The objective of this course is to inculcate in you the ability to develop, implement, and critically evaluate the marketing strategy for a product or service. It will provide the conceptual frameworks and hone the analytical and creative skills that are necessary to define and develop superior value, persuasively communicate that value, profitably deliver it to a carefully selected target market, and sustain both the value and the profitability in the face of ever-changing customer needs and competitive offerings.

The course is structured in four modules. We will begin with the firm’s choice of which market to serve, how to position its product/service for that market, and how to integrate the 4Ps of product, price, place, and promotion in a coordinated implementation of this positioning for the chosen market. The remaining three modules will deepen your thinking about this fundamental framework by viewing decisions about segmentation, targeting, positioning, and the 4Ps from three different perspectives the firm must consider. First, how do marketing decisions about one product affect the performance of other products in the product line that may be targeted at the same or different market segments? Second, how do product, price, and promotion decisions influence the firm’s choice of channel members and its ability to manage the channel relationship? Third, how do marketing decisions change when they are evaluated by their ability to acquire customers with high profit potential, manage the relationship with them over time, and keep them profitable? Thus, the four modules of this course follow the natural progression of marketing strategy from managing markets to managing products and segments to managing customers, both immediate (channel members) and end users.

Cases will be the primary vehicle for learning in this course. I have chosen cases that span consumer durables, non-durables, services, and industrial goods and deal with products at the introduction, growth, and maturity stage of their lifecycle in both domestic and international markets. Analyzing them will help you appreciate the power of the marketing “mindset”. But, they will also make you deal with a variety of situations and decision contexts each with their own unique complexities and idiosyncrasies. You will need to immerse yourself in the specifics and institutional details of each case, but, you will also need to extract from them the thought processes and frameworks that generalize across situations.
Students who intend to work in marketing, consulting, general management, or business development, or who intend to start a business of their own should take this course. It might also be useful for those who will go into venture capital or investment banking and may need to evaluate the marketing strategies of other firms.

**Course Modules**

Each module of the course consists of three cases and a wrap-up session and/or a presentation by a visiting executive. The modules are not “air tight” because marketing is not air-tight -- developing and implementing a truly market-focused strategy requires coordination and integration among all the elements. However, they are organized to focus our discussion of marketing strategy around the perspectives described above. Each module has some readings that you should use as background material when you prepare the cases. The general frameworks in these readings will serve as a bridge between the specific situations in each case we study and the situations you will encounter in your own careers. Although I will not discuss each reading in class, we will draw on them as we develop key learning points in each module.

**Module 1:** Our emphasis in this module will be on the firm’s choice of which market to serve, how to position its product/service for that market, and how to deliver this positioning for the chosen market through the 4Ps of the marketing mix. We will also examine the cycle of development from choosing and building a market to defending and extending it. The Southwest and Stainmaster cases illustrate these challenges in developing and implementing a market-focused strategy, and highlight the balance between focus and change, between creativity and analytics, that is necessary for ongoing success. The Mary Kay case provides the opportunity to examine the market selection decision in an international context. We will identify and evaluate the criteria that a multinational must use to decide which country market to enter, and contrast the implications for marketing strategy when one is a late entrant in a mature market versus an early entrant in an emerging market.

**Module 2:** Most companies must manage not just one product in one market, but a whole product line targeted at various segments in the market. In this module, we will examine how the marketing strategies for each product must be developed and implemented in a holistic manner, taking into consideration each product’s implications for the success of the entire portfolio. How will the positioning of a new product affect perceptions of the company’s existing product line? How should product, pricing, promotion, and distribution channel decisions be made to minimize cannibalization of existing products and maximize synergies and economies? The three cases in this module will allow us to explore these issues at the entry, growth, and maturity phases of the product life cycle. In the Kodak Funtime case, we will need to make difficult decisions about vertical product line proliferation in the face of commoditization in a mature market, while the Brita Products case is set in a growing market and will require us to decide whether and how much to invest in an expansion of the product line when that expansion may cannibalize our existing product. Salessoft places us in the shoes of a small start-up selling to business customers, who must decide how to allocate its limited time and resources across two products, one of which may serve as a “Trojan horse” to get a foot-in-the-door with customers. It also transitions well into the next module of the course by bringing into focus the complexities of the industrial selling and buying process.
Module 3: The distribution channel is one of the four P’s of the marketing mix, but the channel members a company utilizes to take its products/services to its end-consumers are customers in their own right, with their own unique complexities. They provide many essential services to end-consumers that the company cannot efficiently provide itself but their motivations and objectives are often not aligned with those of the firm. Managing the channel is the focus of module 3. What channel strategy is best given market needs, the firm’s own capabilities and the nature of the product? How can a firm influence the actions of its channel members through its pricing, promotion, and advertising decisions? The Sorrel Ridge case exposes us to the challenges and decisions involved in selling to and through the grocery retail channel. It will help us appreciate how the demands of the channel can influence every aspect of a manufacturer’s marketing mix. In the Arrow Electronics case, we will have the opportunity to examine whether and how electronic commerce should be incorporated into a company’s channel strategy. The case also highlights the challenge of simultaneously managing portfolios of products, customers, and channels, and the importance of aligning the right customers with the right product and the right channel. Calyx and Corolla illustrates the strategic role that distribution, specifically smart disintermediation of the channel, can play in creating and delivering the value proposition of a product/service. It also segues into the final module of the course by making us think about the cost of customer acquisition versus retention.

Module 4: Marketing is moving from product management towards customer management. In this module, we will evaluate marketing strategy by its ability to build customer equity. How do product, pricing and promotion decisions influence which customers are acquired and how profitable they will be to the company? What programs and processes does the company need to have in place to encourage the strategic management of customers? In the Progressive Insurance case, we will see how a company can turn the ability to identify profitable customers into a major strategic advantage and evaluate new products and marketing strategies by their impact on customer equity. Hilton Honors will allow us to critically examine the pros and cons of loyalty programs, which have become a major tool for marketers to identify and communicate with their best customers. CMR Enterprises will help us appreciate the processes that need to be in place to strategically manage customers, from selecting customers, to designing and managing customer relationship strategies, to monitoring the health, cost, and value of customer relationships, to linking rewards with customer management efforts.

Required Materials:

Cases and Readings in Course Packet.

Highly Recommended Reading:


Course Requirements

A. Preparation for each class session and productive and regular class participation are a primary requirement for this course.
B. Each student must complete a web-based exercise in marketing math called “Management by the Numbers” before we begin module 2 of the course. Please note that this exercise is numerical, not statistical, in nature. Its purpose is to refresh your proficiency with the basic calculations necessary for marketing decision making (price-volume relationship, channel margins, breakeven point, customer lifetime value etc.), so that you can do such calculations quickly and correctly while analyzing cases in the course and while making or evaluating marketing strategy decisions at work. Details about the exercise and instructions for accessing and completing it are available in a handout included in your course packet.

C. A final exam consisting of a case and specific questions will be given to you at 9.00 am on November 17th in a sealed envelope. You can complete the exam during any continuous four-hour period before 10.00 am on November 20th. Your analysis of the case should not exceed seven double-spaced pages with one-inch margins all around and a minimum font size of 12. Figures, spreadsheets etc. can be presented in an appendix that is not included in the page limit, but the way in which these figures and spreadsheets influence your recommendations should be integrated within the seven pages of your analysis.

Grading

Your final grade will be determined as follows:
- Management by the Numbers Exercise 15%
- Class Participation 35-50%
- Final Exam 35-50%

The importance of class participation is reflected in the fact that at least 35% of your grade will be determined by it. However, I retain some flexibility in the exact weights given to class participation and the written exam for individual students. This is because, in my experience, some of the best students do particularly well in oral communication while some really shine in written analysis. I would like to reward a student for truly outstanding performance on either dimension by increasing their weight on the dimension on which they excel up to 50%.

Pre-Class Preparation and Classroom Protocol

During your first year at Tuck, you have been exposed to courses taught by the case method, and to the teaching philosophy underlying the case method. I will therefore not repeat it here. Let me simply highlight the critical importance of (a) pre-class preparation of each case with well thought out analytical support as well as (b) rapid “on your feet” analysis and synthesis during the class discussion. Let me also remind you that “what actually happened” in each specific case is not important. Some cases may showcase a success story and others may highlight a marketing strategy gone wrong. We will learn from both. But, no case depicts a perfect strategy or one that is totally flawed. So, there isn’t just one right recommendation though there are several wrong or ill-supported recommendations. If you happen to know what happened in a particular case, you should try not to let that influence your analysis. Neither should you use any post-discussion information I give you about what happened as an indicator of the quality of your own recommendation. How
organized and careful is your thought process? How well do you combine analytical thinking with creativity in evaluating a situation and suggesting solutions? Are you able to draw on frameworks from background readings and from discussions of previous cases? These are the benchmarks to evaluate your analysis and recommendations.

Please help all of us get the most out of the classroom experience by:
• Being prepared to lead off the class discussion each day
• Supporting your statements with proper analysis of the data and information provided in the case and all its exhibits
• Being open to the questions and critiques of your classmates
• Defending your point of view on the case persuasively but not “defensively”
• Questioning your class-mates’ assumptions and statements, but in a constructive and thoughtful way
• Actively listening to, building on, and enriching the discussion rather than going off on tangents or repeating what has been said before
• Being in class before the starting time so that we can start and end on schedule.
• Adhering to Tuck’s laptop policy and using your laptop in class only to take notes or to access any spreadsheets or other analysis you may have prepared for the case at hand.

**Honor Code**

I expect and encourage you to help one another in the learning process. Please feel free to work in a study group or discuss each case with an informal group of your classmates. However, I will call on individual students to lead off the discussion in each class meeting. So, you should be prepared to state and convincingly defend your recommendations in class. If you are not prepared for a particular class session, I expect you to inform me before we begin class.

Please do not use notes from any other venues where the cases in this course may have been discussed. Also, do not access outside information on the company, the product, or what actually happened in a given case. Not only is it a violation of the honor code to do so, such information is often counter-productive in the learning process.

**Attendance Policy**

Much of the learning in this course will occur in class as you share your ideas, thought processes, analyses, and questions with each other. Therefore, attendance at all class sessions is expected, and you cannot “make up” for class participation with written work. Except in an unforeseen emergency, I expect to be informed beforehand if you need to miss a class.

**Class Schedule and Preparation Questions**

*Module 1: Managing Markets*

*Southwest Airlines Coast-to-Coast (Condensed)*
I am sure you recall your discussion of Southwest Airlines from the first year Operations course. We will begin with a quick recap of the key learning points from that discussion:

- How has Southwest segmented the airline passenger market and which segments of the market does the company target? How does the company position itself for this target market?
- What have been the keys to Southwest’s success?
- Why have other major airlines been unable to emulate Southwest’s strategy?
- What do you see as the threats to the future viability of Southwest’s strategy?

During the remainder of the session, we will focus on the evolution of the company’s marketing strategy and its growth, looking back at its marketing mistakes and successes and learning from both.

Background Reading:

“Creating New Market Space” by Kim and Mauborgne
“Marketing Strategy – An Overview,” by Raymond Corey

Stainmaster (Condensed)

- What were the critical elements for success in the Stainmaster marketing program?
- How did DuPont benefit from the Stainmaster introduction? Can you put a dollar figure on at least some part of the benefit?
- Did fiber competitors benefit? How about carpet mills? And carpet retailers?
- What changes would you have made in the implementation of the program? Why?
- What are the key issues facing DuPont on Stainmaster at the time of the case? Could anything go wrong?

Note: There is a typographical error on page 7 of the case. The last sentence in paragraph two, before the parenthetic statement should read “Within a few more months, Shaw, a leading mill, offered a Stainmaster licensed carpet at a mill price of $7.00 a square yard”.

Background Reading:

“Push-Pull: A One-Two Punch for Packaged Goods” by Olver and Farris

Mary Kay Cosmetics: Asian Market Entry

- Why has MKC not been as successful as Avon in penetrating international markets?
- What criteria should MKC use in deciding how to prioritize foreign market entry opportunities?
- What are the arguments for and against MKC entering (a) Japan and (b) China?
- What marketing mix recommendations would you make to Dandurand if she decides to enter (a) Japan and (b) China?

Module Wrap Up

- We have discussed three cases in the “Managing Markets” Module. What are some critical issues in market selection and growth that we learned from these cases?
• What do you see as some important ways in which the three cases differed? What lessons did we learn from these differences?
• What are the key lessons from the article on “Push-Pull” for a firm entering a new market or trying to improve its position in an existing market? What elements of the marketing mix can be used to influence each of the components in the Push-Pull model?

Module 2: Managing Products

Eastman Kodak Company: Funtime Film
• Why has Kodak been losing market share in the past five years?
• What is a share point worth to Kodak in terms of contribution dollars?
• Would you recommend that Kodak proceed with Funtime? Why or why not?
• How will retailers react to this product line change? What are the financial implications for them?
• If you recommend Funtime, how would you implement this product line proliferation strategy? What are the market share and financial implications of this move for Kodak?
• If you do not recommend Funtime, what should Kodak do?

Background Reading:
“Should You Take Your Brand to Where the Action Is?” by Aaker

The Brita Products Company
• To what do you attribute Brita's success? What marketing assets has Clorox acquired in these years of vigorous growth and how best can they be utilized?
• What are the projected revenues and contribution dollars (including filters) from the sale of one pitcher system? And from one faucet system?
• What is your projection of pitcher system and replacement filter sales for 1999-2004 if the faucet system is not introduced? Please provide projections of revenue and contribution dollars.
• Would you introduce the faucet system? Why or why not?
• If you had to introduce the faucet system, which of the scenarios on page 9 of the case would you choose? Please provide a revenue and net income statement for next year (1999-2000) for the faucet system and its filters along the lines of Case Exhibit 7. Also, provide a similar statement for all four products combined, i.e., pitcher and faucet systems and their respective filters.
• What other marketing strategies would you employ?

Note 1: There is a typo at the top of Case Exhibit 5. The numbers in the table are in thousands of units, not hundreds of units.
Note 2: The case refers to retail “mark-ups”. Please treat these as you would retail margins. In other words, assume that the base for these percentage mark-ups is retail selling price, not manufacturer selling price.
Note 3: Please be prepared to present your revenue and income projections in class. You can save them on a folder that can be accessed from the classroom computer. Please state and defend all your assumptions clearly.

Background Reading:
“Product Policy Decisions” by Dolan

SaleSoft (A)
- Who is the customer and what is the buying process for a product like PROCEED? How about TH?
- Quantify the value of PROCEED to a customer (Hint: Use the data in Exhibit 7 and compute the incremental sales the customer can get with their current salesforce if they use PROCEED. Then consider what percentage of these incremental sales should be viewed as savings to the customer from use of PROCEED). How does this contrast with the value that you think will be provided by TH? How would you use this information to sell either product?
- What is your recommendation regarding the launch of TH? If your decision is GO, provide a detailed marketing strategy for TH. Further, what do you plan to do about PROCEED? If your decision is NO GO, provide a detailed marketing strategy for PROCEED.

Module Wrap Up
- We have discussed three cases in the “Managing Products” Module. What are some critical issues in product line management that are common to the three cases? What lessons did we learn from these common issues about whether and how to engage in product line proliferation?
- What do you see as some important ways in which the three cases differed? What lessons did we learn from these differences?
- When and how do you think the equity of a brand be effectively extended to provide leverage for new products? And, under what circumstances can such brand extension be ineffective or even have a negative impact on the parent brand and/or the extension.
- What key information should a company try to accumulate before it decides to extend its product line vertically? Try to cover all important bases but also be as specific as possible about the particular information needed.

Module 3: Managing Channel Members

Sorrell Ridge

Note: The case refers to a slotting allowance of $250,000 and Exhibit 10 refers to a slotting allowance that is the equivalent of 3 free cases per flavor per store. Please note that the $250,000 allowance is supposed to be the equivalent of the free cases, not in addition to them. You may want to consider how much ACV the $250,000 will buy, if, for instance, SR wants to stock 6 flavors per store. Also note that the slotting allowance is passed on to
retailers. Brokers only get to keep their 5% fee. Finally, please note a couple of typographical errors in Exhibit 6. The dollar sales numbers for Polaner is in dollars, not in thousands of dollars. And, the percentage change in case sales for Sorrell Ridge is +140% not +14%.

- What are Sorrell Ridge's sources of negotiating power and weaknesses? What about Bromar’s?
- Should Pressman agree to the first year program summarized on page 1 and laid out in Exhibit 10? If not, what should she do? Be prepared to take the roles of both the broker and Carol Pressman in a discussion of the appropriate level for slotting fees and the entire first year marketing program for Sorrell Ridge in LA.
- What should Sorrell Ridge's push and pull strategy be? How does the first year marketing program you recommend fit into this push-pull strategy? (the push-pull model will be helpful in this thought process). What market share are you trying to achieve with this program?
- What are the economics of the program you are recommending? How many cases do you need to sell in order to break-even? (Note: The data in Exhibit 6 show that cost of goods sold was 50.4% of Sorrel Ridge’s dollar sales in 1986. You can use the same percentage in your analysis). How many cases per flavor per store does this mean?
- Prepare a pro forma income statement for the first two years in the LA market. You will need to make some educated guesses, particularly as you try to forecast how different things will be in LA versus New York, and in year 2 versus year 1. But, be prepared to justify your assumptions and explain your implementation strategy.

Background Reading:
“Retail Power: Monster or Mouse?” by Farris and Ailawadi
“Trade Promotion: Essential to Selling Through Resellers” by Ailawadi, Farris, and Shames
Revisit “Push-Pull: A One-Two Punch for Packaged Goods” by Olver and Farris

Arrow Electronics

- What value does Arrow provide for its suppliers? And for its customers?
- What is Arrow’s business model?
- How will Express affect this model and Arrow’s profitability? Will Arrow be able to keep its margins above 15% -- the objective set by Steve Kaufman?
  Hint: Not all sales to transactional customers are Book & Ship (B&S) and not all sales to relationship customers are Value-Added (VA). Also, as stated in Exhibit 7, VA sales are immune to Express. Develop a 2X2 matrix with Arrow’s sales of B&S versus VA products on one side and transactional versus relational customers on the other side using information in Exhibit 7 and page 8. Now, incorporate gross margins of the two types of products to compute profitability under each scenario visualized with Express.
- What is your action plan? How should Arrow respond to the Express proposal? What other steps, if any, should Arrow take?

Background Reading:
“Designing Channels of Distribution” by Rangan

**Calyx and Corolla**
- How has Calyx & Corolla differentiated itself from its competitors?
- What are the strengths and weaknesses of the company’s formula for different segments of the flower market?
- Has the company been successful? Why or why not?
- Compute the cost and profit of acquiring a new customer versus retaining an existing one. (Hint: A prospect that is converted from the rented mailing list can be thought of as an acquired customer, while someone who has purchased from Calyx & Corolla before is a retained customer. See relevant case information on pages 8-9).
- What does the above analysis tell you about the keys to profitability in this business?
- Should Calyx & Corolla do the Minneapolis experiment? Why or why not?
- How should Calyx & Corolla grow?

**Module Wrap Up**
- Based on the cases and readings we have seen so far, what role does advertising by manufacturers play in their balance of power with channel members and in their ability to manage the channel? What about trade promotion? And private label brands?
- Distribution is one of the most critical problems that multi-national companies, particularly those in the packaged goods industry, face in their attempt to reach the mass market in emerging markets like India and China. What opportunities does the e-Choupal initiative described in the reading for today offer for these companies? What are the challenges that must be overcome to make such an initiative effective?

Background Reading:
“Indian Farmers Reap Web Harvest” by Parmar
Description of e-Choupal on http://www.itcportal.com/agri_exports/e-choupal_new.htm

**Module 4: Managing Customers**

**Progressive Insurance**
- How did Progressive become, by 1990, the fifth largest auto insurance company that nobody had ever heard of? What explains its strong performance to that point?
- Why do you think the company made so many changes in the nineties?
- Consider each of the company’s major initiatives in the nineties – express quote, immediate response, claims workbench, claims reporting index, multiple channels. Did they benefit Progressive’s customers? How? Did they benefit Progressive? How?
- What challenges does Progressive face in the future and how should the company grow?

Note: It will be helpful to browse through the commercials and video clips in the attached CD as you think about these issues.
Hilton Hhonors Worldwide: Loyalty Wars

- Loyalty programs are now common in several industries. Compared to other industries, does it make particularly good sense for the hotel industry to have loyalty programs? Or particularly bad sense? Why?
- What groups or stakeholders does Hilton’s loyalty program affect? What are the benefits and problems of the loyalty program from the perspective of each group?
- Does the Hhonors program make money for its parents, i.e., Hilton Hotels and Hilton International? (Hint: Consider current occupancy rate and what it would be in the absence of the program). And is the program financially worthwhile for the property operators/franchisees?
- What should Hilton do in response to Starwood? Why?

Background Reading: “Do Rewards Really Create Loyalty?” by O’Brien and Jones

CMR Enterprises

- What should CMR do about the Blackstone account now?
- What is the profitability of CMR’s commercial business relative to its residential business? What about the Blackstone account? (Hint: Cost of goods sold for this business is made up of material costs and direct labor costs, i.e., shop hours. Subtract SG&A expenses, which are mainly due to indirect labor costs, from contribution margin to get earnings before taxes and other items. You will need to use case information and/or assumptions to allocate SG&A expenses to commercial versus residential business, and, in particular, to the Blackstone account).
- Was CMR’s decision to initiate a relationship with Blackstone a good one?
- How did the CMR-Blackstone relationship evolve over time? Highlight important events and actions that influenced this evolution.
- Why did CMR persist in the Blackstone relationship? How would you remedy such a situation?

Background Reading: “Zero Defections: Quality Comes to Services,” by Reichheld and Sasser
“Customer Loyalty” by Reinartz and Kumar
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**Module 4: Managing Customers**

Note: The timed, take-home final exam must be completed between 10.00 am on November 17 and 10.00 am on November 20