

B6601 MARKETING

Course Description:

This course focuses on the essential role of business, creating value for customers, which in turn leads to value for the other stakeholders in a firm (e.g., owners, shareholders, employees). The two main objectives of the course are (1) assessing market opportunities by analyzing customers and competitors and, based on these market opportunities, (2) designing effective strategies for acquiring, retaining and expanding customers. In this framework, the course explores key issues, including the value of customers, brand equity, customer segmentation, positioning, technology and new products as well as traditional marketing mix elements.

Type and Length of Exam:

Open book with notes, 4 hours. Calculators and/or laptops allowed.

Specific topics covered:

See attached Fall 1998 syllabus of course.

Recommended Reading for Review:

The exam is a case. Students may look over Harvard Business School cases 9-592-035, **Calyx & Corolla**; and 9-588-044, **IDS Financial Services**. To order these cases, send e-mail to studentaffairs@claven.gsb.columbia.edu or wait to receive the Commit Pack in the mail.

Sample Exam:

Although no specific exam sample is provided, it is suggested that students look over the attached Fall 1998 course syllabus for lecture topics and discussion questions.

COLUMBIA UNIVERSITY
Graduate School of Business
B6601: MARKETING

Fall 1998
M/W 11:30 am-12:50 pm
1:00 pm- 2:20 pm
Room 326, Uris Hall

Professor Sunil Gupta
508 Uris Hall
Office Hours: M/W 3:00-4:00 pm
Appointments: 854-3467
sg37@columbia.edu

Course Description

This course emphasizes the role of marketing in creating value for customers, which in turn leads to value for other stakeholders in a firm (e.g., owners, shareholders, employees). Two main objectives of this course are:

1. assessing market opportunities by analyzing customers, competitors and company; and
2. designing effective marketing strategies to maximize a company's chances of winning in these markets.

In this framework, the course explores key issues such as value of customers and brands, methods to analyze customers and competitors, customer segmentation, product positioning, role of new technology, as well as the traditional marketing mix elements.

The course highlights both theory and applications. Extensive use of cases presents you with a challenging and real-life environment in which to apply and hone your decision making skills.

Course Material

1. B6601 Readings and Case Packet
2. Donald R. Lehmann and Russell S. Winer (1997), *Analysis for Marketing Planning*, 4th edition, Burr Ridge, IL, Richard D. Irwin, Inc.

Evaluation

Class Participation	20%	(individual)
Written Assignments	20%	(groups of 4)
Integrative Project	20%	(groups of 4)
Final Examination	40%	(individual)

(1) Class Participation

A large portion of the class time will be devoted to analyzing assigned cases. It is therefore essential that you are fully prepared for all the cases. In each session, few students will be randomly selected to start the case discussion. Thereafter the discussion will be open to the entire class. Sheer quantity of participation is neither sufficient nor necessarily desirable. Your presentation and defense of your views on the cases are central to the course, and this is reflected in the grading scheme.

(2) Written Assignments

You are required to submit the following two case analyses:

Case	Grade	Due Date and Time
1. Jones Blair Company	10%	Oct 12, 1998 by 11 am
2. Nestle Refrigerated Foods	10%	Nov 9, 1998 by 11 am

The assignments are to be done in groups of 4-6 students. You can use the groups assigned to you for the integrative project, or form your own groups. All assignments should be type-written, double-spaced, and should not exceed five pages of text and three pages of exhibits. All case assignments must be submitted by the due date and time. No late submissions will be accepted.

(3) Integrative Project

This project consists of an in-depth analysis of a company's marketing strategy. Students should work in groups which have been pre-assigned by the school. Each group should select a company which it wants to study. This company will also be the focus of student projects in Corporate Finance, Managerial Economics, and Accounting I. The final report, which should not exceed 10 pages of text (excluding exhibits). Please see the student guidelines for details.

(4) Final Examination

The final examination will be a four hour in-class, open-book case exam. The exam will be designed to test your ability to understand and analyze difficult marketing situations. This will require a good grasp of marketing concepts and strong decision making skills. The course is designed to equip you with these concepts and skills. Therefore, the best way to prepare for the final exam is to be well prepared for each class session during the term. There will be no make-up exams.

Class Schedule – Fall 1998

Session	Date	Topic	Case
A. Role of Marketing in Creating Value for Customers and Stakeholders			
1	Sep 9	Introduction	
2	Sep 14	Value of Customers	
3	Sep 16	Customer Acquisition & Retention	IDS
4	Sep 21	Value of Brands	
B. Analyzing Markets and Identifying Market Opportunities			
5	Sep 23	Industry Analysis	
6	Sep 28	Customer Value: Economic Perspective	Optical Distortion
7	Sep 30	Customer Value: Functional Perspective	
8	Oct 5	Customer Value: Psychological Perspective	
9	Oct 7	Segmentation: Theory and Concepts	
10	Oct 12	Segmentation: Application	Jones Blair
11	Oct 14	Competition: Theory and Concepts	
12	Oct 19	Competition: Application	American Airlines
13	Oct 21	Competitive Games	
C. Formulating Marketing Strategies and Programs			
14	Oct 26	Objectives and strategy: Theory and Concepts	
15	Oct 28	Objectives and strategy: Application	Citibank
16	Nov 4	New Products: Theory and Concepts	
17	Nov 9	New Products: Application	Nestle
18	Nov 11	Pricing	
19	Nov 16	Value Chain	Calyx & Corolla
20	Nov 18	Integrated Communication	
21	Nov 23	Technology and Marketing	State-Record
Newspaper			
D. Course Integration			
22	Nov 30	Guest Speaker	
23	Dec 2	Integrative Case	Rohm & Haas
24	Dec 7	Course Summary	

A. Role of Marketing in Creating Value for Customers and Stakeholders

Session 1 (Wednesday, September 9)

- Topic:** Introduction
- Lecture:** This lecture introduces the course, highlights the role of marketing in creating value for customers and stakeholders, and presents an overview of marketing strategy formulation.
- Reading:** “Winning Over Main Street and Wall Street”. This article by two consultants shows that customer value does in fact translate into shareholder value.

Session 2 (Monday, September 14)

- Topic:** Value of Customers
- Lecture:** In this session we will discuss what is lifetime value of customers, why firms should focus on this aspect, how does it affect firm profits and long-term value, and how to measure and enhance lifetime value of customers.
- Reading:** "Zero Defection: Quality Comes to Service". This award winning article emphasizes the importance of retaining customers and its impact on customers’ lifetime value and firm profits.

Session 3 (Wednesday, September 16)

- Topic:** Customer Acquisition and Customer Retention
- Case:** IDS Financial Services
- Three years into American Express’ very successful acquisition of IDS, Harvey Golub has called in for even more ambitious results. Reed Saunders, senior vice president of marketing has to decide on the marketing strategies which will allow IDS to meet these aggressive growth targets.

Discussion Questions:

1. What business is IDS in? How big is this market? Can IDS increase its share in this market?
2. What is a client/customer worth to IDS today? With a plan? Without a plan?
3. What growth trajectory do you recommend to IDS?
4. What should Reed Saunders do to take IDS onto this trajectory?

Session 4 (Monday, September 21)

Topic: Value of Brands

Lecture: Why did Philip Morris acquire Kraft for nearly \$13 billion, more than 600% over its book value? What explains the IPO of over \$26 per share for Ralph Lauren? What is the real asset of Nike? In this session we suggest that brands have value, which can be measured and managed.

Reading: "Managing Brand Equity". This chapter from a book highlights the role of brands in creating value for the firm. It also briefly describes various components of brand equity and how to manage them.

B. Analyzing Markets and Identifying Market Opportunities

Session 5 (Wednesday, September 23)

Topic: Industry Analysis

Lecture: To make appropriate decisions, it is imperative to understand the industry structure and its dynamics. In this session we will discuss the basic concepts for industry analysis (e.g., Porter's model) and how they can be used in shaping the competitive strategy of a company.

Readings:

1. "Note on the Structural Analysis of Industries". This note discusses the forces bearing on the structure and rivalry within an industry.
2. Lehmann & Winer, pp. 41-63.

Session 6 (Monday, September 28)

Topic: Customer Value: Economic Perspective

Case: Optical Distortion, Inc. (A)

Optical Distortion, Inc. (ODI) is a small company with limited resources but a very innovative product -- contact lenses for chicken. The company needs to evaluate the viability of this new product and the marketing strategy for launching it.

Discussion Questions:

1. Evaluate the feasibility of ODI lenses.
2. Assuming ODI decides to introduce this product, formulate a complete marketing strategy for its launch.

In developing your recommendations, you may wish to consider:

- (i) Is the ODI lens an economically viable product?
- (ii) Why would the farmers buy or resist buying this product?
- (iii) How should ODI segment its market? In which markets should ODI concentrate its efforts?
- (iv) Given the financial constraints faced by the company, what kind of budget is feasible? What implications does it have on the short and the long run strategy of the company?

Reading: "Value-Based Strategies for Industrial Products". In this article, two McKinsey consultants argue for using Economic Value to the Customer (EVC) as the basis for strategy formulation and pricing.

Session 7 (Wednesday, September 30)

Topic: Customer Value: Functional Perspective

Lecture: A product is a bundle of attributes. In many cases, when customers buy a product (e.g., a computer) they evaluate it on its attributes (e.g., hard disk, memory etc.). In this session we will discuss multi-attribute utility theory and describe methods, such as conjoint analysis, to measure customers' perceived value of various product attributes. We will highlight these concepts with real-life applications.

Reading: Lehmann & Winer, pp. 98-116.

Session 8 (Monday, October 5)

Topic: Customer Value: Psychological Perspective

Lecture: The economic and functional perspectives implicitly assume consumer choice process to be “rational”. Recent research shows that in many cases consumers use heuristics (or thumb rules) which produce systematic biases. This is true not only in our daily lives, but also in the behavior of stock markets. This research has spawned a completely new field of behavioral finance, among others. In this session we will discuss recent research findings and the principles that emerge from them.

Session 9 (Wednesday, October 7)

Topic: Segmentation: Theory and Concepts

Lecture: Consumers have different preferences. This simple idea has led to a powerful concept of market segmentation. Recent advances in technology are pushing this concept to a “segment of one” or “mass customization”. In this session we will discuss these concepts and illustrate them with examples.

Reading: Lehmann & Winer, pp. 118-136.

Session 10 (Monday, October 12)

Topic: Segmentation: Application

Case: Jones Blair Company

Jones Blair Company (JBC) markets paints and related products. The company is facing flat demand and increasing competition, making it very vulnerable in the future. Company executives are debating where and how to deploy resources among the various trade paint segments served by JBC.

Discussion Questions:

1. Given the characteristics of the paint industry, how would you segment JBC's market area.
2. Which segments represent opportunities for JBC and why?
3. What strategy should JBC adopt to reach the segment(s) sought?

Group Written Assignment I **Session 11 (Wednesday, October 14)**

Topic: Competition: Theory and Concepts

Lecture: In this session we will discuss how to analyze competitors and anticipate their future actions by better understanding their strengths, weaknesses and future goals. We will also discuss the concepts of differentiation and positioning, their importance, and methods for obtaining perceptual maps.

Reading: Lehmann &Winer, pp. 18-35, 65-96.

Session 12 (Monday, October 19)

Topic: Competition: Application

Case: American Airlines' Value Pricing (A)

In April 1992 American Airlines (AA) launched "Value Pricing" in an attempt to simplify the pricing structure of the airline industry. AA expected that this plan will benefit not only the customers but AA and the entire airline industry. However, there were uncertainties about how competitors will react to AA decision and whether or not this pricing policy will become the mainstay of the airline industry.

Discussion Questions:

1. What is "Value Pricing" and why did AA introduce it?
2. What results did AA expect from this plan? What are the implicit assumptions in these estimates?
3. What is the likely reaction of each of the competitors? In the face of the likely competitive reaction, what should AA do?

Session 13 (Wednesday, October 21)

Topic: Competitive Games

Lecture: We will discuss the basic ideas of game theory, its applications in analyzing competitive moves, and some new research in this area, called "co-opetition".

Reading: "The Right Game: Use Game Theory to Shape Strategy". Using concepts of game theory, this article describes an interesting framework for formulating strategy.

C. Formulating Marketing Strategies and Programs

Session 14 (Monday, October 26)

Topic: Objectives and Strategy: Theory and Concepts

Lecture: The analysis of the industry, customers, competitors, and company's own strengths and weaknesses provides a good basis for a company to set its objectives and choose among various strategic options available to it. In this session, we will discuss and illustrate some of these issues.

Reading: Lehmann &Winer, pp. 187-210.

Session 15 (Wednesday, October 28)

Topic: Objectives and Strategy: Application

Case: Citibank: Launching the Credit Card in Asia Pacific (A)

Rana Talwar, head of Citibank's Asia Pacific Consumer Bank, was considering the launch of a credit card in several Asia Pacific markets. If the credit cards were to be launched, Talwar had to decide which countries to enter first, which target segments to focus and what positioning strategy to adopt.

Discussion Questions:

1. Should Citibank launch the credit card? Why or why not?
2. If Citibank decides to launch the credit card, which countries should it enter first? Which countries it should avoid?
3. Which target market should it focus on? How should the card be positioned?
4. If you chose not to introduce the card, what would you do to achieve the \$100 million earning target by 1990?

Session 16 (Wednesday, November 4)

Topic: New Products: Theory and Concepts

Lecture: In this session we will discuss the new product development process, methods to assess market potential of new products/services, and the process by which innovations diffuse through the market place and its impact on firm strategy.

Reading: "Customer Adoption of Really New Products". This article describes the factors that affect customers adoption of new products. It also briefly describes a model to forecast demand for innovations.

Session 17 (Monday, November 9)

Topic: New Products: Application

Case: Nestle Refrigerated Foods: Contadina Pasta and Pizza (A)

In the late 1980s, Nestle had successfully introduced refrigerated pasta and sauces to the US market. By 1990, however, the pasta market is showing signs of saturation. Stephen Cunliffe, president of the Nestle Refrigerated Food Company, wants to use his experience of successfully launching Contadina pasta as well as market research data for the new pizza product to decide whether to launch this new product.

Discussion/Assignment Questions:

1. Estimate the market potential for the new pizza product (use exhibit 9 and related information).
2. How does the pizza opportunity compare to pasta?
3. Would you recommend launching the pizza?

More details to be announced in class.

Group Written Assignment II

Session 18 (Wednesday, November 11)

Topic: Pricing

Lecture: Pricing is one of the most critical decisions for a company. In this session we will discuss both the strategic and tactical aspects of pricing and describe factors that affect pricing decisions.

Reading: "Managing Price, Gaining Profits". In this excellent and widely cited article, two McKinsey consultants show how prices can be managed effectively.

Session 19 (Monday, November 16)

Topic: Value Chain

Case: Calyx & Corolla

Calyx & Corolla (C&C) has developed a new system for distributing flowers which allows growers to ship flowers directly to the ultimate consumer. C&C could deliver flowers in as little as one day from the time they were cut in the fields, thereby significantly increasing the house life of flowers. Having successfully navigated the start-up phase, C&C has to develop a long run marketing strategy.

Discussion Questions:

1. Compare the advantages, disadvantages and the economics of selling flowers through different distribution channels?
2. Should C&C run the Minneapolis test?
3. What should be C&C's long run strategy?

Session 20 (Wednesday, November 18)

Topic: Integrated Communication

Lecture: We will discuss various aspects of integrated communication – advertising, sales promotions, direct marketing, and online marketing. We will highlight several issues related to advertising decision making.

Reading: “Communication Policy”. This note describes how to design a consistent approach to communicate with customers.

Session 21 (Monday, November 23)

Topic: Technology and Marketing

Case: The State-Record Newspaper (A): The CyberState Edition

Paula Ellis, assistant publisher of South Carolina’s largest newspaper, *The State*, must decide whether or not to support the World Wide Web edition of the paper, *The CyberState*. The print edition of the newspaper was experiencing declining advertising and sharply increasing production costs. Although the costs for the initial electronic edition had been minimal, advertisers showed little interest in paying for online edition advertising.

Discussion Question:

1. How does the newspaper industry compare to the Internet industry?
2. What is *The State*’s current situation? What can *The CyberState* bring to the Internet marketplace?
3. Should the management go forward with *The CyberState*?
4. If the management goes forward, what targets should Ellis set for the number of advertisers, number of users, and revenues? What budget assumptions should Ellis use?
5. What type of product and positioning might achieve the required ROI?

D. Course Integration

Session 22 (Monday, November 30)

Topic: Guest speaker

Session 23 (Wednesday, December 2)

Topic: Integrative Case

Case: Rohm and Haas (A): New Product Marketing Strategy

In May 1984, Joan Macey, marketing manager of Rohm and Haas, was reviewing the performance of a recently launched biocide, Kathon MWX. Biocides are chemicals that kill microorganisms (such as bacteria) in metalworking fluids. This fluid is used by the metalworking industry in operations such as grinding and drilling. The fluid is directed onto the surface of the metal being machined to lubricate and cool the work piece and the machine tool, and to remove metal chips. A tray built into the workstation catches the chips, and the used fluid is filtered and returned to the tank for reuse. Kathon MWX was sold to customers in plastic packets. The packet was designed to hang into the metalworking fluid tank by a plastic hook. Despite the technical superiority of this new product, the market acceptance appeared poor.

Rohm and Haas also sold a more powerful biocide, Kathon 886 MW. While Kathon 886 MW was designed for large tanks with capacity over 1,000 gallons, the new product Kathon MWX was designed for tanks with a capacity of less than 1,000 gallons.

Discussion Questions:

1. Should Rohm and Haas support Kathon MWX, or should it withdraw this product from the market and concentrate its effort on the more successful product Kathon 886 MW ?
2. Regardless of your answer to question 1, if Rohm and Haas decides to support Kathon MWX, what marketing strategy should it adopt?

The case uses many technical terms. Don't worry about them too much. The product concept is very simple. It is a packet of chemical which is placed in a tank filled with fluid, in order to clean the tank.

Session 24 (Monday, December 7)

Topic: Course Summary

Lecture: This session will be used to summarize the course and to discuss details of the final exam.