An example is the question whether particular types of brands fit best within particular types of companies.

The second purpose is to deepen your understanding of two important developments in marketing:

- The opportunity to improve marketing ROI through better analytics. You will learn how to build and use simple market response models to improve customer targeting and marketing mix allocation.
- The opportunity to improve marketing ROI by leveraging social networks and social media.

The premise of this course is that you are already familiar with the key ideas of marketing strategy through the core courses in marketing and competitive strategy. These include the benefits of being market oriented; the principles of segmentation, targeting, and positioning; product life cycle dynamics; the structural analysis of industries and markets; and the basis of a sustainable competitive advantage. The first half of the course gives you the opportunity to apply these concepts and techniques to a variety of cases, and so improve your mastery of them.

Learning methods

Case discussions and lectures each account for about half of the sessions. We will also have three guest lectures.

There will be two problem sets, a short simulation exercise, and possibly one or two small homework assignments to help you gain more familiarity with and mastery of some quantitative tools.

You will also work in small teams on a topic of interest to you. You will present your insights in class towards the end of the term, and also submit a written report about a week after the end of classes. That delay will allow you to capitalize on the feedback from your fellow students in your final report.

Target audience and prerequisites

This course is designed for upper-class Wharton students. For MBAs, I will assume you are familiar with the materials covered in MKTG 621, MKTG 622 and MGMT 654. First-year MBA students who have obtained a waiver or substitution for those courses are welcome to take the course.

A few of the seats in the 12:00-1:30 PM section are reserved for upper-class undergraduates. For these students, MKTG 101 is a prerequisite.

Over the last few years, some graduate students in engineering, law and other programs outside Wharton have taken the class as well. Please contact me for the proper permission.

Grading

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

Class participation	30%
Modeling assignments	25%
MarketSpace exercise	5%
Project presentation	15%
Project final report	25%

Class participation

Class discussion should be a sizable part of the learning experience and I will grade you on constructive in-class participation. By constructive participation I mean comments and questions that advance the understanding of the issue at hand. Specifically, the elements I will consider in grading class participation are:

Do you make insightful comments or ask thoughtful questions?

Do your comments and questions integrate the issue at hand with other concepts or your work experience?

Do you actually answer the question or help reframe/extend it in a useful way?

Do you avoid distracting your fellow students by coming in late, leaving in the middle of class, or inappropriately using technology in class?

Posting questions and materials to Canvas can also contribute to everyone's learning.

Feel free to stop by my office or send me email with questions. These can be questions for clarifications about discussion questions posted for a case, about readings, about assignments, etc. But if the question is likely to be of wider interest, please post it on Canvas. My favorite example, from several years ago, is the following question raised by a student after we discussed a case on Dell and just before we discussed changes in retail brokerage: "Didn't Schwab in 1998 run the risk of making the same mistake that Dell made in 1992?"

Attending class is not the same as participating. So, you may come to each and every class (as you are expected to) and still end up with a rather low score for participation.

I cold-call, and may decide who to call on before class. Students have told me I have a low tolerance for BS comments. So, if you do not feel adequately prepared to participate in the discussion and do not want to be called upon, let me know before the beginning of class.

Modeling assignments

As we go through the module on marketing mix modeling, you will receive two problem sets. These hands-on exercises give you the opportunity to apply the tools covered in class. You may complete these assignments in groups of up to 4 people. I recommend that you work in groups, but don't confuse division of labor with mutual learning.

I may also give a small homework assignment on using modeling to identify customers to target, taking into account their characteristics and their position in a network.

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

Project

In the project, you can pursue in depth a marketing strategy topic that is of particular interest to you. Ideally, it combines desk research, interviews with executives or other primary research, and value-adding reflection or analysis. It can take several forms, including:

- Research briefing: What does the evidence say about a particular mantra or practice? Examples are:
 - Can firms really target influentials or "Is the Tipping Point Toast"? (<http://www.fastcompany.com/magazine/122/is-the-tipping-point-toast.html>)
 - Is the Net Promoter Score really related to business profits? Is it useful even if it does not? (http://en.wikipedia.org/wiki/Net_Promoter)
- Thought exercise: What are the implications of particular trends or recent finding? For example:
 - How can and should marketers capitalize on 2 or 3 of the tech-enabled business trends identified by McKinsey in August 2010? (<https://www.mckinseyquarterly.com/PDFDownload.aspx?ar=2647>)
 - Recent research in psychology and behavioral economics shows that, when it comes to choice, more is not always better. There are also differences between Americans vs. Europeans and Asians. (e.g., http://www.ted.com/talks/sheena_ayengar_on_the_art_of_choosing.html). What do these new findings mean for marketers? For instance, can they help explain why Aldi's stores are different in the USA than in Europe? What do they imply for web-site morphing?
- Marketing challenges specific to a firm or industry you have good access to. Examples are:
 - How have marketers responded to the call for greater marketing accountability? It could be quite interesting to analyze how and why effective responses vary across firms or industries.
 - Pick an innovative business model and assess its growth and profit prospects. Consider whether it is offering a superior value proposition, how it captures the value, and how long the advantage can be sustained.
 - Design a strategy for responding to the entry of one or more low cost rivals into a market.

You will complete the assignments in groups of 3 to 4 people. You will present your work to the class at the end of the semester, and also submit a written report during the exam period (TBD). That delay will allow you to improve your work after the feedback from your fellow students on your presentation. The final report should be between 8 and 15 single-spaced pages, excluding any charts, graphs and figures.

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

Required materials

There is no textbook. A course packet 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. To proceed, go here: <https://reprographics.wharton.upenn.edu/studynet.cfm>. There is an e-mail link to send questions.

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

Office hours

I do not keep office hours at pre-determined, fixed times. Rather, since I come to the office almost every day, feel free to stop by at your convenience. However, it is more efficient for both of us if you first send me an email providing me with a few timeslots you could meet, so I can pick one and confirm the appointment. That way, you can be sure that sure I am available when you stop by.

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

1.	Sep.	6	Introduction: Marketing and business strategy
A. Choosing customers and value propositions			
2.	Sep.	11	Segmentation and targeting: <i>Ford Ka</i>
3.	Sep.	13	Targeting fast-adopters, influentials and influenceables
4.	Sep.	18	Targeting the switchable customer using marketing analytics: <i>ABB Electric</i>
5.	Sep.	20	Positioning and branding within a brand architecture: <i>Diesel Jeans</i>
6.	Sep.	25	Integration case: <i>L'Oréal Plénitude</i>
7.	Sep.	27	Guest lecture: P&G in China (Ravi Chaturvedi)
B. Sustaining value against the competition			
8.	Oct.	2	Proactive defense and barriers to entry: <i>Xerox</i>
9.	Oct.	4	Value migration
10.	Oct.	9	Reactive defense: Debrief of <i>MarketSpace</i> exercise
11.	Oct.	11	Guest lecture: Winning as a late entrant—P&G vs. Kao in Japan (Ravi Chaturvedi)
12.	Oct.	16	Managing competition: <i>RTE cereals industry</i>
C. Marketing mix modeling to boost the Marketing ROI			
13.	Oct.	18	Marketing mix modeling: Model construction and estimation
14.	Oct.	25	Marketing and pricing a new product: <i>Keurig at Home</i>
15.	Oct.	30	Marketing mix modeling: Optimization
16.	Nov.	1	Marketing mix modeling: Optimization and applications
D. Social networks and social media			
17.	Nov.	6	Recent research on leveraging social networks
18.	Nov.	8	Guest lecture: Weaving social media into a marketing strategy (Rachel Porges)
19.	Nov.	13	Social media and word-of-mouth marketing: <i>SheSpeaks</i>
20.	Nov.	15	Social media and e-marketing: <i>Big Skinny</i>
21.	Nov.	20	Recent research on social media and multi-media marketing
E. Project Presentations & Course Wrap-up			
22.	Nov.	27	Presentations
23.	Nov.	29	Presentations
24.	Dec.	4	Presentations
25.	Dec.	6	Course Wrap-up

Course Overview

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. Segmentation and targeting – *Ford Ka*

Prepare Ford Ka
Skim Forsyth et al., “A segmentation you can act on”

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.

3. Targeting fast-adopters, influentials and influenceables

Read Slywotzky and Shapiro, “Leveraging to Beat the Odds: The New Marketing Mind-Set”
Read Van den Bulte and Wuyts, “Leveraging Customer Networks”

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, and introduces some simple modeling tools—we’ll just use Excel—to put these ideas into action.

4. Targeting the switchable customer using marketing analytics

Optional Gensch, Aversa, and Moore, “A Choice-Modeling Market Information System That Enabled ABB Electric to Expand Its Market Share” (**pages 6-16 only**)

This lecture illustrates a suggestion by Slywotzky and Shapiro (see previous class) suitable when the market is 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.

5. Positioning and branding within a brand architecture – *Diesel*

Prepare Diesel for Successful Living
Read Aaker and Joachimsthaler, “The Brand Relationship Spectrum”

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.

6. Integration case – *L'Oréal of Paris: Bringing “Class to Mass” with Plénitude*

Prepare L'Oréal Plénitude

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.

7. P&G 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).

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

Prepare Xerox in 1973

Also read Yip, “Gateways to Entry”

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.

9. Reactive defense: MarketSpace exercise debrief

After-class reading Hauser, “Theory and Application of Defensive Strategy”

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.

10. Managing competition – *RTE cereals industry in 1994*

Prepare Ready-to-Eat Breakfast Cereal Industry in 1994

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, rather than only the other way round.

11. 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 (P&G in China).

12. Value migration dynamics

Read DeBruicker and Summe, “Make Sure Your Customers Keep Coming Back”
Skim Evans and Wurster, “Strategy and the New Economics of Information”

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 within the computer industry and the securities retail brokerage industry.

13. Marketing mix modeling: Model construction and estimation

Read Lilien and Rangaswamy, “Tools for Marketing Engineering: Market Response Models.” (pp. 29-45 and 52-57 only)

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).

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

Prepare Keurig
Read “The monopolist’s optimal markup rule”

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?

15. Marketing mix modeling: Optimization

This section consist of two parts: We will first debrief and discuss the first assignment, and then learn how you can use estimated market response models to build profitability models, and how you can subsequently find the “optimal” marketing mix allocation. We will again use Excel Solver.

16. Marketing mix modeling: Optimization and applications

Read Sinha and Zoltners, “Sales-Force Decision Models: Insights from 25 Years of Implementation.”

This lecture concludes the module on how to use a market response model to guide one’s marketing mix decisions. We’ll also discuss some applications. 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 such models to improve marketing decisions.

17. Recent research on leveraging social networks

After class readings Schmitt et al. “Why Customer Referrals Can Drive Stunning Profits”
Iyengar et al. “How Social Networks and Opinion Leaders Affect the Adoption of New Products”

This session covers some recent and ongoing academic research on social networks and word-of-mouth marketing. The bulkpack includes two non-technical write-ups targeted towards managers. I’ll post some actual research reports on Canvas for those who want get into more detail on “how the sausage was made”.

18. Weaving social media into a marketing strategy

In this guest lecture, Ms. Rachel Porges, former Senior Brand Manager at Unilever, discusses three topics. (i) The role of a marketer/brand manager in setting the overall marketing objective. (ii) Finding the best communication channels - social, interactive, traditional - to complete the objective. (iii) The role of the brand manager vs. marketing communications agencies in getting that work done.

19. Social media and word-of-mouth marketing – *SheSpeaks*

Prepare Word-of-Mouth Marketing *SheSpeaks*
Skim “Social Media” (HBS note)

SheSpeaks is a word-of-mouth marketing community launched in 2007. What business model would help them to compete in the world of Facebook and Twitter? Should they focus on designing and delivering viral-for-hire campaigns like BzzAgent or on creating and managing brand communities? And by what metrics should they (and their clients) measure the success of their work?

20. Social media and e-marketing – *Big Skinny*

Prepare Online Marketing at *Big Skinny*

Big Skinny is an upstart company that markets slim wallets. The founder is struggling with the decision which of seven forms of online marketing the company should prioritize in the future: display ads, algorithmic search, sponsored search, social media, interactive content, online distributors, and A/B testing.

21. Recent research on social media & multi-media marketing

This lecture covers some recent academic research on social media and multi-media marketing.

22. Presentations

23. Presentations

24. Presentations

25. Course Wrap-up

- Read** Williams, “How Sustainable Is Your Competitive Advantage?” (**focus on Figure 3**)
Read “The Big Bucks that Keep Nike in the Big League,” *Financial Times*, November 4, 2003
Read “How Nike Got Street Cred,” *Business 2.0*, May 2004
Read Deighton, “How Snapple Got Its Juice Back”
Read “AH Tries to Break into Elite Venture Capital Club,” *Financial Times*, July 25, 2012

This final session focuses on (i) how key success factors, and hence what makes for a successful marketing strategy, vary across industries (the reading on “How Sustainable Is Your Competitive Advantage?”), and (ii) how companies—sometimes successfully, sometimes unsuccessfully—violate the prevalent “industry recipe” or their own “corporate recipe” (the other, much shorter readings).

Note, the article “How Sustainable Is Your Competitive Advantage?” is a classic from 1992. Its current value lies in its framework rather than its specific examples, and you may not agree with where particular industries fit in the framework today. That’s quite fine, since industries evolve. Do you think that they have migrated into another category or that the framework somehow does not quite capture that industry very well anymore? Either way, can you venture an explanation for why the change has happened?