Advanced Marketing Strategy
Winter 2011

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Prerequisite: Core Marketing

COURSE DESCRIPTION:

In today’s large and increasingly complex enterprise, the number of alternative actions and strategies available to management is substantial. One consequence of this variety is that some means must be found to sort, evaluate, and choose how to allocate and focus available resources. This task is particularly challenging for marketing management, positioned at the crucial interface between senior management, other functional areas within the enterprise, and the constantly changing set of external forces (customers, competitors, and regulators). To achieve competitive advantage in this environment, marketing strategies must be analytically based, comprehensive, actionable, and flexible.

This course is designed to provide the foundation for developing marketing strategy. While the marketing process and specific responsibilities of a marketing manager vary across industries and firms, developing a marketing strategy involves three main activities: 1) analysis of market information; 2) marketing strategy formulation, and 3) implementing strategy through marketing mix. The course will cover all three areas with a focus on analytics in decision making process.

First, you will get a hands-on experience with SPSS – a user-friendly and one of the most widely used statistical packages for marketing analysis. We will use SPSS to analyze datasets with market information which is a prerequisite to strategy development and implementation. We will focus on interpretation of the results and will specifically consider the issues such as identification and selection of which businesses and segments to compete in. Next, we will consider issues of strategy development and how to allocate resources across businesses, segments, and the elements of marketing mix. Finally, we will consider strategy implementation issues. To reinforce learning, throughout the course you will be managing a multi-product company in a competitive MarkStrat simulation game. Over a period of seven “years” you will have to develop a strategy to beat your competition (i.e., other firms in the industry managed by your classmates) and implement it through appropriate marketing-mix choices. In essence, each MarkStart decision is a case you need to solve. You will receive feedback on your performance in each round in a form of “annual performance results” for each of your decisions.
This course is particularly relevant to second-year MBA students who are interested in acquiring analytical marketing tools and expanding knowledge beyond the marketing core. Students expecting to be responsible for developing and/or assessing marketing strategy as an employee or business owner will find this course very useful.

COURSE OBJECTIVES:

The specific objectives of the course are:

1. Acquire understanding of basic analytical tools necessary for market analysis.
2. Learn by doing – test your theories and strategies in MarkStrat simulation.
3. Enhance the understanding of the frameworks, concepts, and methods necessary for the development of an effective marketing strategy.
4. Enhance participants’ skills in verbal and written persuasion.

These objectives will be achieved by a combination of lectures/discussions, cases, assignments, participation in MarkStrat game, and completion of a strategic marketing plan for a product of your choice.

COURSE MATERIALS:

Required readings and cases:

Readings Packet
Case Packet


Reference:


Other useful texts for the course include:


EVALUATION:

Class Participation 20% (individual) C
HW-Assignment # 1 10% (individual) C
MarkStrat
   MarkStrat Performance 10% (group) A
   MarkStrat Presentation 10% (group) A
   Assignment 5 (Forecast) 10% (group) A
Strategic Marketing Plan:
   Presentation 15% (group) A
   Paper 25% (group) A

1. Class Participation:

This element of the grade depends on the quality of your preparation and contributions. Highly-valued contributions include providing additional information relevant to the lecture material or assigned readings, asking insightful questions, redirecting a case discussion when the current point has been adequately covered, providing an appropriate quantitative analysis, summarizing and/or reconciling previous comments, and drawing learning points from a particular case or class discussion.

Assigned readings are intended to provide the framework for understanding fundamental concepts and provide examples of their usefulness. The readings are intended to prepare you for case discussions and class participation. Please go over the readings prior to class. Lectures will not duplicate readings materials, rather, they will supplement and offer alternative viewpoints.

2. Lectures/Discussions:

Class participation during lectures and meaningful contributions to the case discussions are extremely important.

3. MARKSTRAT Simulation.

For this simulation, you will need to form teams, typically four students per team. Each team competes against the four other firms in its industry. Depending on class enrollment, independent parallel industries may be constructed. The starting positions of firms (A,E,I,O,U) within the industry are different. Decisions are made over seven periods. In the simulation, you secure marketing research information, access competitor reactions to your potential moves and make strategic marketing decisions accordingly. Since the simulation is played over seven periods, you have the opportunity to measure the outcomes (i.e., sales, market share, profit contribution) of your decisions and to modify your strategies over time. At the conclusion of the simulation, each team will prepare a short presentation on their objectives, strategies, action programs and performance and identify key learnings. A separate assignment will be to develop a performance forecast for your brands in the final period of simulations. Your forecasts will be compared to the actual performance outcomes in the final round of the game.
4. Strategic Marketing Plan (Final Project)

Preparation of a strategic marketing plan is an essential part of this course. Drawing on your individual and collective learning experience at CBS, you will complete the process necessary to develop effective marketing strategy.

Each plan will be prepared and presented by a group of students. Each team will identify an existing opportunity (an unfulfilled need) in the market, propose a new business (or product) that can address it, and prepare strategy and related tactics for launching it. The end product is a strategic marketing plan for the business.

The plans will be evaluated according to the following criteria:
(1) the quality of the analysis – were the right questions asked?;
(2) the feasibility of conclusions or recommendations – do they follow from the analysis?;
(3) evidence of mastery of the frameworks, concepts and methods developed during the course;
(4) the effectiveness of the written and verbal presentation of the report.

The final plan should be between 8 and 16 pages, excluding any charts, graphs, and figures. The written plan is due one week after the last day of the class.

Each team will present its plan to the class. Time for each presentation will depend, in part, on the total number of projects, but will be no less than 10 minutes. Effectiveness of the verbal presentation, including materials used, will represent 10% of the final grade.
**TENTATIVE CLASS SCHEDULE:**

<table>
<thead>
<tr>
<th>Day/Time</th>
<th>Topic</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. STRATEGIC ANALYSIS</strong></td>
<td></td>
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<tr>
<td><strong>Day 1 AM</strong></td>
<td>Introduction to the course&lt;br&gt;MarkStrat Introduction I&lt;br&gt;Team work on Decision 1</td>
<td>Due: HW Assignment 1 (individual) is due on Friday, February 11&lt;br&gt;Read: Porter, <em>What is Strategy?</em>&lt;br&gt;L,G,R “MarkStrat” Chapters 1-6</td>
</tr>
<tr>
<td><strong>Day 1 PM</strong></td>
<td>Segmentation Analytics&lt;br&gt;Introduction to SPSS&lt;br&gt;Case: PDA&lt;br&gt;MarkStrat Introduction II&lt;br&gt;After class: Team work on Decision 2</td>
<td>Due: MarkStrat Decision 1 due by 9 pm&lt;br&gt;Case: PDA&lt;br&gt;Due: MarkStrat Decision 1 due by 2 pm</td>
</tr>
<tr>
<td><strong>Day 2 AM</strong></td>
<td>Positioning Analytics&lt;br&gt;Analyzing Customer Perceptions&lt;br&gt;Case: Infinity G20&lt;br&gt;In-class Assignment 2&lt;br&gt;Team work on Decision 3</td>
<td>Due: MarkStrat Decision 3 due by 3 pm&lt;br&gt;Case: Infinity G20&lt;br&gt;Read: L,G,R “MarkStrat” Chapter 7&lt;br&gt;Dolan, <em>Analyzing Customer Perceptions</em>&lt;br&gt;The Economist, <em>Spin Cycle</em></td>
</tr>
<tr>
<td><strong>Day 2 PM</strong></td>
<td>In-class Assignment 3&lt;br&gt;Speaker: John Gerzema (Y&amp;R)&lt;br&gt;After class: Team work on Decision 4</td>
<td>Due: MarkStrat Decision 4 due by 9 pm</td>
</tr>
<tr>
<td><strong>Day 3 AM</strong></td>
<td>Analyzing Customer Preferences&lt;br&gt;Conjoint Analysis with SPSS&lt;br&gt;Competitive Analysis&lt;br&gt;Team work on Decision 5</td>
<td>Due: MarkStrat Decision 5 due by 2 pm&lt;br&gt;Read: Dolan, <em>Analyzing Customer Preferences</em></td>
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</tbody>
</table>
## II. STRATEGY FORMULATION

| Day 3 PM | Firm Capabilities and Sustainable Competitive Advantage  
Case: Starbucks  
Speaker: Hayes Ross (Landor)  
**After class: Team work on Decision 6** | **Read:**  
Stalk, Evans & Shulman, *Competing on Capabilities: The New Rules of Corporate Strategy*  
Christensen and Overdorf, *Meeting the Challenge of Disruptive Change*  
Case: Starbucks  
**Due: MarkStrat Decision 6 due by 9 pm** |
| Day 4 AM | Strategy Formulation  
Plans, Budgets, Forecasts  
Market testing  
**Team work on Decision 7 and Assignment 4** | **Read:**  
Barnett, *Four Steps to Forecast Total Market Demand.*  
Dolan, *Concept Testing*** |

## III. STRATEGY IMPLEMENTATION

| Day 4 PM | MarkStrat Wrap-up and Team Presentations  
Case: Warner-Lambert Ireland: Niconil  
Speaker: Juan Alfonso (ESPN)  
**After class: Team work on final presentation** | **Due: MarkStrat Decision 7 due by 1 pm**  
**Due: Assignment 4 – Forecast your MarkStrat Team’s $ net contribution for each brand due by 1 pm**  
Case: Warner-Lambert Ireland: Niconil  
**Read:**  
Barlett and Ghoshal, *Lessons from Late Movers*  
Boulding and Christen, *First-Mover Disadvantage*  
Bryce and Dyer, *Strategies to Crack Well-Guarded Markets*** |
| Day 5 AM | Offensive/Defensive Strategy  
Case: Time Inc. | **Read:**  
Cressman and Nagle, *How to Manage an Aggressive Competitor.*  
Mizik, *Theory and Practice of Myopic Management*** |
| Day 5 PM | Marketing Plan Team Presentations |  |

*MarkStrat decisions due date/ time are tentative.*
Homework Assignment # 1 (individual)

Please consider the market place today and all the products available. Is there anything that strikes you and you think: “**How come no one thought about THIS yet?**”

Describe the product (or service), which does not exist on the market today, but would benefit consumers, and has potential for commercialization (it can be a completely “new” product or a significant improvement to an existing one). Then answer the following questions:

1. Who are your potential consumers (i.e., your target market)?
2. What benefit/value does your product provide to the potential consumers?
3. What is the best way to inform consumers about this product and its benefits? How would you promote or advertise it?
4. What should your price be? Why?
5. How do you propose to distribute your product?
6. What do you think are the major challenges/possible problems with bringing this product to the market?

Length: 1 page to max of 2 pages (12-point, 1-inch margins)
In-class Assignment # 2 (group)

Consider attached materials. Answer the following questions:

• What are the 2 most important dimensions for mapping MarkStrat customer perceptions?

• Where is Team O now?
  – Evaluate Team O position in Period 1 relative to competition and the segments’ ideal values
  – Who are Team O’s main competitors in Period 1?

• Where should Team O be?
  – Consider Period 1 Map: Are there opportunities for Team O? i.e.
    • Are there better positions for their products?
    • Are there gaps or holes in the map?

• How can they get from here to there?

• Evaluate Team O’s strategic move (consider the Period 2 Map)

• Evaluate Team I’s strategic move (consider the Period 2 Map)

EMBA 7610, 2003, Period 2 Semantic Scales

SEMANTIC SCALES - IDEAL VALUES (1 TO 7)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Weight</th>
<th>Design</th>
<th>Volume</th>
<th>Max Freq</th>
<th>Power</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffs</td>
<td>3.50</td>
<td>2.05</td>
<td>2.24</td>
<td>5.98</td>
<td>6.23</td>
<td>3.92</td>
</tr>
<tr>
<td>Singles</td>
<td>6.01</td>
<td>5.25</td>
<td>5.03</td>
<td>4.48</td>
<td>4.34</td>
<td>2.92</td>
</tr>
<tr>
<td>Pros</td>
<td>2.69</td>
<td>5.41</td>
<td>3.14</td>
<td>5.56</td>
<td>5.32</td>
<td>5.68</td>
</tr>
<tr>
<td>HiEarners</td>
<td>4.81</td>
<td>5.76</td>
<td>4.67</td>
<td>4.42</td>
<td>4.65</td>
<td>5.79</td>
</tr>
<tr>
<td>Others</td>
<td>5.41</td>
<td>3.99</td>
<td>6.17</td>
<td>2.85</td>
<td>2.44</td>
<td>2.11</td>
</tr>
</tbody>
</table>

Importance of characteristic*  

| Importance of characteristic | 1 | 3 | 2 | 3 | 6 | 10 |

* On a scale from 1 to 10: 1 = Not important, 10 = Very important

EMBA 7610, 2003, Period 1 Semantic Map
EMBA 7610, 2003, Period 2 Semantic Map
In-class Assignment # 3

You are a consultant hired by Company's Y Board of Directors to help improve financial performance (profitability) of the firm. The brand managers in the company are very concerned about the potential personal consequences of your findings. As such, they have refused to provide you any additional/ detailed information about operations citing the "competitive security" concerns. Below is the only data you have available to make your recommendations to the Board.

CONTRIBUTION BY BRAND
(SONITE BRANDS)

<table>
<thead>
<tr>
<th>Sonite Brands</th>
<th>Unit</th>
<th>Total</th>
<th>SYAL</th>
<th>SYXY</th>
<th>SYFA</th>
<th>SYCU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base R&amp;D project</td>
<td>PSPR2</td>
<td>PSYX1</td>
<td>PSHI2</td>
<td>PSHI1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sales**

<table>
<thead>
<tr>
<th>Units sold</th>
<th>U 359,045</th>
<th>207,371</th>
<th>27,502</th>
<th>109,175</th>
<th>14,997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average retail price</td>
<td>$1,503</td>
<td>394</td>
<td>342</td>
<td>444</td>
<td>323</td>
</tr>
<tr>
<td>Average selling price</td>
<td>$992</td>
<td>261</td>
<td>220</td>
<td>296</td>
<td>215</td>
</tr>
<tr>
<td>Revenues</td>
<td>K$ 95,733</td>
<td>54,139</td>
<td>6,056</td>
<td>32,307</td>
<td>3,224</td>
</tr>
</tbody>
</table>

**Production**

<table>
<thead>
<tr>
<th>Units produced</th>
<th>U 447,400</th>
<th>207,400</th>
<th>40,000</th>
<th>120,000</th>
<th>80,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current unit transfer cost</td>
<td>$643</td>
<td>139</td>
<td>229</td>
<td>148</td>
<td>127</td>
</tr>
<tr>
<td>Average unit transfer cost</td>
<td>$643</td>
<td>139</td>
<td>229</td>
<td>148</td>
<td>127</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>K$ -53,148</td>
<td>-28,837</td>
<td>-6,298</td>
<td>-16,109</td>
<td>-1,904</td>
</tr>
<tr>
<td>Units in inventory</td>
<td>U 182,504</td>
<td>29</td>
<td>37,625</td>
<td>10,825</td>
<td>134,025</td>
</tr>
<tr>
<td>Inventory holding cost</td>
<td>K$ -2,059</td>
<td>0</td>
<td>-689</td>
<td>-128</td>
<td>-1,362</td>
</tr>
<tr>
<td>Inventory disposal loss</td>
<td>K$ -9,735</td>
<td>-4,182</td>
<td>0</td>
<td>-5,553</td>
<td>0</td>
</tr>
<tr>
<td>Contribution before marketing</td>
<td>K$ 30,791</td>
<td>21,120</td>
<td>-931</td>
<td>10,517</td>
<td>-42</td>
</tr>
</tbody>
</table>

**Marketing**

| Advertising expenditures| K$ -7,500 | -3,000 | -500 | -3,000 | -1,000 |
| Advertising research expenditures| K$ -1,350 | -500 | -50 | -500 | -300 |
| Sales force             | K$ -1,598 | -658 | -161 | -480 | -299 |
| Contribution after marketing| K$ 20,343 | 16,962 | -1,642 | 6,537 | -1,641 |

Based on the information provided, please answer the following questions:

1. Is the poor performance of brands SYXY and SYCU more likely driven by external factors or management mistakes? Why?

2. What is the major brand management problem contributing to the poor financial performance (profitability) of brand SYXY?

3. What is the major brand management problem contributing to the poor financial performance (profitability) of brand SYCU?

4. Brand SYCU has accumulated significant inventory. Assume the sales remain constant at 15,000 units per year (if current levels of marketing expenditures are maintained). Which alternative should firm Y choose: (i) sell the inventory off to a trading company at 80% current unit transfer cost or (ii) cut production and try to sell the inventory to consumers? Support your recommendation with numbers. The per-period inventory holding cost of one unit in inventory is equal 8% of its current unit transfer cost. For simplicity, assume 0% discounting.
In-class Assignment # 4 (group)

Forecast the $ net contribution for each of your Sonite and Vodite brands for the final 7th period. Please follow the spreadsheet below to arrive at your forecast:

**CONTRIBUTION BY BRAND**  
(SONITE and VODITE BRANDS)  
MOST LIKELY RESULTS FOR:

Industry: _____ Team: _____

<table>
<thead>
<tr>
<th>Brands</th>
<th>SSS1</th>
<th>SSS2</th>
<th>SSS3</th>
<th>SSS4</th>
<th>VVV1</th>
<th>VVV2</th>
<th>...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base R&amp;D project</td>
<td>Unit</td>
<td>Total</td>
<td>PSSS1</td>
<td>PSSS2</td>
<td>PSSS3</td>
<td>PSSS4</td>
<td>PVVV1</td>
</tr>
</tbody>
</table>

**Sales**
- Units sold: U
- Average retail price: $
- Average selling price: $
- Revenues: K$

**Production**
- Units produced: U
- Cost of goods sold: K$
- Units in inventory: U
- Inventory holding cost: K$
- Inventory disposal loss: K$
- Contribution before marketing: K$

**Marketing**
- Advertising expenditures: K$
- Advertising research expenditures: K$
- Sales force: K$
- Contribution after Marketing (most likely case): K$

- Contribution after Marketing (worst case scenario): K$
- Contribution after Marketing (best case scenario): K$
