

CAPON'S

# Marketing Essentials

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## Instructor's Manual

Noel Capon  
with Sandy Becker



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Marketing Essentials

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Wessex Press, Inc.  
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The intent of this manual is to provide instructors with an effective, practical approach to engage 21st-century students in the study and application of modern-day marketing. Of course, there are many ways to provide instruction to the target student audiences. All instructors develop their own unique styles and approaches to teaching marketing. In addition, classes have different sizes, knowledge and experience bases, and their own unique personalities and chemistries. The objectives of delivering an effective class experience are to fit student needs, requirements, and expectations into a methodology that has them engaged, motivated, and actively participating in the learning experience. This manual offers a wide variety of suggestions, recommendations, methods, and choices for ready implementation in the classroom. We also offer ideas for instructors using distance-learning methodologies.

This manual for of *Capon's Marketing Essentials* is available online for free download to all instructors, both as a complete book and on a chapter-by-chapter basis. Other materials to aid instructors that are not specifically addressed in this manual are available in the textbook itself, or the instructor's area of [www.wessexlearning.com](http://www.wessexlearning.com). These materials include:

- **Powerpoint slides.** A complete set of powerpoint slides is available for each chapter. Instructors are free to download these materials for personal use and to add, delete, and modify as they feel is appropriate to customize for their classes. The goal is to provide instructors with the flexibility to incorporate these slides with their own materials and vice versa.
- **Case studies.** Instructors may also explore a broad variety of case studies (from many different institutions) that are appropriate for the material in the chapter. Each case study entry contains a short description, and notes the availability of additional materials like instructor notes and videos.
- **Testbank questions/answers.** Each chapter has 60 questions for instructors to use in student evaluation. Instructors are free to construct their own tests from the large variety of questions available. The testbank is available in word and as blackboard compatible.
- **Interview videos.** This book contains a variety of 10-to-15-minute videos of various marketing experts being interviewed by the author on their subject expertise. Instructors are free to use these as a means to generate class discussion.
- **Audio interviews.** Several chapters contain audio interviews with the author. Instructors may find this material useful for pedagogic purposes.
- **Access capon codes.** Students may access interview videos, and audio interviews by entering simple four-digit alphanumeric codes at [www.axcessvids.com](http://www.axcessvids.com). Other codes provide access to publicly available materials that instructors may find useful pedagogically. Beyond our control, some of these items may later be removed. Also, advertisements may appear before the desired content.

## The Flipped Classroom

A recent innovation that the authors of this manual have introduced at Columbia is the flipped classroom. Traditionally, many class sessions require pre-reading; then the instructor conducts a lecture/discussion session, frequently using slides or some other audiovisual aids.

The flipped classroom in part reverses this approach. Before class, students watch a video lecture. In class, the instructor conducts a more in-depth discussion since students come to class having seen and heard the basic material. Furthermore, the instructor may assign student groups to briefly recap the key points of the video lecture, then take the discussion further — critique the material, add more examples, and/or further develop ideas and concepts.

Using the flipped classroom requires a different set of pedagogic skills; furthermore, students typically have to work harder. But the results seem to justify the effort for both instructors and students. Both authors are available to talk to interested instructors about their experiences.

Instructors may also wish to check out the Preface to *Capon's Marketing Video Book* at [www.axcessvids.com](http://www.axcessvids.com) [838v] for a preview of the marketing videobook that we have used successfully.

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**SECTION 1**

# Marketing and the Firm

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**CHAPTER 1**

Introduction to Managing Marketing

**CHAPTER 2**

The Value of Customers

# Capon's Marketing Essentials

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## CHAPTER 1

# Introduction to Managing Marketing

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

## Chapter Description

### Purpose of Chapter

The purpose of this chapter is to introduce students to the role of marketing in the modern corporation and to provide them with an introduction to important dimensions of marketing. They will also begin to develop a working vocabulary of marketing and other related business terminology.

### Chapter Themes

- The fundamental business model:  
Customer value → attract, retain, and grow customers → firm profits → organizational survival and growth → improved shareholder value
- Marketing success leads to business success.
- Marketing success improves shareholder value.
- Marketing and innovation as the core purposes of a business
- The role of marketing today
- Customer satisfaction and brand loyalty
- The linkage between value for the customer and value for the firm
- The changing external environment
- Marketing as a philosophy
- Marketing as an investment
- The six marketing imperatives
- The four marketing principles
- External and internal orientations

## Teaching Suggestions (topic coverage)

### Overview and Focus

Although there is historical evidence of marketing success, we suggest a focus on current-day marketing challenges and opportunities as students engage in *active learning* through use of case studies and individual and team projects.

Be clear on what marketing expects to accomplish (attract, retain, and grow customers; deliver customer value; secure differential advantage; develop effective brands; engage customers with long-term solutions; provide clear and consistent communication), as well as what marketing is not (only advertising or sales).

### Topic Coverage Suggestion

- 50% Overview of the marketing discipline (terminology, value, business significance)
- 25% Current-day examples, written or video case on marketing significance
- 25% Introduce relevant projects that provide opportunity to apply *lessons learned*

### Lecture/Discussion Content

- What does marketing mean today?
- What is marketing?  
(describe the role of marketing — using specific functional roles [e.g., product/brand manager] in organizations today)
- Marketing and shareholder value
- Marketing as a philosophy: external, internal orientations
  - External orientation
  - Internal orientations



- The six marketing imperatives:

### **Strategic Marketing**

- Imperative 1: Determine, recommend which markets to address.
- Imperative 2: Identify, target market segments.
- Imperative 3: Set strategic direction, positioning.

### **Implementing the Market Strategy**

- Imperative 4: Design the market offer.
- Imperative 5: Secure support from other functions.
- Imperative 6: Monitor, control execution/performance.

The point here is that, in general, people with marketing titles are not lazy; they do a lot of different things. The real issue is: Are they doing the *right* things as laid out in the six imperatives? For an easy-to-read discussion of marketing imperatives with lots of examples, see N. Capon, *The Marketing Mavericks*, New York: Crown Business, 2007.

- The four principles of marketing
  - Principle 1: Selectivity, Concentration (aka Concentration and Concession)
  - Principle 2: Customer Value
  - Principle 3: Differential Advantage
  - Principle 4: Integration
- Terminology
  - Segmentation and targeting
  - Marketing imperatives (see above)
  - Principles of marketing (see above)
  - The role of sales
  - Marketing Mix: 4Ps — product, promotion, place (distribution), price
  - Branding, brand positioning, differentiation
  - Buyer (consumer or business) behavior
  - Communication (promotion, web-based messaging)
- Marketing as the voice of the customer
- The value of marketing research (primary and secondary, with current-day examples)
- The challenges of marketing today
- The exciting opportunities marketers have today
- Examples of marketing success (e.g., partnerships, new brands, marketing decisions)
- How to measure marketing success (in both customer and business terms)

## **Classroom Engagement**

**Teaching tips.** Aim to establish a working vocabulary of marketing, including identifying (and eliminating) preconceived myths (e.g., marketing is simply advertising and sales). Foster a clear understanding of the role of marketing — from concept definition to implementation and execution of a marketing plan.

Use many current-day examples of how brands evolve, how organizations communicate core benefits and values, and how marketers gain the support of internal functions as well as establish relationships with customers — consumers (B2C) and organizations (B2B). In addition, share a few examples that highlight inconsistencies or marketing failures resulting from poor execution of a plan or limited opportunity (e.g., misunderstood marketplace, inadequate marketing research, and/or just bad timing).

A quite common question that students will face in job interviews is: “What is marketing?” A good answer embraces the six marketing imperatives, the four principles, and marketing as a philosophy. Instructors can help students in a very tangible way by preparing them for this sort of question.

Regarding the firm’s overall orientation — external versus internal — and the extent to which it really understands the fundamental business model, we often ask how much time the CEO spends with customers. This is a simple (and probably flawed) but interesting proxy for the firm’s belief that, at the end of the day, customers are the firm’s only true assets.

**Discussion starter.** Have students prepare:

- A one-page document identifying what they believe are the two best marketing organizations in the world and the reasons for their choices. Give this assignment prior to the first class to get students thinking about marketing. Then:
  - Part way through the first class, put students in groups of four or five and ask them to come up with a list of three best marketing organizations. This task typically produces vigorous discussion as students narrow down their selections.
  - Go around group-by-group and write the selections on the board.
  - Pick the two or three organizations that had the highest number of votes and ask students to explain why they chose these. Frequently, students make unexpected choices — recently I had the

Roman Catholic Church — that can lead to an interesting discussion of marketing issues.

This exercise excites students and opens them up to learning about marketing; it works well at all levels, up to and including senior executives.

- A list of what they think the function of marketing includes; job description of a marketing role (e.g. brand manager) to include roles and responsibilities, key skills, and experiences — this leads naturally into a discussion of marketing as imperatives, principles, and orientation.

#### Group exercise/application project suggestions

- The best marketing organizations (see above and in PowerPoint deck)
- Describe roles and responsibilities for a marketing department.
- Assess key skills for specific marketing functions.
- Identify how marketing, sales, and advertising can support one another.

## Distance Learning Considerations

As an introduction to marketing, the instructor should familiarize students with key terms and vocabulary through conversation (threaded discussions) by highlighting current-day marketing challenges — using concrete, well-known brand examples. Examples may include highlighting trends in appealing to children, teenagers, and baby boomers in the areas of fashion, music, entertainment, and electronics. Additionally, include what marketing is *not*, focusing on eliminating myths or preconceptions.

In addition, ask questions related to the role of a member of the marketing team (i.e., brand/product manager, sales, media planner, event planner, distribution channel, product development). Review how each member contributes to the business as well as delivering value to the targeted customer.

## Project Descriptions

- Marketing roles and descriptions
- Marketing impact — to the customer (external) and to the brand (internal)
- Competitive assessment: Role-play two competitive brands (simulate strategy session).
- Budget decisions: Plan and decide how to allocate a marketing budget.
- Web solutions: Describe the role and expectations of the eCommerce (web site) for a firm or brand.

## Other Sources

**Web links** (key search considerations)

- Marketing management
- Marketing strategy
- Marketing segmentation and targeting
- Brand positioning
- Competitive assessment
- Marketing mix

## CHAPTER 2

# The Value of Customers

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

## Chapter Description

### Purpose of Chapter

The purpose of this chapter is to engage students about the value of customers. In Chapter 1, we emphasize the notion of customers as firm assets and develop the relationship between attracting, retaining, and growing customers and improved profitability, organizational survival and growth, and enhanced shareholder value. In this chapter, we reemphasize the importance of attracting, retaining, and growing customers to firm success. The first part of the chapter moves from the general notion of the importance of customers to placing a quantitative value on customers via the customer lifetime value (CLV) concept. We discuss how to improve CLV and show the importance of measuring customer profitability as the vehicle for assessing CLV. We also show that, whereas attracting, retaining, and growing customers is, in general, a worthy firm objective, not all customers are firm assets. The second part of the chapter examines practical ways of binding customers closer to the firm. Specifically, we discuss customer relationship management (CRM) and customer loyalty programs.

### Chapter Themes

- The concept of customer lifetime value (CLV)
- Increasing CLV
- Understanding how increased customer retention enhances profitability
- Acquiring new customers and CLV
- Options for addressing current and potential customers
- Measuring customer profitability

- Lack of profitability and other reasons to *fire* or reject customers
- Customer relationship management
- Designing customer loyalty programs

## Teaching Suggestions (topic coverage)

### Overview and Focus

This chapter presents an analytical approach to defining and measuring CLV, and illustrates specific approaches to improve CLV. The instructor should be sure to move beyond CLV as an interesting customer measurement device to using CLV as the basis for hard-headed business decisions via customer relationship management (CRM) and customer loyalty programs.

### Topic Coverage Suggestion

- 40% Describe and apply the marketing significance of customer lifetime value
- 20% Detail the analytics of identifying and measuring customer profitability
- 20% Apply strategic *lessons learned* to real-world cases about profitable customers and selecting and retaining customers
- 10% Customer relationship management (CRM)
- 10% Customer loyalty programs

### Lecture/Discussion Content

#### *Why Customers Are So Important for the Firm*

- Customer lifetime value (CLV)
  - Calculating CLV
  - Increasing CLV

- Increase profit margin ( $m$ ) earned from customers
- Increase customer retention rate ( $r$ )
- Acquiring new customers
- Options for addressing customers
  - Current customers
  - Potential customers
- Being selective about customers
  - Customer profitability
  - Customer suitability

#### **How to Bind Customers Closer to the Firm**

- Customer relationship management
  - Developing a CRM system
  - Assessing the value of customers, designing firm actions
- Customer loyalty programs
  - Value of rewards programs: customers
  - Value of the rewards program: firm

#### **Classroom Engagement**

**Teaching tips.** Emphasize the critical importance of CLV to the survival and long-term health of a firm. Focus on the fundamental understanding of customer satisfaction, brand differentiation, creating brand loyalty, identifying profitable customers, and engaging existing and new customers. Once this background is clear, begin processing the measurements of business profitability and measuring long-term success, while focusing on specific customer-focused strategies.

Depending on the class, sometimes it's worth starting the CLV discussion by identifying the year 1 contribution to CLV, then year 2, etc. — using specific margins and retention rates by year. The instructor can show that this formula is difficult to manipulate, but an assumption of constant margin and constant retention rate leads to the useful margin multiple. The Marketing Enrichment material can be useful for this discussion.

Students often gain an understanding of CLV in this manner but they really need to work with it. The Sonic case is very useful in this regard. We often put students into one of three different groups — niche, mass market, distribution — and ask them to figure out the CLV of each strategy. The instructor may ask one or more groups from each assigned strategy to report to the class, or simply present an approach to

calculating the values. One approach is on the [www.wessexlearning.com](http://www.wessexlearning.com) website in PowerPoint form (under cases) for instructor use.

**Discussion starter.** Ask students:

- What firms go out of their way to make their customers feel like important assets? How do they accomplish this objective?
- What are some examples of profitable and unprofitable firms? What could these firms do to improve or maintain financial strength?
- What firms do you know that are very focused in the approach to their markets?
- In what loyalty programs have you participated? How would you assess your experiences?

#### **Group exercise/application project suggestions**

- Describe how firms can go about creating customer loyalty.
- Provide examples of financially successful firms. What have they accomplished in their customer relationships to sustain financial health?
- Is profitability more important than market share, units sold, or other financial measures? Why?

#### **Distance Learning Considerations**

This chapter requires an extensive amount of dialogue (threaded discussion or chat room) around CLV and the role of marketing in creating and enhancing CLV, measuring customer profitability, and identifying profitable customers — current and potential. As in the classroom, it is essential that students exhibit an understanding of the importance of establishing longterm customer relationships, identifying and engaging profitable customers, and remaining innovative to accomplish these goals.

Case study questions, Royal Bank of Canada applications, and current-day views of defining and measuring success support how students can apply key *lessons learned* in this chapter. The analytic aspects should be viewed through both instructor-led dialogue and e-mailed assignments that address specific problems (particularly using the charts and formulae in the chapter).

Forming teams can bridge the gap between those strong in analytics and those strong in understanding

and recognizing specific brand strategies aimed at penetrating profitable markets. Finally, a valuable approach is for students to share their experiences with loyalty programs to seek some common ground on good design parameters. Questions to discuss include:

- How should firms use the CLV concept for making marketing decisions?
- Many firms seem to put extensive resources into establishing customer relationship management (CRM) systems. Do you think that this is money well spent?

## Project Descriptions

- In-class project. Have students evaluate short-term gain (e.g., trendy brand) versus long-term profitability.
- Define and measure customer profitability for a highly competitive market (e.g. newspapers, on-line financial planning). Evaluate for a six-to 12-month cycle.
- Describe and recommend effective market strategies that should lead to long-term brand loyalty (beyond loyalty programs), and result in market share increases and higher profits.

## Other Sources

**Web links** (key search considerations)

- Customer lifetime value
- Customer retention
- Customer acquisition
- Generating long-term customer satisfaction
- Brand loyalty
- Measuring customer profitability
- Customer value proposition
- Customer satisfaction
- Increasing brand loyalty
- Competitive strategy
- Customer profitability
- Loyalty programs
- *www.colloquy.com*

**SECTION 2**

Fundamental Insights for  
Strategic Marketing

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**CHAPTER 3**

Market Insight

**CHAPTER 4**

Customer Insight

**CHAPTER 5**

Insight about Competitors, Company, Complementers

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## CHAPTER 3

# Market Insight

For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

## Chapter Description

### Purpose of Chapter

Our aim is to identify and discuss the key areas of market insight that the firm should secure. In particular, we focus on market structure and market and product evolution, together with industry forces and environmental forces that the firm faces.

### Chapter Themes

- Gaining market insight
- Market structure and products serving the market
- Factors driving market sizes
- Distinctions between and among product class, product form, product line, product item
- A life-cycle approach to market and product evolution
- Porter's five-forces industry model plus a sixth force
- Environmental forces that affect all industry players using the PESTLE acronym
- Interactions between and among PESTLE forces

## Teaching Suggestions (topic coverage)

### Overview and Focus

The major focus of this chapter is on forming a deep understanding of the market — market insight. Key considerations are learning about the structure of a market and how to recognize market trends, population shifts, technological changes, and socio-economic shifts that impact market size and hence business opportunities. Students also learn to use several frameworks to heighten their understanding of how the market may evolve. Frameworks include life cycles, Porter's industry forces model, and the set

of environmental forces under the PESTLE acronym. The material in this chapter is especially useful for opportunity identification.

### Topic Coverage Suggestion

- 50% Highlight the concept of market insight, using several examples, like Netflix, to understand market trends to identify opportunities
- 25% Capture relevant and timely data to assess marketing trends versus fads
- 25% Evolve market strategies to take account of market evolution

### Lecture/Discussion Content

- Market structure
  - The market
  - Products serving the market
  - Firm products
  - Factors affecting market size
  - Market, sales potentials, forecasts
- Market, product evolution
  - The family of life cycles
  - Product-form life cycles
- Industry forces
  - Current direct competitors
  - New direct entrants
  - Indirect competitors
  - Suppliers
  - Buyers
- Environmental forces
  - Political
  - Economic
  - Sociocultural
  - Technological
  - Legal/regulatory
  - Environmental (physical)



## Classroom Engagement

**Teaching tips.** Use the latest research highlighting market trends (e.g., eCommerce and social media sites — Airbnb, Amazon, Netflix, Facebook, Google/Bing, Groupon, LinkedIn, Match/Tinder, Uber/Lyft, YouTube) to reflect ongoing application interests. Push students to identify the market forces that led to these opportunities.

Straight lecturing on market insight can get a little boring. We have found the best approaches to be those that are heavily example-based. The professor could just pick a firm/brand at random and ask students to generate market insights based on the fourfold structure in the chapter. Or students could be put in groups to identify their own firm/brand, and then report their findings to the class. The latter approach has the benefit that students typically choose firms/brands that they already know something about; hence, insight and learning is greater.

**Discussion starter.** Ask students:

- What are some firms, brands, or products/services that have developed and/or evolved in the past three years? Of what opportunities did they take advantage? What key challenges did/do they face? Was the timing relevant? What market insight led to identifying the opportunity?

### Group exercise/application project suggestions

- See *Teaching Tips* above.
- Describe general themes that engage today's consumers.
- How do Generation X and Millennials approach an interest in new products/services differently from how Baby Boomers did years ago?

## Distance Learning Considerations

There is a unique opportunity here to capture current-day data on a variety of industries that highlight trends and fads, along with examples of how brands and industries evolve.

The remote learning opportunity here is to *learn from others* by sharing current-day data, massaging information to assess potential marketability, sharing and learning from class members (using threaded discussion) on the significance of capturing key data, and focusing on information (e.g., financial services,

insurance, pharmaceuticals) that relates to potential brand evolution and consumer trends.

A key aspect here is not to generalize, but to divide the class into groups based on industry background, function, or geographic focus. Have students engage in dialogue that represents crossindustry discussion on:

- a) gathering market insight
- b) what data to focus on
- c) leading indicators of marketability and brand evolution
- d) benefits and risks of specific strategies
- e) stage of the life-cycle relevance
- f) external considerations in brand evolution

## Project Descriptions

- Select a product/market and develop alternative scenarios.
- Marketing roles and descriptions
- Marketing impact — to the customer (external) and to the brand (internal)
- *Competitive assessment:* Role-play two competitive brands (simulate strategy session).
- *Budget decisions:* Plan and decide how to allocate a marketing budget.
- *Web solutions:* Describe the role and expectations of the eCommerce (web site) for the brand.

## Other Sources

**Web links** (key search considerations)

- Product line planning
- Brand strategy
- Brand evolution
- New business development
- Technology-based marketing opportunities
- Product life cycle
- Market evolution
- Market planning
- Product/brand planning
- Life-cycle management

## CHAPTER 4

# Customer Insight

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

This is the second of four chapters on securing insight; here we address customer insight. The aim of this chapter is to show students how to secure a deep understanding of customers to better enable the firm to engage them in a journey to generate long-term loyalty. In particular, students learn to identify customers, to discern their needs and wants, and to understand how customers buy. They also examine the many influences on consumer (B2C) and organizational (B2B) purchase processes.

#### Chapter Themes

- The components of securing customer insight
- Different types of customer and various roles in the purchase decision
- Distinctions between attributes and features, and benefits and values
- Hierarchies of needs, features, and values
- Functional, psychological, and economic benefits and values
- Characteristics of benefits and values and customer experiences
- Customer purchase-decision processes
- Customer purchase-decision categories
- Influences on consumer purchase processes (B2C)
- Influences on organizational purchase processes (B2B)

### Teaching Suggestions (topic coverage)

#### Overview and Focus

The major focus of this chapter is on forming a deep understanding of customers by securing insight. We want students to be able to identify customers, understand their needs, and know how they value the offers that firms make. We also want them to understand that customers go through a decision process before committing to a purchase, and that many factors influence the purchase process. Students should be very clear that the firm must secure good customer insight before committing marketing resources. (Note that in B2B marketing, customers are sometimes called *accounts*.) Depending on student level, the instructor may wish to introduce choice process models from the Marketing Enrichment 4.1. [806p]

#### Topic Coverage Suggestion

- 30% Identifying customers
- 30% Customer needs, benefits, and values
- 20% The purchase-decision process
- 20% Influences on the purchase-decision process

#### Lecture/Discussion Content

- Who are the customers?
  - Macro-level customers, micro-level customers
  - Roles in the purchase decision
  - Current customers, potential customers
  - Direct customers, indirect customers
- What do customers need/want?
  - Customer needs: Recognized versus latent
  - Attributes/features versus benefits/values
  - Hierarchies — needs, features, benefits, values

- Functional, psychological, economic benefits/values
- Characteristics of benefits/values
- Beyond customer benefits/values — customer experiences
- How do customers buy?
  - Purchase-decision stages
- Influences on consumer purchase decisions
  - Environmental
  - Individual
- Influences on organizational purchase decisions
  - Changes in the procurement process
  - Evolution in buyer-seller relationships
  - Increased corporate attention to procurement
  - Reducing the number of suppliers
- For the brand just identified, what individuals and/or organizations must the firm convince about the benefits and values it offers?
- How do B2B customers differ from B2C customers in the benefits and values they seek in products/services?

#### Group exercise/application project suggestions

- Suppose you are hosting a focus group with the objective of understanding the consumer decision process for a new online service. What questions would you ask to gain customer insight? In what order?

### Classroom Engagement

**Teaching tips.** This is a critical chapter for students. It is worth spending sufficient time on the material; there's a lot of it. The threefold framework of customer identification; customer needs and wants; and the purchase-decision process works very well. Cases can be useful to make the various topics come alive. The ICI Fibers case (available from the case list) does a good job of identifying customers at both the macro and micro levels. SaleSoft (A) does a good job on the purchase- decision process.

We make the point very strongly that the way to think about identifying customers is to cast a broad net. Later, the firm may decide it should not treat a particular entity as a customer, but this approach may turn up interesting entities that the firm had not previously considered (think *intel inside*), as well as avoiding the problem of missing what turns out to be a crucial entity. We also like to ask students about unusual customer purchase behavior. For example, we came across a man who walked into a GM dealership in Shanghai and bought 24 Hummers. Another man purchased a Lamborghini Murciélago LP640 and later complained that the battery had run down: It turned out that he never drove the car; he just played the car radio in his garage!

**Discussion starter.** Ask students:

- Suppose you are the brand manager for ... (the instructor selects a brand).

### Distance Learning Considerations

As you would in a classroom setting, aim to have students understand how to capture insightful data that reveals how 1) consumers think, 2) how they learn, 3) what influences them, 4) what inspires long-term loyalty, and 5) how the firm can motivate the purchasing process.

Additionally, review (using threaded discussions) how to better understand and predict the buyer decision process for specific brands (e.g., online news/sport site, local clothing retailer, local mechanic, food store, or an accounting service targeted to businesses).

Form discussion groups to generate industry-specific insights (asking questions around brand preference, communications objectives, distinguishing among many *acceptable* offers, engaging customers, captivating long-term interest). The instructor can use industries ranging from B2C (retailers, online music, coffee shops), B2B (marketing firms, accounting firms, insurance organizations), and also C2C (auction sites like eBay).

Online discussions should capture both the challenges and opportunities in engaging many types of customers. The aim is to learn about the complex process of decision-making and the challenges for firms to distinguish their brands.

## Project Descriptions

Have students examine a specific industry like insurance, higher education, credit cards, bottled water, or information technology services and focus on:

- How do consumers (or business customers) develop decision criteria for purchases?
- How can firms capture relevant information to better understand and predict purchase behavior from both existing and new customers? Students should include the entire purchasing process, from recognizing problems to postpurchase processes.
- Review the relationship between building long-term customer satisfaction with the opportunity to engage customers for the long term.

## Other Sources

**Web links** (key search considerations)

- Consumer behavior
- Organizational purchase behavior
- Macro-level customers
- Micro-level customers
- Purchasing roles
- Decision-making unit (DMU)
- Direct customers
- Indirect customers
- Latent needs
- Product attributes and features
- Customer benefits
- The features/benefits/value ladder
- Economic value
- Economic value for the customer
- Maslow's hierarchy of needs
- Customer experiences
- The purchase-decision process
- Decision-making process (DMP)
- Linear-compensatory model
- Purchase-decision categories
- Influences on consumer purchasing (B2C)
- Influences on organizational purchasing (B2B)

## CHAPTER 5

# Insight about Competitors, Company, Complementers

*For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)*

### Chapter Description

#### Purpose of Chapter

This is the third of four chapters on securing insight; here we address how to identify, describe, evaluate, project, and manage competitors. Students learn that the competitive set is not static, but rather evolves continuously. They also learn about several well-developed processes for securing competitive data. Students learn a comprehensive framework to describe competitors, together with powerful tools that evaluate competitors' strategic options. Students also learn how to project competitors' future actions and how to get competitors to behave in ways that are beneficial to the firm. Finally, students learn about complementers and different forms of complementarity.

#### Chapter Themes

- Identifying competitors
- Direct and indirect competitors
- Actual and potential competitors
- Describing competitors
- Evaluating competitors
- Projecting competitors' actions
- Managing competitors
- Securing data for competitive insight
- Signaling
- Complementers and different types of complementarity

### Teaching Suggestions (topic coverage)

#### Overview and Focus

This is the third of three chapters on the types of insight the firm must have to develop robust market strategies. Here, we focus on competitors. In identifying competitors — direct and indirect, actual and potential — we make the same point as with identifying customers. If the firm casts a broad net, it can avoid being blindsided by a new (and possibly unorthodox) competitor. Getting students to identify the competitive set for current firms and products using the direct and indirect/actual and potential framework really drives the point home. The best way for students to learn the other components for developing competitor insight is to actually do it. Students can choose their own target firm/product/brand, or the instructor may select and then compare what students (groups) come up with.

#### Topic Coverage Suggestion

- 20% Identifying competitors
- 20% Describing competitors
- 20% Evaluating competitors — focus on competitor assessment analysis and game theory
- 20% Projecting competitors' actions
- 10% Managing competitors
- 10% Complementers

## Lecture/Discussion Content

### Competitors

- Developing competitive insight
- Identify competitors – Step 1
  - Structure of competition
  - Competitive dynamics
  - The firm as a competitor
- Describe competitors – Step 2
  - Collecting competitor data
  - Competitive data sources
  - Processes to secure competitive data
  - Framework to describe competitors
  - Putting it all together
- Evaluate competitors – Step 3
  - Competitor assessment analysis (CAA)
- Project competitor actions – Step 4
- Manage competitors – Step 5

### The Company

- Company assessment analysis

### Complementers

- Independent organizations
- Competitors
  - Strong complementarity
  - Unwelcome complementarity

## Classroom Engagement

**Teaching tips.** We typically start the class by referring to the fundamental business model — Chapter 1 (Figure 1.1, p. 2) to make the point that knowing a lot about customers is insufficient. To be successful, the firm must deliver value to customers, but do so better than competitors; hence, the firm must know a good deal about them. We link back to the industry forces (Porter) five-forces model from Chapter 3 (Figure 3.3, p. 20) to show that identifying competitors is the crucial first step. The firm cannot and will not address every competitor in its market strategy, but it must avoid being blindsided. When we have completed a discussion of identifying competitors, we move through the framework for gaining competitive insight (Figure 5.1, p. 34). We then show that the framework for competitor insight leads to company insight, before moving to a discussion of complementers.

**Discussion starter.** The instructor selects a product/brand and asks students:

- What are the current direct and indirect competitors?
- What are the potential direct and indirect competitors?
- What would you like to know about these competitors?
- How would you go about securing this information?

### Group exercise/application project suggestions.

Use the detailed case study on Boeing/Airbus and have students play a war game. Select three teams — Boeing, Airbus, and Bombardier or Embraer (Brazil):

- Each team develops a three-to-five-year market strategy.
- Each team presents its market strategy.
- Each team then revisits its strategy based on what they heard from their competitors.

## Distance Learning Considerations

Threaded discussions should generate many real-world anecdotes on how various firms compete — the actions that students observe in the market. Then students should try to infer firm objectives, along with broad-brush strategies. This exercise gives students experience in reverseengineering a firm's market strategy. Note that in the market we observe only the firm's implementation actions; we must reverse-engineer to understand the market strategy behind the implementation. To gain deep insight into competitive behavior, the instructor should ensure the discussion involves both B2B and B2C situations, and both products and services.

The instructor should establish dialog around the purpose and objective of competitive strategy in each case, the timeliness of action taken, and expected result — from the firm and student perspectives (for both short-term and long-term implications).

## Project Descriptions

Several team (in-class) projects mentioned above:

- Use the major tools for describing, evaluating, and projecting competitor behavior on competitors in a variety of industries.
- In particular, we strongly advocate providing students with a war game experience.

## Other Sources

**Web links** (key search considerations)

- Competitive structure
- Porter model
- Competitive dynamics
- Internal competition
- Competitive intelligence
- Value-chain analysis
- Partnerships
- Alliances
- Networks
- SWOT
- Game theory
- Misinformation
- Scenarios
- Scenario planning
- Signaling
- Strategic planning
- Complementers

## TRANSITION TO

# Strategic Marketing

The purpose of this short section is to help students transition from the insight material — **situation analysis** — in Section 2 to strategic marketing — Section 3. The basic vehicle for this transition is **planning assumptions**; the Figure T.1 visual nicely captures this transition. The instructor should ensure that students are clear about the two core dimensions of assumptions — *magnitude of effect and probability of occurrence*.

### Project Description

As you plan your approach for securing your dream job, form a list of important assumptions. For each assumption, assess the *magnitude of effect and probability of occurrence*.





## **SECTION 3**

# Strategic Marketing

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### **IMPERATIVE 1**

Determine, Recommend Which Markets to Address

### **CHAPTER 6**

Identifying, Choosing Opportunities

### **IMPERATIVE 2**

Identify, Target Market Segments

### **CHAPTER 7**

Market Segmentation, Targeting

### **IMPERATIVE 3**

Set Strategic Direction, Positioning

### **CHAPTER 8**

Market Strategy – Integrating  
Firm Efforts for Marketing Success

### **CHAPTER 9**

Managing through the Life Cycle

### **CHAPTER 10**

Managing Brands

# Capon's Marketing Essentials

## SECTION 1: MARKETING AND THE FIRM

CHAPTER 1  
Introduction to Managing Marketing

CHAPTER 2  
The Value of Customers

## SECTION 2: FUNDAMENTAL INSIGHTS FOR STRATEGIC MARKETING

CHAPTER 3  
Market Insight

CHAPTER 4  
Customer Insight

CHAPTER 5  
Insight about  
Competitors, Company,  
Complementers

TRANSITION  
TO STRATEGIC  
MARKETING

## SECTION 3: STRATEGIC MARKETING

IMPERATIVE 1  
Determine, Recommend Which Markets to Address

IMPERATIVE 2  
Identify, Target Market Segments

CHAPTER 6  
Identifying, Choosing Opportunities

CHAPTER 7  
Market Segmentation, Targeting

IMPERATIVE 3  
Set Strategic Direction, Positioning

CHAPTER 8  
Market Strategy – Integrating Firm  
Efforts for Marketing Success

CHAPTER 9  
Managing through the Life Cycle

CHAPTER 10  
Managing Brands

## SECTION 4: IMPLEMENTING THE MARKET STRATEGY

IMPERATIVE 4  
Design the Market Offer

Part A: Providing Customer Value

CHAPTER 11  
Managing the Product Line

CHAPTER 12  
Managing Services,  
Customer Service

CHAPTER 13  
Developing New Products

Part B: Communicating Customer Value

CHAPTER 14  
Integrated Marketing  
Communications

CHAPTER 15  
Mass Communications,  
Digital Marketing

CHAPTER 16  
Directing, Managing  
Field Sales Efforts

Part C: Delivering Customer Value

CHAPTER 17  
Distribution, Retailing, Wholesaling

Part D: Getting Paid for Customer Value

CHAPTER 18  
Critical Underpinnings of Pricing Decisions

IMPERATIVE 5  
Secure Support from Other Functions

CHAPTER 19  
Ensuring the Firm Implements  
the Market Offer as Planned

IMPERATIVE 6  
Monitor, Control Execution/Performance

CHAPTER 20  
Monitoring, Controlling  
Firm Performance, Functioning

## CHAPTER 6

# Identifying, Choosing Opportunities

For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

## Chapter Description

### Purpose of Chapter

This is the first of three chapters to focus on Strategic Marketing. Chapter 76 addresses Marketing Imperative 1 — Determine and Recommend Which Markets to Address. The chapter lays out a solid framework for thinking about market opportunities including a strategy for growth, screening criteria for individual opportunities, and implementation. By following such a systematic process, the firm can improve its chances of investing in opportunities that are ultimately successful, while simultaneously reducing the risk of investing in opportunities that fail.

### Chapter Themes

- Identifying growth opportunities
- A strategy for growth including vision, mission, growth path, and timing of entry
- Screening potential opportunities to select those in which the firm will invest
- Implementing growth strategies

## Teaching Suggestions (topic coverage)

### Overview and Focus

As noted in the text, Peter Drucker said that the firm has two major purposes — marketing and innovation. There are many possibilities for innovation in marketing; this chapter focuses on strategic innovation, the type that can spawn new businesses. There is a great opportunity to generate many student perspectives on how businesses generate ideas for new business ventures, new partnership opportunities, and new ways of looking at, and growing, their businesses.

The broad purpose of the chapter is to highlight the importance of establishing a framework for pursuing strategic innovation. The firm must be forward-looking, willing to take risks, and aim to establish and re-establish itself in the minds of current and future customers as well as potential partners. Once the firm has established an overarching framework for searching for opportunities, it must assess them by clarifying the benefits and risks, and then implement those that it chooses.

### Topic Coverage Suggestion

- 10% Establish purpose/objective/foundation for strategic growth thinking
- 20% Provide concrete examples/applications of identifying and evaluating growth opportunities
- 30% Outline the strategic growth process
- 20% Describe how to research, evaluate, and justify strategic plans using screening criteria
- 20% Provide a basis for implementing the selected growth strategy

### Lecture/Discussion Content

- Strategy for growth
  - Vision
  - Mission
  - Growth path
  - Timing of entry
- Screening criteria: evaluating opportunities
  - Objectives
  - Compatibility (fit)
  - Core competence
  - Synergy
  - Contribution to the venture portfolio

- Implementing growth strategies
  - Internal development
  - Insourcing
  - Outsourcing
  - Acquisition
  - Strategic alliance
  - Licensing, technology purchase/sale
  - Equity investment

### Classroom Engagement

**Teaching tips.** This chapter provides a solid framework for addressing opportunities; its aim is to improve the firm's chances for success and to reduce its chances of failure. In addition to lecturing through the material, it's a good idea for the class to study some real-world examples. One way is to identify a firm that has invested significantly in new opportunities, some of which were successful and others that were not. These may range from internal developments to mergers and acquisitions and partnerships. Of course, these data may be difficult to secure, but the general idea is for students to try to identify why some were successful and others not successful. Hopefully, they can use the frameworks in this chapter to help explain their findings. Another approach is to use the business press to identify some recent announcements of mergers, acquisitions, and/or joint ventures and to assess the chances for success. The instructor could also take a current well-known firm, have students identify potential opportunities, then decide which ones the firm should invest in and which it should not. This approach typically generates vigorous discussion.

**Discussion starter.** Ask students the following question:

- If Jackson Inc. (fictional) continues with its current strategy, management expects revenue and profit growth will be five percent annually. The board of directors has requested ten percent annual growth and set a stretch target of 15 percent. How should the firm approach closing these gaps?

### Group exercise/application project suggestions.

Divide students into two groups. One group identifies firms that have done a good job with their growth strategies and attempts to explain the successes. The other group identifies firms that have done a poor job with their growth strategies and attempts to explain the failures. Hopefully, the instructor can use the

frameworks in this chapter to explain the successes and failures.

## Distance Learning Considerations

This chapter requires a lot of examples, applications, and clarification on the process of developing growth strategy as well as the business *due diligence* required. Some formal evaluation using recent case studies supports the opportunity for students both to think *outside the box* and use their business acumen. Have students form three- or four-person teams, then share their understanding (using concrete examples) of:

- When should a firm to develop a growth strategy
- Successful and unsuccessful growth strategies
- When and how the firm should identify partners for success

Using threaded discussions, the instructor should set up conversations to engage students to share their experiences as business professionals by focusing on the growth strategy journey and process. Successful engagement requires encouraging students to think creatively about growth strategy while also being analytic in probing the reasons for success and failure. Students can learn a great deal from one another, but of course they may come up with extreme/ unusual examples that do not depict a consistent methodology.

## Project Descriptions

Using a current-day example, describe the steps in implementing a growth strategy.

- Strategy for growth
- Screening criteria
- Implementation

Firms use several implementation methods for growth strategies. These include internal development, insourcing, outsourcing, acquisition, strategic alliance, licensing and technology purchase, and equity investment. Select two methods and provide examples of how you can engage a potential partner. Determine criteria for partner selection; what issues, conflicts, etc. should you be prepared to address?

## Other Sources

**Web links** (key search considerations)

- Strategic growth
- Strategic planning
- Growth strategy
- Market development
- Market growth
- New markets
- Vision
- Mission
- Growth path
- Diversification
- Business expansion and extension
- Conglomeration
- Timing of market entry
- Core competence
- Synergy
- Venture portfolio
- Insourcing
- Outsourcing
- Acquisitions
- Strategic alliance
- Joint venture
- Partnerships
- Licensing
- Technology purchase
- Equity investment

## CHAPTER 7

# Market Segmentation, Targeting

For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 7 focuses on the second marketing imperative — *Identify and Target Market Segments*. The chapter's goal is to show students that firms should not typically approach a market as a whole, but rather decompose the market into relatively homogeneous groups based on customer needs — market segments. The chapter discusses approaches to segmentation and presents numerous examples. The latter part of the chapter shifts from the creative and analytic task of identifying segments to the decision-oriented task of targeting individual segments. We defer discussion of positioning until Chapter 8.

#### Chapter Themes

- Market segments
- The market-segmentation process
- Levels of segmentation
- Developing market segments
- Effective criteria for forming market segments
- Market segmentation examples
- Key questions about market segments
- Targeting market segments
- The multifactor matrix approach to targeting (strategic position analysis)
- Market segmentation and targeting and firm size

### Teaching Suggestions (topic coverage)

#### Overview and Focus

Students should leave this chapter being very clear about the role of market segmentation as a funda-

mental precursor to developing the market strategy. They should clearly understand the distinction between the creative and/or analytic process of developing market segments, and the decision-oriented task of deciding which segment(s) to target. In general, we find that this chapter benefits from lots of examples — some presented by the instructor and others that students develop in class or via project work. The instructor should focus strongly on different approaches to forming segments and the criteria for forming effective segments. We also find it highly valuable to work through a targeting example for a firm using the process described in the chapter.

#### Topic Coverage Suggestion

- 30% Review purpose, value, and benefits of effective segmentation
- 30% Approaches to developing market segments
- 20% Current-day segmentation challenges and opportunities
- 20% Multifactor matrix approach to targeting market segments

#### Lecture/Discussion Content

- The market-segmentation process
  - Levels of segmentation
  - Developing market segments
  - Forming market segments: methodological approaches
- Market segments
  - Market segmentation example
  - Key questions about market segments
  - Should we target large segments or small segments?

- Targeting market segments
  - Multifactor matrix approach to targeting (strategic position analysis)

### Classroom Engagement

**Teaching tips.** Start the class with a good example of effective segmentation and targeting. The Marriott case is a good one; another example is Enterprise in the U.S. car rental market. Ask students to identify the market leader — most say Hertz. Hertz is leader in the *executive* rental segment; Alamo is leader in the *leisure* segment. Enterprise pioneered the *car-in-garage* segment and is now the overall market share leader.

The material offers good opportunities for students to do their own market segmentation. We favor picking a firm and a market. Students segment the market and then decide which segment(s) the firm should target. Selecting several different firms/markets and several groups per firm/market generates great discussion and learning.

**Discussion starter.** Ask students:

- "Why has Marriott been so successful?" When students make the segmentation and targeting point, ask them to identify other examples of firm success for the same reason.

### Group exercise/application project suggestions

- See *Teaching Tips* above.
- Assign students to different firms in a well-known industry. Ask each student team to assess how its firm segments the market and which segments it targets. Students should reverse engineer from marketing-mix data to make their assessments. When each group has reported its findings, students should be able to identify market areas where competition is very fierce and others where it is relatively benign. Possible industries are:
  - Airlines: American, Delta, Jet Blue, Southwest, United
  - Beverages: Coke, Pepsi, 7-Up, Snapple
  - Business information: *BusinessWeek*, *Forbes*, *Fortune*, *Wall Street Journal*
  - Online dating services: eHarmony, Match, OkCupid, Tinder

## Distance Learning Considerations

The goal is to establish the foundation for:

- Identifying and evaluating segmentation decisions
- Defining and measuring success in developing market segments
- Linking segmentation and targeting concepts, and showing where positioning fits in (Chapter 8)

Threaded discussions can include:

- Identifying creative and innovative organizations in segmentation and positioning
- Identifying *lessons learned* from successful and unsuccessful segmentation and targeting
- Reviewing the process of:
  - Successful market segmentation
  - Effective targeting

## Project Descriptions

See earlier in this chapter. Good projects involve segmenting markets, then making targeting decisions for individual firms. In each case we discuss these methods in the chapter; they are shown in more detail in *The Market Planning Workbook*. [827p]

## Other Sources

**Web links** (key search considerations)

- Market segmentation
- Market segments
- Customer segments
- Segmentation variables
- Prizm®
- Segments of one
- Targeting
- Segmentation and targeting
- Segments of one
- Strategic position analysis



## CHAPTER 8

# Market Strategy – Integrating Firm Efforts for Marketing Success

For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 8 provides students with a clear understanding of the purpose of designing a market strategy. They learn that a market strategy comprises several integrated market-segment strategies. They also learn an effective framework for setting performance objectives and developing and implementing individual market segment strategies. The chapter emphasizes that the firm must not only integrate its actions in the market, but also integrate its actions internally to secure cross-functional alignment.

#### Chapter Themes

- The purpose of market and market-segment strategies
- Elements of a market-segment strategy including performance objectives, strategic focus, positioning, and implementation programs
- Managing multisegment strategies
- Integrating actions in the market and among firm functions

### Teaching Suggestions (topic coverage)

#### Overview and Focus

In our experience, some instructors have difficulty articulating the components of a market strategy. On the one hand, they view market strategy as targeting and positioning alone; on the other, they view market strategy as comprising the marketing mix and little else. The presentation of market strategy in this chapter encompasses segmentation, targeting, positioning, and the marketing mix, but ties them together in a way that also embraces firm objectives

and the resource allocations required to achieve them. It also clearly shows that a market strategy integrates several market-segment strategies.

#### Topic Coverage Suggestion

- 30% The purpose of market and market-segment strategies
- 60% Components of a market-segment strategy: performance objectives, strategic focus, positioning, and implementation programs
- 10% Multisegment strategies

#### Lecture/Discussion Content

- The purpose of market-segment/market strategies
  - Provide strategic direction in the market
  - Secure differential advantage
  - Guide effective allocation of scarce resources
  - Achieve cross-functional integration
- Elements of the market-segment strategy
- Performance objectives
  - Strategic objectives
  - Operational objectives
  - Setting performance objectives
- Strategic focus\*
  - Increase unit sales — branch A
  - Improve margins, investment returns — branch B
  - Choosing a strategic focus: Increase unit sales? Improve margins and investment returns?
- Positioning
  - Select customer targets
  - Frame competitor targets
  - Design the value proposition
  - Articulate reasons to believe
  - Developing positioning statements

\* Strategic focus and positioning are sometimes referred to jointly as *core strategy*.

- Implementation programs
  - Implementing the marketing mix
  - Aligning cross-functional support
- Managing multisegment strategies

### Classroom Engagement

**Teaching tips.** The teaching goal is to ensure that students understand and can develop a *complete* market strategy. A useful approach is to ask them, individually or in groups, to lay out the market strategy for a firm/brand of their choice — just give them 10 minutes or so for this exercise. Then have a few presentations. By the time the class sees several of these (on a single selected firm/brand or several), it will be clear that there are many different views of what constitutes a market strategy. This exercise provides the *deficit condition* for a lecture that lays out the core elements of a market strategy.

In class, the instructor should clarify that the quality of the market strategy is highly related to the quality of the market, customer, competitor, company, and complements insight, and the firm's planning assumptions. The instructor should also emphasize that, in contrast to the chapters that focused on gaining insight, and the transitional planning assumptions, in the market strategy the firm actually makes decisions.

A key issue is the role of performance objectives in market-segment strategies: We like to make the point that, at root, strategy is about resource allocation, but it makes no sense to allocate resources unless you know what you're trying to achieve!

In a very real sense, positioning is at the heart of the market-segment strategy. The instructor should be especially sure that students understand the components of the positioning statement.

**Discussion starter.** Ask students:

- Select two products/brands. Based on your knowledge (or market observations), lay out the key elements of the market strategy for each choice on a separate page. What are the similarities and differences in the structure of these market strategies?

**Group exercise/application project suggestions.** See *Teaching Tips* above to have students understand the structure of a market strategy. For a more in-depth project, students should develop a market strategy based on market, customer, competitor, company, and complements insight. *The Market Planning Workbook* [827p] provides the analytic framework for students to be able to accomplish this task.

### Distance Learning Considerations

The instructor should develop threaded discussions around the twin themes of the purpose of a market strategy and the components of market and market-segment strategies. Aim to capture varied examples of market strategies from firms in multiple industries — from initial launch to migrating to a global strategy, to introducing brands in new markets, to repositioning brands for entirely new markets. Ask questions relative to:

- Securing timely and relevant insight for developing a market strategy
- Identifying successful and not-so-successful market strategies

### Project Descriptions

See earlier in this chapter. Good projects involve developing market strategy for a firm/product using the learning from prior chapters to develop the necessary market, customer, competitor, company and complements insight, and planning assumptions. Detailed analytic frameworks are in *The Market Planning Workbook*. [827p] There are many ways to accomplish this goal: Students often come up with their own sites based on contacts they develop; the instructor may identify a site(s) and executives may provide an initial briefing and give access to company data. For students who are working in marketing positions, the site can be their job, and their team colleagues may act as consultants.

## Other Sources

**Web links** (key search considerations)

- Market strategy
- Marketing strategy
- Market segmentation
- Selecting target market segments
- Performance objectives
- Strategic objectives
- Operational objectives
- Strategic focus
- Positioning
- Customer targets
- Competitor targets
- Value proposition
- Reason to believe
- Implementing a marketing strategy
- Marketing mix
- 4Ps
- Integrating functional programs
- Marketing to multiple segments

## CHAPTER 9

# Managing through the Life Cycle

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

## Chapter Description

### Purpose of Chapter

Chapter 9 builds on material previously discussed in Chapters 3 and 6. In Chapter 3, we introduced the idea of life cycles in the context of securing market insight. In Chapter 6, we presented *Timing of Entry*, different options for market-entry strategy based on life-cycle stages. In this chapter, we focus on managing products through the life cycle. We use nine specific scenarios based largely on the various life-cycle stages, conditioned on the firm's leader/follower position, to develop strategic options that can allow the firm to preempt competitors. The chapter also discusses managing marketing in tough times.

### Chapter Themes

- Preempting competitors
- Managing through the life cycle
- Developing competitive strategic options
- Stages in the product life cycle
- Life-cycle scenarios
- Leader/follower
- Growing in mature markets
- Concentrated and fragmented markets in maturity

## Teaching Suggestions (topic coverage)

### Overview and Focus

The major purpose of this chapter is to provide students with the tools to develop strategies that preempt competition. Students gain an understanding of the challenges and opportunities of managing through the life cycle. They learn that options differ

markedly across the nine scenarios that we develop. They learn that leaders generally have more and different options than followers, but that followers also have options that can allow them to *win*.

### Topic Coverage Suggestion

- 20% Value of preemption and developing scenarios
- 80% Discussion of strategic options at each life-cycle stage

### Lecture/Discussion Content

- Generating competitive strategic options

#### *Building Product Life-Cycle Scenarios*

- Scenario 1: Introduction stage — pioneers
  - Government-imposed barriers
  - Product-specific barriers
  - Firm-driven barriers
- Scenario 2: Early-growth leaders
  - Continue to be leader — enhance position
  - Continue to be leader — maintain position
  - Continue to be leader — conclusion
  - Surrender leadership — retreat to a market segment(s)
  - Surrender leadership — exit the market
- Scenario 3: Early-growth followers
  - Seek market leadership
  - Settle for second place
  - Focus on a market segment(s)
  - Exit the market
- Scenario 4: Late growth
- Scenario 5: Maturity — but not really
  - Increase product use
  - Improve the product/service
  - Improve physical distribution
  - Reduce price

- Reposition the brand
- Enter new markets
- Scenario 6: Maturity — concentrated market leaders
  - Maintain leadership over the long run
  - Harvest
- Scenario 7: Maturity — concentrated market followers
  - Improve market position
  - Keep on truckin'
  - Exit
- Scenario 8: Maturity — fragmented markets
  - Acquisition
  - Standardization, branding
- Scenario 9: Decline
  - Leverage the brand

### Classroom Engagement

**Teaching tips.** A good way to teach this material is for the instructor to have students work with products in different stages of the product life cycle and occupy different scenarios. Use specific examples, say two or three for each scenario; the instructor should have students identify problems, opportunities, and strategic options for each example. In this manner, students will come to understand the very different strategic situations and begin to build a strategic option framework for themselves. This effort provides a valuable background for the instructor to discuss the contents of the chapter. The chapter also includes special focus on the experience curve, addressing low-price competitors, and managing marketing in tough times that allow for enriched discussion.

**Discussion starter.** Ask students:

- Identify a firm and product occupying scenario X. What problems does it face? What do you think are its strategic options?

### Group exercise/application project suggestions

- Have students pick a firm/product with a long history. Challenge them to figure out how the strategy changed over time. Tie the strategies to scenarios discussed in the chapter.
- The instructor picks a firm/product in each of several scenarios and asks students to compare and contrast the different scenarios, actual current strategies, and other options the firm may pursue.

## Distance Learning Considerations

As in the classroom, be sure to establish the foundation for this chapter by:

- Outlining the significance of the product life cycle.
- Show how the product life cycle gives rise to the nine scenarios.
- Show how each scenario generates different strategic options.

If appropriate, the instructor should engage students in sharing experiences in the business world as they relate to strategies at different scenarios. It would be especially useful for students to show how strategies evolved as products moved from one scenario to another, or how strategic options are different for firms/products that are at similar life-cycle stages but in different scenarios (e.g., leader/follower in mature concentrated markets).

## Project Descriptions

See material on classroom engagement. Having students compare and contrast different firm/product options from different scenarios can become excellent projects.

## Other Sources

**Web links** (key search considerations)

- Life-cycle management
- Product life cycle
- Preemptive strategy
- Experience curve
- Entry barriers
- Competitive strategy
- Barriers to growth
- Leader, follower (challenger) strategies
- Introduction (launch) strategy
- Roll-up strategy
- Kenneling
- Harvest strategies
- Concentrated markets
- Fragmented markets
- Exit strategy

## CHAPTER 10

# Managing Brands

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

The purpose of Chapter 10 is to provide students with the background to identify, manage, and implement challenging decisions about brands. Students learn fundamentals about brands and branding, understand about brand equity and the value of brands, and learn how to build and sustain a strong brand. They also learn about critical issues in brand architecture, including multibranding versus umbrella branding, brand broadening (leveraging), and brand migration.

#### Chapter Themes

- What is a brand?
- The basis for branding
- Levels of branding
- Brand associations
- Brand equity and the value of brands
- Customer brand equity and firm brand equity
- Monetizing brand equity
- Brand identity and brand image
- Building and sustaining a strong brand
- Brand architecture
- Multibranding versus umbrella branding
- Brand broadening (leveraging)
- Brand migration
- Aging and defunct brands

### Teaching Suggestions (topic coverage)

#### Overview and Focus

The major focus of Chapter 10 is to emphasize the power of brands and branding, as well as the value of a strong brand both to the firm and customers. Brand value is the crucial underlying issue concerning many branding issues. Students should come away from the chapter with a deep understanding of brands and branding, a sense of how to measure the value of brands, how to build and sustain a strong brand, and some frameworks to address the myriad branding issues that firms face.

#### Topic Coverage Suggestion

- 25% Fundamentals of branding
- 25% Brand equity: Distinctions between customer brand equity and firm brand equity
- 25% Building and sustaining a strong brand
- 25% Managing brand architecture

#### Lecture/Discussion Content

- What is a brand?
  - Brand associations
  - Branding is not just for consumers ...
  - ... and is not just about advertising
- Brand equity and the value of brands
  - Customer brand equity (CBE)
  - Firm brand equity (FBE)
- Monetizing brand equity
  - Customer brand equity
  - Firm brand equity
- Building, sustaining a strong brand
  - Building a strong brand
  - Sustaining a strong brand

- Managing brand architecture
  - Multibranding versus umbrella branding
  - Brand broadening (leveraging)
  - Brand migration
  - Strategic alliances
  - Aging, defunct brands

### Classroom Engagement

**Teaching tips.** Develop an understanding of the purpose and objective of building and sustaining strong brands. Make sure that students understand the nature of brands, the associations that people make with brands, and the differences (yet relationships) between customer brand equity (CBE) and firm brand equity (FBE). Be sure to highlight the importance of building strong positive brand associations, and the difference between brand *identity* and brand *image*.

**Discussion starter.** Among the questions we like to ask students are:

- What comes to mind when you think of a brand?
- What are your five favorite brands? Why are these brands important to you?
- What five brands do you not like? Why not?
- The instructor picks a few brands and for each asks the question: When you think of this brand, what associations come to mind?
- What do you think are the world's strongest brands? (The instructor may back up this discussion with Interbrand/BusinessWeek data. [me1101]) What has made these brands so strong?

#### Group exercise/application project suggestions.

The instructor and students together agree on a list of weak or failing brands. Student groups develop a turnaround plan for one or more selected brands. Note the instructor should push students to move beyond communication approaches.

### Distance Learning Considerations

The branding topic requires a strong understanding of what a brand is, the value and dimensions of a brand, the benefits and challenges of developing and sustaining a brand, along with the opportunity for a brand to evolve over time. These issues are fundamental to understanding how to manage a brand, and supports students in strategizing the considerations for broadening brand scope, or simplifying the brand, with the objective of market and market-share growth.

Have students engaged in discussion around the themes of:

- Examples of strong and weak brands (providing rationale)
- The marketing significance of brand equity
- Examples of brand evolution, brand simplification, brand growth
- Challenges and opportunities for brand management
- How to develop brands beyond your core competence including entry into new markets

### Project Descriptions

Consider the following in-class or external projects regarding managing brands:

- Select an established firm of your choice and identify its brand portfolio. What, if any, changes would you advise? How would you implement these changes?
- Develop a brand plan for the introduction of a new brand (e.g., downloading music sites, online newspapers, trendy beverages).
- Select two competing brands, identify their current market strategies, including brand positioning, and assess their brand equities. Using a war-game approach — Chapter 5 — each team reviews the strategy for its brand and decides what actions to take to build a successful brand.

## Other Sources

**Web links** (key search considerations)

- Managing brands
- Brand equity
- Measuring brand equity
- Monetary value of brand equity
- Dollarmetric
- Brand strength
- Brand vision
- Brand image
- Brand architecture
- Brand portfolio
- Brand architecture
- Multibranding
- Umbrella branding
- Brand broadening
- Brand leveraging
- Brand migration
- Strategic alliances





## SECTION 4

# Implementing the Market Strategy

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IMPERATIVE 4  
Design the Market Offer

### PART A: PROVIDING CUSTOMER VALUE

#### CHAPTER 11

Managing the Product Line

#### CHAPTER 12

Managing Services, Customer Service

#### CHAPTER 13

Developing New Products

# Capon's Marketing Essentials

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CHAPTER 2  
The Value of Customers

## SECTION 2: FUNDAMENTAL INSIGHTS FOR STRATEGIC MARKETING

CHAPTER 3  
Market Insight

CHAPTER 4  
Customer Insight

CHAPTER 5  
Insight about  
Competitors, Company,  
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TRANSITION  
TO STRATEGIC  
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Determine, Recommend Which Markets to Address

IMPERATIVE 2  
Identify, Target Market Segments

CHAPTER 6  
Identifying, Choosing Opportunities

CHAPTER 7  
Market Segmentation, Targeting

IMPERATIVE 3  
Set Strategic Direction, Positioning

CHAPTER 8  
Market Strategy – Integrating Firm  
Efforts for Marketing Success

CHAPTER 9  
Managing through the Life Cycle

CHAPTER 10  
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Managing Services,  
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CHAPTER 13  
Developing New Products

Part B: Communicating Customer Value

CHAPTER 14  
Integrated Marketing  
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CHAPTER 15  
Mass Communications,  
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CHAPTER 16  
Directing, Managing  
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Part C: Delivering Customer Value

CHAPTER 17  
Distribution, Retailing, Wholesaling

Part D: Getting Paid for Customer Value

CHAPTER 18  
Critical Underpinnings of Pricing Decisions

IMPERATIVE 5  
Secure Support from Other Functions

CHAPTER 19  
Ensuring the Firm Implements  
the Market Offer as Planned

IMPERATIVE 6  
Monitor, Control Execution/Performance

CHAPTER 20  
Monitoring, Controlling  
Firm Performance, Functioning

## CHAPTER 11

# Managing the Product Line

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

## Chapter Description

### Purpose of Chapter

Chapter 11 is the first of three chapters in Part A of Imperative 4 — Design the Market Offer. Part A focuses on *Providing Customer Value*. This chapter concerns *Managing the Product Line*. The objective Chapter 11 is to better understand some of the key responsibilities of a product manager. We advocate a portfolio approach to managing the product line and discuss the financial and other interrelationships among the firm's individual products. The product manager must trade off product proliferation and product simplification and deal with many other issues like: bundling, counterfeiting, evolving the product line, product quality, product safety, secondary market products, packaging, and packaging and product disposal. We address new product development in Chapter 13.

### Chapter Themes

- The product portfolio concept
- Financial analysis methods for assessing opportunities
- Portfolio analysis approaches to assessing opportunities
- The growth-share matrix: cash cows, stars, dogs, problem children
- Product interrelationships at the customer: positive and negative complementarity
- Product interrelationships at the firm: strategic roles, multiple business units
- Product line breadth: proliferation and simplification
- Bundling
- Counterfeiting

- Evolving the product line
- Product quality
- Product safety
- Secondary market products
- Packaging
- Disposal: Packaging and products

## Teaching Suggestions (topic coverage)

### Overview and Focus

The focus of Chapter 11 is on managing the product line and addressing a series of product line issues. Much of the chapter focuses on interrelationships among products in the product line, including both resource issues and more substantive matters involving both customers and firm strategy. We spend considerable space on the conflicting drivers for product proliferation and product simplification. We also address several product line issues including bundling, counterfeiting, evolving the product line, product quality, product safety, secondary market products, packaging, and disposing of packaging and products.

### Topic Coverage Suggestion

- 30% Financial and portfolio approaches to managing the product line
- 25% Interrelationships at the customer and at the firm
- 15% Product proliferation versus simplification
- 30% Bundling, counterfeiting, evolving the product line, product quality, product safety, secondary market products, packaging, and packaging and and product disposal

### Lecture/Discussion Content

- The product portfolio concept
  - Financial analysis methods
  - Portfolio analysis (PA) methods
- Other important product interrelationships
  - At the customer
  - At the firm
- Product-line breadth: Proliferation versus simplification
  - Product proliferation
  - Product proliferation, market segmentation
  - Simplifying the product line
- Other product-line issues
  - Bundling
  - Counterfeiting
  - Evolving the product line
  - Product quality
  - Product safety
  - Secondary market products
  - Packaging
  - Disposal

### Classroom Engagement

**Teaching tips.** The major part Chapter 11 focuses on interrelationships among products; students should become very clear about these. They should understand that at one level these interrelationships are financial — resources allocated to one product cannot be allocated to another. This is the power of the portfolio framework, especially when contrasted with the straw man of financial analysis techniques to make resource allocation decisions. Students generally enjoy learning about the growth/share matrix, though the instructor should be careful to clarify the assumptions and pitfalls.

Students should also learn about other interrelationships and understand the tension between product proliferation and product simplification. They should also be very clear on the real danger of indiscriminately dropping products that appear to be unprofitable — fixed cost allocations are an important topic here. They should also become familiar with a set of other issues involved in managing the product line.

**Discussion starter.** Ask students:

- Provide an example of one firm's product/service line. Why does the firm have each of these products in its product/service line?

- Suppose you were the product manager responsible for managing this product line. What challenges do you face? What opportunities are open to you?

**Group exercise/application project suggestions.** You are the product manager for Snapple beverages or Ben & Jerry's ice cream. As you review the financial results for your product line, you notice that several flavors are not doing well. What decision(s) will you make? How will you approach implementing these decisions?

### Distance Learning Considerations

The instructor should establish a set of working themes around the topic of managing the product line. These should include an overview of:

- The contents of a product line
- Success measures for a product line
- Roles and responsibilities of a product manager
- Challenges and opportunities in managing an existing or potential product line
- The growth-share matrix — cash cows, stars, dogs, problem children
- Product line interrelationships at the customer and at the firm

Students may also engage in dialogue around:

- Examples of strong and weak product lines
- Decisions of when to evolve and cut back on the product line
- How to maintain customer loyalty while evolving or cutting back on the product line
- How the firm can become innovative and stay innovative

### Project Descriptions

- Have students identify a specific firm whose product line seems to need attention — sales are sluggish or profits are below historical levels and inferior to peer firms. Provide specific recommendations to improve the product line.
- It's your first day as product manager for your local bank. What information will you request as the basis for developing a plan to manage your product line? (These data will include, but not be limited

to, product item and product line sales by segment — current and trends, customer research reports, competitive analysis reports, trends in banking services.) What information would you seek on customers and competitors, and how would you go about securing it?

## Other Sources

**Web links** (key search considerations)

- Managing the product line
- Product portfolios
- Capital budgeting
- Financial analysis
- Internal rate of return
- Net present value
- The growth-share matrix
- Stars, cash cows, dogs, problem children
- The multifactor matrix
- The stoplight matrix
- Interrelationships among products
- Product complementarity
- Product proliferation
- Product simplification
- Product mix
- Product cannibalization
- Product quality
- Product safety
- Secondary market products
- Packaging
- Packaging and product disposal

## CHAPTER 12

# Managing Services, Customer Service

For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 12 is the second of three chapters in Part A of Imperative 4 — Design the Market Offer; the chapter focuses on *Managing Services and Customer Service*. The purpose of Chapter 12 is to provide students with an introduction to services marketing, an increasingly important sector of developed and developing economies. Students learn about the special characteristics of services, how to diagnose and manage service quality, the distinctions between services and customer service, and how to deliver exceptional customer service.

#### Chapter Themes

- Products, services, customer service
- Growth in the service sector
- Characteristics of services
- Measuring and managing service quality
- Limitations of customer satisfaction
- Service quality issues
- Types of customer service
- Delivering exceptional customer service

### Teaching Suggestions (topic coverage)

#### Overview and Focus

To set up the material in this chapter, the instructor should clearly distinguish among products, services, and customer service, and should clarify the growth of the service sector. The message should be clear: Services and customer service are a big deal, and they are different from physical products in ways that have

important implications for marketers. Because of this importance, measuring and managing service quality are critical issues.

#### Topic Coverage Suggestion

- 15% Why focus on services?
- 25% Characteristics that distinguish services from physical products
- 30% Measuring and managing service quality
- 30% Customer service

#### Lecture/Discussion Content

- Products, services, customer service
- Growth in the service sector
- Characteristics of services
  - Intangibility
  - Inseparability
  - Variability
  - Perishability
  - Divisibility
  - Lack of acquisition
  - Role of customers
- Service quality
  - Measuring, managing service quality
  - Issues in improving service quality
- Customer Service
  - Types of customer service
  - Delivering exceptional customer service

#### Classroom Engagement

**Teaching tips.** Early on in class, the instructor should clarify the importance of the service sector to the economy and establish the differences among products, services, and customer service. The distinction between services and customer service is a little

tricky, so it's worth spending sufficient time here. With this background, the instructor should highlight the characteristics of services as a prelude to a focus on service quality. This discussion should be peppered with a series of case examples (e.g., hotels, car mechanics, banks, accountants, doctors, retail) that highlight the challenge of offering high levels of service quality. We have found that getting students to chart out a service blueprint and to assess quality using the SERVQUAL scale are excellent exercises that considerably enhance learning.

The service quality discussion morphs easily into the topic of customer service, where the robust *flower-of-service* framework and pre-, during-, and postpurchase customer service distinctions pave the way for discussing the managerial processes necessary to deliver exceptional customer service.

#### Discussion starter

- How would you distinguish among physical products, services, and customer service?
- Give an example of a time when you received excellent service; what factors lead you to say that this experience was excellent?
- Give an example of a time when you received terrible service; what factors lead you to say that this experience was terrible?

**Group exercise/application project suggestions.** Pick a service offering and have students administer the SERVQUAL scale to each other. They can plot the results similarly to Figure 12.2 and make recommendations for service improvement.

## Distance Learning Considerations

Using a threaded discussion approach, address such questions as:

- What are the special challenges of services marketing? Illustrate with examples.
- What are the characteristics of an effective services organization?
- How would you go about improving a firm's customer service performance?
- Are you loyal to a firm or product? Does your loyalty relate to the customer service you received?

## Project Descriptions

Earlier in this chapter, we identified several topics that can lead to good out-of-class projects:

- Pick a service with which students are familiar and have them administer the SERVQUAL scale to several customers. They plot the results similarly to Figure 12.2 and make recommendations for service improvement.
- The class together identifies several service organizations that offer exceptionally high service quality. Student groups visit/experience these organizations to glean the fundamental underpinnings of their service success.
- Students identify a local services organization; they develop and implement a marketing research project to improve service quality.

## Other Sources

**Web links** (key search considerations)

- Services marketing
- Dimensions of services
  - Intangibility
  - Inseparability
  - Variability
  - Perishability
  - Divisibility
  - Lack of acquisition
  - Role of customers
- Service quality
- SERVQUAL
- Customer satisfaction
- Customer service
- Flower of customer service
- Customer service strategy
- Service infrastructure
- Type of customer service



## CHAPTER 13

# Developing New Products

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 13 is the third of three chapters in Part 1 of Imperative 4 — Design the Market Offer; the chapter focuses on *Developing New Products*. Chapter 13 concerns innovation and the new product development process. The chapter's purpose is to introduce students to some of the drivers of innovation and to familiarize them with a common approach to developing new products. Students learn the value of a structured process but understand that they should not view the process as a straitjacket. The chapter details each of nine steps in the new product development process; it concludes by discussing product adoption and adopter categories, classified by time of adoption, and the challenge of *crossing the chasm*.

#### Chapter Themes

- How does innovation occur?
- Factors that enhance the firm's innovative success
- The customer's role in successful product innovation
- Categories of new product development
- The stage-gate process (9 stages) for new product development
  - Idea generation
  - Preliminary screening
  - Concept development
  - Business case analysis
  - Development
  - Product testing
  - Market factor testing
  - Test marketing
  - Commercialization

### Teaching Suggestions (topic coverage)

#### Overview and Focus

The core objective of Chapter 13 is to familiarize students with the nine-element stage-gate process for new product development. Before getting into the details of the process, the instructor should talk about innovation in general and highlight the importance for the firm to have an innovative culture. With this background, students are ready to dig into the nine-stage process, from idea generation to commercialization.

#### Topic Coverage Suggestion

- 15% The nature of innovation and factors that enhance innovation
- 70% Nine stages of the stage-gate new product development process
- 15% Product adoption and adopter categories

#### Lecture/Discussion Content

- Where and how innovation occurs
- What fosters product innovation
- New product development

#### *The Stage-Gate Process for New Product Development*

- Idea generation
  - Number of ideas
  - Scope of search
  - New idea sources
  - New idea processes
- Preliminary screening
- Concept development
- Business-case analysis

- Development
  - Product design
  - New product development portfolio
- Product testing
- Market-factor testing
- Test marketing
- Commercialization
- Product adoption

### Classroom Engagement

**Teaching tips.** In our experience, students like structure. Hence, they typically receive the material in this chapter very well because of the logical sequence of the stage-gate process. Hence, the instructor should:

- Provide a clear understanding of the marketing significance and impact for a firm of focusing on innovation and having an ongoing culture of new product development.
- Make the point that much innovation is not about large-scale research projects but about identifying the dots and linking them together — Quotes by Drucker, Edison, and Jobs help make this point.
- Clarify where firms get feedback and input to identify new product ideas.
- Address the discipline of going through the nine-step new product development process — from idea generation to commercialization.
- Emphasize the importance of the kill-point concept.
- Share success stories for firms (e.g., 3M, Apple, Microsoft, Intel, P&G) that have an *innovation* culture that drives ongoing product launches.

**Discussion starter.** A good way to start the class is to have students draw on their own experience. Ask students:

- What firms do a particularly good job of product innovation? (Students tend to select firms like Apple and 3M.)
- Why did you select these firms?
- What factors have made these firms successful innovators?

This discussion gets student ready to learn about how to innovate, but first let's return to a question we addressed in Chapter 1:

- Why is it important for firms continually to develop and introduce new products?

Responses should address increased competition and the requirement to deliver customer value, secure differential advantage, improve profitability, survive and grow, and increase shareholder value.

**Group exercise/application project suggestions.** This chapter is sympathetic to a variety of group exercises, especially in the areas of idea generation. Pages 372 to 373 detail a variety of idea-generation methodologies. The instructor should pick a product class/form and ask students to generate ideas for a new product; for example, laptop computers, chairs, bicycles.

The instructor may assign individual groups to use different methods like brainstorming, provocation, or the idea generator. When student groups have completed their tasks, they present their ideas; they may learn something from the numbers and types of ideas that classmates develop. This exercise can become quite sophisticated by having independent raters assess the quality of ideas.

As a follow-up, students could develop a customer questionnaire to explore the viability of several ideas, turn a selected idea into a concept, and even develop a commercialization plan for the product idea, given that development were successful.

### Distance Learning Considerations

Considerations for threaded discussions:

- Establish a basis for engaging customers and benchmarking competitors in an industry to provide input for new product development consideration.
- Identify the marketing significance of customers viewing the firm and/or brand as innovative.
- Work through the nine-stage new product development process and ask questions at every stage:
  - *Idea generation.* Where do/should firms get their new product ideas?
  - *Preliminary screening.* Pick a firm: What criteria do you think it should use for preliminary screening?

- *Concept development.* Select a relatively new product: Write out the product concept that led to its development.
  - *Business-case analysis.* What data would you require to assess the feasibility/viability of a product concept?
  - *Development.* What processes would you put in place to make sure product development stays on track?
  - *Product testing.* Take the product that you selected for the concept development question. How would you go about testing this product?
  - *Market-factor testing.* Take the product that you selected for the concept development question. How would you go about market-factor testing for this product?
  - *Test marketing.* Take the product that you selected for the concept development question. Design a test market.
  - *Commercialization.* How would you launch the product?
- Develop a discussion for why developing and commercializing new products is such a challenging activity for firms.

## Project Descriptions

- A good individual project is to have students write up (2 to 3 pages), and be prepared to present, a marketing innovation. They also have to justify why they consider their choice to be an innovation. We assign this project early in the semester and schedule presentations late in the semester. Students typically come up with a broad variety of innovations; the modal group is usually new product innovations.
- See *Teaching tips* above. Students form teams to develop new ideas for a product class/form. After discussion with the instructor, they develop ideas using one or more of the idea-generation methodologies discussed in the chapter. As a variation, student teams can play dual roles. As marketing consultants, they have the job of developing new ideas. They can also respond as the client firm for whom the consultants are developing ideas. The consultants present their findings to the clients. Clients and consultants agree on the most promising idea; the consultants turn the idea into a product concept, then develop a launch plan on the assump-

tion that the development process is successful. As a related task, the consultants may design a marketing research project to assess feasibility and determine whether the idea is worth pursuing.

## Other Sources

### Web links (key search considerations)

- Product innovation
- Types of innovation
- Innovation challenges and opportunities
- New-product-development process
- Stage-gate process
- Risk in developing new products
- Idea generation
- New product ideas from customers
- Independent inventors
- Attribute listing
- Morphological analysis
- Idea generator
- Brainstorming
- Random input
- Provocation
- Six thinking hats
- Mind mapping
- Preliminary screening
- Product concepts
- Conjoint analysis
- Business-case analysis
- BASES
- Product development
- Product design
- Quality function deployment
- The house of quality
- Product testing
- Market-factor testing
- Test marketing
- Commercialization
- Product adoption
- Adopter categories
- Crossing the chasm
- New product success
- New-product-development challenges
- Cost of new products

**SECTION 4**

# Implementing the Market Strategy

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**IMPERATIVE 4**  
Design the Market Offer

**PART B: COMMUNICATING CUSTOMER VALUE**

**CHAPTER 14**

Integrated Marketing Communications

**CHAPTER 15**

Mass Communications, Digital Marketing

**CHAPTER 16**

Directing, Managing Field Sales Efforts

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Communications

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Monitoring, Controlling  
Firm Performance, Functioning

## CHAPTER 14

# Integrated Marketing Communications

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

## Chapter Description

### Purpose of Chapter

Chapter 14 is the first of three chapters in Part B of Imperative 4 — Design the Market Offer. Part B focuses on *Communicating Customer Value*. The chapter focuses on *Integrated Marketing Communications*. Chapter 14 sets the stage for Chapters 15 and 16 that focus, respectively, on mass communications, digital marketing, and managing the sales force effort. This chapter acquaints students with the communication process and the many communications tools the firm has available. Students also learn how to formulate a communications strategy — including *push* and *pull*, along with clarifying communications objectives. Most importantly, they learn the importance of integrating communications efforts.

### Chapter Themes

- The communications process
- Communications tools
- Communications strategy
- Push, pull, and integrated push/pull strategies
- Deciding on communications objectives
- Selecting communications tools
- Integrating communications efforts

## Teaching Suggestions (topic coverage)

### Overview and Focus

The focus of this chapter is to establish an understanding of the role of marketing communications in implementing the marketing effort and the difficulties the firm faces in carrying out this task. The

chapter demonstrates the types of communications the firm has available to educate, inform, motivate, and remind customers, partners, and other entities it needs to address. The instructor should clarify the importance of an overall communications strategy and attune students to the need of integrating many disparate communications efforts.

### Topic Coverage Suggestion

- 50% The communications process and communications tools
- 30% Developing communications strategy
- 20% Integrating communications efforts

### Lecture/Discussion Content

- The communications process
- Communications tools
  - Personal communications
  - Mass communications
  - Word-of-mouth communications (WOM)
  - Digital communications
- Developing a communications strategy
  - Communications targets
  - Communications objectives
  - Communications messages
  - Selecting communications tools
  - Budgeting, timing
- Integrating marketing communications

### Classroom Engagement

**Teaching tips.** By the time they complete this chapter, students should grasp the importance of communications to the entire marketing effort, yet understand that communications professionals must deal with many different challenges and issues. They should

also understand the importance of clear, consistent messaging, both externally to customers, suppliers, and partners, and internally to employees and shareholders.

Students should learn that the firm's communications come in many forms — from public relations to personal selling to advertising to web-based messaging to brochures to in-store displays to social media. In any communications campaign, each type of communication should have a specific communication objective and be targeted at a particular audience. Students should learn how to integrate the various available communications tools into an integrated communications strategy.

**Discussion starter.** A good way to start the class is to have students draw on their own experiences. Ask students:

- On a day-by-day basis, you are exposed to many forms of commercial (mass and digital) and social media communications. Which of these do you think is the most effective? Why?
- Firms have many different types of communications targets. Pick two different types like consumers, shareholders, government officials, or firm employees. Compare and contrast the communications approach you would take for each target.

**Group exercise/application project suggestions.**

- Let students identify the variety of communications types they have received.
- Have students select a specific brand they choose to represent. Their task is to develop a communications strategy for that brand.

## Distance Learning Considerations

Themes for a threaded discussion include:

- The role and responsibility of marketing in developing a communications strategy and executing a communications plan
- The causes of miscommunication

- The challenges of a developing a communications strategy
- The potential value and limitations of various communications tools, highlighting examples of excellent and poor practice of each
- Assess the effectiveness of the students' educational institutions' communications and provide ideas for improvement

## Project Descriptions

Have student groups identify a firm of interest to them. Then:

- Use whatever data you can find to highlight your firm's communications strategy.
- Critically assess the communications strategy.
- Develop a revised communications strategy that takes full account of your critique.

## Other Sources

**Web links** (key search considerations)

- Marketing communications
- Communications challenges
- Encoding, distortion, decoding
- Personal communications
- Nonpersonal communications
- Quasi-personal communications
- Word-of-mouth communications
- Communications strategy
- Push and pull communications strategies
- Communications objectives
- Communications tools
- Communications effectiveness
- Integrated marketing communications

## CHAPTER 15

# Mass Communications, Digital Marketing

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 15 is the second of three chapters in Part B of Imperative 4 — Design the Market Offer. Part B focuses on *Communicating Customer Value*.

Chapter 15 addresses *Mass Communications, Digital Marketing*. In this chapter, students learn how to design and implement various types of nonpersonal communications. Students learn how advertising works and how to construct, execute, and evaluate an advertising program. They also learn about communications tools like direct marketing, publicity and public relations, and sales promotion that together comprise the mix of mass communications tools that marketers can leverage to achieve their communications objectives.

Chapter 15 also addresses *Digital Marketing*; it provides students with an overview and understanding of digital marketing as a key component of the overall communications mix. The chapter focuses on understanding key digital marketing components, setting realistic objectives, distinguishing among various options, highlighting the impact on buyer behavior, and leveraging the popularity of social media. Specific considerations include e-mail, search, blogs, social media, advertising, websites, and mobile marketing.

#### Chapter Themes

- The advertising process
- Linking advertising to marketing
- Choosing the target audience
- Advertising objectives
- Messaging

- Execution
- Rational and emotional advertising appeals
- Media selection and timing
- Advertising budgeting
- Program evaluation
- The advertising process
- Direct marketing
- Publicity and public relations
- Sales promotion
- Connecting with customers online
- Elements of digital marketing: blogs, social media options and considerations
- Online content: advertising, video, programmatic advertising
- Digital marketing: promotional challenges and opportunities
- Website navigation, mobile marketing, targeted messaging and related apps
- Defining and measuring digital marketing success

### Teaching Suggestions (topic coverage)

#### Overview and Focus

The main focus of traditional communications is on advertising. We lay out the various elements in developing an advertising program: from selecting the target audience through objective setting, messaging, execution, media selection, budgeting, and evaluation. We also discuss the role of the creative brief as a vehicle for integrating the advertiser and the advertising agency. Secondly, the chapter details the mix of additional mass communications methods — direct marketing, publicity and public relations, sales



promotion — available to engage, inform, educate, and motivate current and potential customers, and to reinforce brand value.

Digital Marketing is a constantly changing and evolving topic. Keep in mind that the focus is on delivering timely, impactful communications that engage, motivate, and drive desired behavior. The specific technologies and corresponding apps will continue to change, and firms will introduce new technologies and apps. But objectives and measurement may well remain similar — cost effectiveness, ROI, impact on brand reputation — short- and long-term considerations.

### Topic Coverage Suggestion

- 5% The advertising process and models of advertising
- 35% Designing and executing an advertising program
- 10% Other elements of nonpersonal communications — direct marketing, publicity and public relations, sales promotions
- 10% Digital marketing methods and approaches to connect effectively
- 30% Components of a digital marketing campaign
- 10% Social media elements

### Lecture/Discussion Content

#### Mass Communications

- Advertising foundations
- The advertising program
  - Communications targets
  - Advertising objectives
  - Messaging
  - Execution
  - Media selection and timing
  - Advertising budget
  - Evaluation
  - The advertising agency system

#### Other Mass Communications

- Direct marketing
- Publicity & public relations
- Sales promotion

### Digital Marketing

- E-mail
- Search
- Social media
- Advertising
  - Display
  - Classifieds
  - Video
  - Placing advertisements
  - Advertising challenges
- Websites
  - The website experience
  - Website design
- Blogs
- Mobile marketing
  - Mobile messages
  - Mobile marketing factors
- Measuring success

### Classroom Engagement

**Teaching tips.** Because advertising is so prevalent in the culture, students are highly exposed to advertising and generally have many views about it. Hence we have found it good practice to have a general discussion about advertising early on, discuss effective and ineffective advertising, and other related issues. We often ask students to bring in advertising examples and probe to see if they can identify the advertiser's purpose. Only after a general discussion do we provide content. We focus on advertising fundamentals and then show the key elements of an advertising program step-by-step. When we have finished discussing advertising, we move to other nonpersonal communication methods.

Digital Marketing includes a very exciting, innovative, and ever changing set of topics. All students will have experience viewing, and being engaged (as consumers) and some (as business people) in designing, implementing, and measuring the success of social media campaigns. The objective and focus of delivering the content in this chapter is to introduce digital marketing, to review strategic elements for consideration in the promotional mix, align content and tools for segmentation and positioning, and define and measure performance.

It is important not to generalize or trivialize the potential impact of digital marketing. Digital Marketing can be used effectively for all ages, genders, cultures, businesses of any size, and geographies. Of course, we encourage testing to evaluate tools and messages to ensure they are effective.

**Discussion starter.** Ask students:

- What are some examples of effective advertising? What are some examples of ineffective advertising? (These questions may form the basis of a preclass assignment.)
- What are some examples of effective communications that are not paid advertising? (This question may form the basis of a preclass assignment.)
- What are firms trying to do with nonpersonal communications?
- Some people complain that there is too much advertising. What do you think?
- Use a few current day B2C and B2B examples of digital marketing campaigns to demonstrate methods and approaches.
- Have students share their perspective on both marketing and promotional objectives for digital marketing, along with the benefits and risks of using specific tools like Twitter, Facebook, and Instagram. This approach will trigger an opportunity to begin a more detailed discussion on effective methods, approaches, segmentation, positioning, and messaging.

**Group exercise/application project suggestions.** The most effective nonpersonal communications project that we have used centers around a developing a creative brief and related communications. We have used this exercise with many groups including MBA students and senior executives; they learn a lot, and it's fun. The slides for conducting the exercise are in the chapter's PowerPoint deck. Specifically:

- The instructor divides the class into six groups and provides each group with a brand-positioning statement. The PowerPoint deck has brand-positioning statements for six analgesic products. (If the instructor has a large group, multiples of six groups also work fine.)
- Using the creative brief template (PowerPoint deck), each group prepares a creative brief for its brand. We typically allow 30 to 45 minutes for this task in which the group plays the *advertiser* role.
- Each group gives its creative brief to another group; the receiving group prepares a communication based on the creative brief it receives. For this task the group role-plays the *advertising agency*. (One option for the assignment of groups to products and tasks is in the PowerPoint deck.) We suggest that each advertiser group appoints an account manager to answer any questions about the creative brief from the advertising agency group. In addition to preparing the communication, each advertising agency group prepares a critique of the creative brief it received.
- The instructor concludes the exercise by having advertising agency groups present their advertising to the advertiser group that *hired* them.

The power of this exercise is that students play both the advertiser and advertising agency roles and experience first-hand the issues that each organization faces.

- Develop a digital marketing campaign for a brand launch. The instructor should identify a new product/service.
- Alternatively, a recently launched product/service would also be an option — then the group can compare their approach with the launch plan actually implemented.
- Divide students into groups to define promotional objectives, segmentation/targeting, positioning, messaging content, digital marketing tool considerations — benefits/ risks for each — define key metrics to monitor success.
- Simulate client/agency meeting. One group of students plays the agency role; another group plays the client.
- As host of the meeting, have students develop an agenda that includes a set of key topics to be addressed with the client to begin developing key components of a digital marketing campaign.
- Using the proposed agenda, have students prepare a set of questions for the client to address and identify key issues.

## Distance Learning Considerations

The instructor has many opportunities to engage students in advertising and related issues:

- Establish a forum for sharing a wide range of advertising and other nonpersonal communication challenges and opportunities.
- Have students share their experiences about examples of effective and ineffective advertising. The instructor may set up a site for students to post examples and appropriate web links.
- Have students identify specific examples of web-based persuasive communications. They should detail the objective of each communication and assess its effectiveness.
- Use a version of the creative brief exercise in which a developing creative brief is passed from student to student as each tries to improve what he or she received. After several rounds, freeze on the creative brief and repeat the process for developing a communication as specified in the brief.

Identify a few YouTube videos that highlight digital marketing trends, as well as specific brand/case examples. These videos should highlight the process of planning, and performing relevant research, as well as designing and implementing an impactful, memorable and engaging campaign.

- Have students research and show evidence of both effective and ineffective digital marketing campaigns across several of industries.
- Set up threaded discussions that focus on key components of a digital marketing campaign, measures of success, impact to both the business and the consumer.

## Project Descriptions

Some of the questions discussed above lead to good out-of-class projects:

- **Group exercise/application project.** We presented this project on the creative brief as an in-class project. It also works very well as a combination in-class/out-of-class project. We have used it many times as follows:
  - *In class.* Student groups prepare creative briefs under the instructors' supervision.

- *Out of class.* Student groups develop communications based on assigned creative briefs.
- *In class.* Student groups present critiques of these creative briefs and present their communications.
- *In class.* The instructor provides an exercise wrap-up.

For in-class discussions, group project, or distance learning:

- **Digital marketing campaign.** Brands compete for share of mind, reputation, customer satisfaction, customer loyalty, revenues, market share, and profits. The availability of so many media options poses both difficulties in gaining attention through the clutter, but also considerable opportunities for developing long-lasting relationships with existing and potential customers.
  - *Marketing objective:* Develop an effective brand strategy for a new consumer durable — estimated price — \$400 to \$600.
  - *Segmentation/targeting:* Assume target customers are aged 30–40 years, located globally.
  - *Assignment:* Develop a digital media focus.
  - *Messaging:* Highlight the key components of your messaging for each segment. Focus on life style, self-esteem, and proud-to-own considerations.
  - *Media vehicle criteria:* Identify evaluation and selection criteria.

Digital Media	Purchase Criteria
1 Facebook	
2 Twitter	
3 Interactive web content	
4 Blogs	
5 Mobile messaging	
6 Online search tools	
7 Video (YouTube/Vimeo)	
8 Other (Snapshot/Pinterest; Tumblr/Foursquare)	

- **Measurements:** How and what should be measured to determine campaign effectiveness:
  - Evaluation of a social media campaign
  - Metrics/measures of overall success
- **Client/agency meeting.** To develop a digital marketing campaign for an Amex credit card launch for college students:
  - *Marketing objective:* American Express college student credit card brand launch.

- *Promotional objective:* Engage, educate, and motivate college students to secure trial. Amex is introducing a new credit card targeted to college students. The expectation is to engage new younger consumers; provide relevant offers and associated services, and aim to generate long-term (loyal) relationships.
- *Target:* College students — millennial generation
- *Challenge:* Engage young consumers with a legacy brand; alter traditional image to appeal to this target
- *Assignment:*
  - Prepare meeting agenda; identify key issues; research needs
  - Outline brand considerations — offer positioning, mobile and app marketing — for effective launch
  - Develop social media plans — content messaging — to engage, motivate, and generate trial
  - Identify key metrics/measures for the social media campaign
  - Review social media app selection and evaluation criteria

## Other Sources

### Web links (key search considerations)

- Nonpersonal communication
- Hierarchy of effects
- Advertising programs
- Media selection
- Messaging
- Advertising execution
- Advertising appeals
- Rational appeals
- Emotional appeals
- Advertising budgeting
- Advertising effectiveness
- Advertising agencies
- Sales promotion
- Publicity
- Public relations
- Direct marketing
- Internet advertising
- Digital media — Facebook, Instagram, LinkedIn, Pinterest, Twitter
- Blogs and microblogs — Twitter
- Wikis
- Social media
- Mobile marketing
- Data analytics
- Digital marketing metrics

## CHAPTER 16

# Directing, Managing Field Sales Efforts

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 16 is the third of three chapters in Part B of Imperative 4 — Design the Market Offer. Part B focuses on *Communicating Customer Value*. Chapter 16 addresses *Directing and Managing the Field Sales Effort*. In this chapter we focus on the field sales organization. Of all organizational units within the firm, field sales has the major responsibility for generating revenues in the near term. The sales force is also typically well positioned to provide insight into customer needs and the competitive landscape and ascertain how the marketplace views the firm and its products and services.

#### Chapter Themes

- Marketing's role in the field sales effort
- Leading the sales effort
- Evolution in managing the field sales effort
- The tasks of sales force management, including:
  - Developing the sales strategy:*
    - Task 1: Set and achieve sales objectives
    - Task 2: Determine and allocate selling effort
    - Task 3: Develop sales approaches
  - Implementing the sales strategy:*
    - Task 4: Design the sales organization
    - Task 5: Create critical organizational processes
    - Task 6: Staff the sales organization
- Strategic/key account management

### Teaching Suggestions (topic coverage)

#### Overview and Focus

Chapter 16 emphasizes the critical role the sales force plays in securing revenues for the firm. If the sales force fails, no one gets a paycheck! This chapter shows how traditional sales force effort is in part morphing into key (strategic) account management. Firms secure the best results from their sales forces by focusing on six welldefined sales management tasks comprising two groups of three tasks each: developing the sales strategy and implementing the sales strategy.

#### Topic Coverage Suggestion

- 10% Integrating marketing and sales
- 60% The tasks of sales force management
- 20% Strategic/key account management

#### Lecture/Discussion Content

- Marketing's role in field sales efforts
- Leading sales efforts

#### Sales Force Management

- Developing Sales Strategy
  - **Task 1: Set, achieve sales objectives**
    - Defining sales objectives
    - Relating sales objectives to marketing objectives
    - Breaking down sales objectives
    - Alternative sales objective measures
  - **Task 2: Determine, allocate selling effort**
    - Sales force size
    - Sales force activities
    - Selling effort allocation
    - Telesales/live chat

- **Task 3: Develop sales approaches**
- Tailoring sales messages for different customer targets
- Designing a process to explain benefits/values
- Implementing Sales Strategy
- **Task 4: Design the sales organization**
  - Should the firm conduct its own selling effort, or outsource to others?
  - How should the firm organize/reorganize an employee-based sales force?
  - How should the firm design sales territories?
- **Task 5: Create critical organizational processes**
  - Sales planning
  - Pipeline analysis, sales forecasting
  - Evaluation methods
  - Reward systems
- **Task 6: Staff the sales organization**
- Strategic/key account management

### Classroom Engagement

**Teaching tips.** In most classes, some students will have had experience with a sales organization, either as salespeople or in a sales manager role. This experience is a good basis for asking what worked well in their organizations, what did not, and what action they would have taken to improve the situation had they been able to do so. The instructor can capture and organize the various comments based on their relationship to the six tasks of sales management and strategic (key) account management. This discussion sets up the structure of the class using the chapter's organizing theme. If time permits, we recommend several cases for use in the sales management section of the course. (See case study list.)

- Bowen series: sales performance at various organizational levels
- Hausser Food Products Company: sales force motivation
- Van Leer series: strategic (global) account management

**Discussion starter.** Ask students:

- What role does the sales force play in implementing the market strategy?
- In general, do you think the job of managing the sales force is easy or difficult? Why?

- What do you think of the shift to strategic (key) account management?

### Group exercise/application project suggestions

- Select a firm. Prepare a job description for salespeople, including roles, responsibilities, key skills, and experiences.
- When the salesperson job description is complete, have student groups repeat the process for a first-line sales manager and the executive VP (head) of sales.
- Develop a process for monitoring both the effort and the performance of the sales team.

## Distance Learning Considerations

Using a threaded discussion approach, a student with selling experience describes the essence of the salesperson's role. Other students probe the student's experience to isolate the scope of the job, together with its positive and negative aspects; they also make suggestions for improvement. Students can use a similar approach to secure insight into the first-line sales manager's job from students who have experience in that role. By conducting several discussions of each type, students gain insight into the broad scope of both of these roles across many industries and types of selling jobs.

## Project Descriptions

Some of the questions discussed above lead to good out-of-class projects:

- Page 313. Talk to a salesperson about current and potential customers. Do IBM's six stages in the selling process — Discover, Identify, Validate, Qualify, Conditional Agreement, and Business Won — work for them? Don't forget to check if customers' expectations were met.
- Assume that a new bank has moved into your town and is planning to build a sales force to develop relationships with local businesses. How would you go about this task to gain substantial business? How will you measure performance for the first six months? After you have completed this exercise, interview one or more bank managers to see how they approach the challenge of attracting, growing, and retaining local business customers.

## Other Sources

### Web links (key search considerations)

- Sales management
- Sales and marketing integration
- Sales leadership
- Sales effectiveness
- Sales efficiency
- Sales strategy
- Sales planning
- Sales objectives
- Sales approaches
- Allocating selling effort
- Sales force organization
- Sales force sizing
- Sales forecasting
- Lead generation
- Sales funnels
- Sales pipelines
- Sales negotiation
- Sales compensation
- Sales force staffing
- Sales managers
- Strategic account management
- Key account management
- Managing global accounts

## **SECTION 4**

# Implementing the Market Strategy

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### **IMPERATIVE 4**

**Design the Market Offer**

### **PART C: DELIVERING CUSTOMER VALUE**

### **CHAPTER 17**

Distribution, Retailing, Wholesaling

### **PART D: GETTING PAID FOR CUSTOMER VALUE**

### **CHAPTER 18**

Critical Underpinnings of Pricing Decisions



# Capon's Marketing Essentials

## SECTION 1: MARKETING AND THE FIRM

CHAPTER 1  
Introduction to Managing Marketing

CHAPTER 2  
The Value of Customers

## SECTION 2: FUNDAMENTAL INSIGHTS FOR STRATEGIC MARKETING

CHAPTER 3  
Market Insight

CHAPTER 4  
Customer Insight

CHAPTER 5  
Insight about  
Competitors, Company,  
Complementers

TRANSITION  
TO STRATEGIC  
MARKETING

## SECTION 3: STRATEGIC MARKETING

IMPERATIVE 1  
Determine, Recommend Which Markets to Address

IMPERATIVE 2  
Identify, Target Market Segments

CHAPTER 6  
Identifying, Choosing Opportunities

CHAPTER 7  
Market Segmentation, Targeting

IMPERATIVE 3  
Set Strategic Direction, Positioning

CHAPTER 8  
Market Strategy – Integrating Firm  
Efforts for Marketing Success

CHAPTER 9  
Managing through the Life Cycle

CHAPTER 10  
Managing Brands

## SECTION 4: IMPLEMENTING THE MARKET STRATEGY

IMPERATIVE 4  
Design the Market Offer

Part A: Providing Customer Value

CHAPTER 11  
Managing the Product Line

CHAPTER 12  
Managing Services,  
Customer Service

CHAPTER 13  
Developing New Products

Part B: Communicating Customer Value

CHAPTER 14  
Integrated Marketing  
Communications

CHAPTER 15  
Mass Communications,  
Digital Marketing

CHAPTER 16  
Directing, Managing  
Field Sales Efforts

Part C: Delivering Customer Value

CHAPTER 17  
Distribution, Retailing, Wholesaling

Part D: Getting Paid for Customer Value

CHAPTER 18  
Critical Underpinnings of Pricing Decisions

IMPERATIVE 5  
Secure Support from Other Functions

CHAPTER 19  
Ensuring the Firm Implements  
the Market Offer as Planned

IMPERATIVE 6  
Monitor, Control Execution/Performance

CHAPTER 20  
Monitoring, Controlling  
Firm Performance, Functioning

## CHAPTER 17

# Distribution, Retailing, Wholesaling

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 17 is the sole chapter in Part C of Imperative 4 — Design the Market Offer. Part C focuses on *Delivering Customer Value* via Chapter 17 — *Distribution, Retailing, Wholesaling*. The purpose of this chapter is for students to learn about the role of distribution systems in transferring products from the firm to its customers. The chapter shows that distribution systems are continually in flux; hence, firms have many alternatives for competing the necessary distribution tasks. The chapter lays out key elements of a distribution strategy and addresses the very real problems of managing distribution channels. We also discuss the role of power and conflict and highlight the emerging partnership model in distribution.

Chapter 17 also provides an overview and assessment of current-day retailing and wholesaling along with customer/partnership relationship considerations. Included is a focus on the value retailers offer, particularly in a highly competitive and changing marketplace. Other topics addressed include identifying consumer retail needs, identifying and measuring retail performance, sources of retail value, trends and gaps in retailing, wholesaler value to suppliers and customers, and wholesaler/retailer partnerships.

#### Chapter Themes

- Distribution strategies: broad and narrow
- Developing a distribution system
- Direct and indirect distribution
- Exclusivity in distribution
- Distribution channel breadth
- Criteria for selecting and evaluating intermediaries
- Eight steps in a distribution strategy
- The Internet's role in distribution
- Managing distribution channels
- Power and conflict in distribution systems
- The partnership model
- The value retailers offer
- Alternative retail forms: traveling stores, direct marketing, online, bending, fixed location retail stores
- Contemporary retailing trends: online shopping, tracking shopping behavior
- Connecting online and physical stores
- Globalization of retailing, peer-to-peer (P2P) transactions, payment systems
- Retail profitability
- Wholesaling: value to suppliers, retailers, end users

### Teaching Suggestions (topic coverage)

#### Overview and Focus

The chapter emphasizes the important role that distribution plays in marketing activity and highlights the functions of a distribution system. Students learn that, although distribution arrangements often seem to be fixed, distribution is actually variable and firms may gain significant competitive advantage through innovative distribution arrangements. Students should also learn that power and conflict are endemic in distribution systems, that firms can often engender strategic conflict, but that partnership may be a viable alternative.

Retailing and Wholesaling are key topics that relate to overall distribution strategy. The market is constantly evolving; marketing relationships and particular distribution channels are changing. Organizations must focus on aligning with the needs and requirements of traditional and online channels — relationships/partnerships with retailers/wholesalers, and consumers/end users. In many ways, retailers/wholesalers can enhance (or detract from) supplier brand value propositions, while motivating engagement and continuing to influence brand choice. Brand companies must continue to educate and drive support through a variety of intermediaries.

The chapter emphasizes the importance that retail distribution plays in marketing activity, and highlights retail alternatives, and retailer functions. Students learn that, although retail distribution arrangements often seem to be fixed, retail distribution is actually variable and firms may gain significant competitive advantage through innovative arrangements.

### Topic Coverage Suggestion

- 5% The functions of distribution systems
- 10% Alternative distribution arrangements
- 10% Elements of a distribution strategy
- 20% Power and conflict in distribution systems
- 5% Partnership arrangements
- 15% Value retailers offer
- 5% Online retailing
- 10% Fixed-location retail stores
- 10% Retailing trends
- 5% Online/retail store connection
- 5% Wholesaling

### Lecture/Discussion Content

#### *Distribution Systems and Their Evolution*

#### *Developing Distribution Strategy*

- Distribution functions
- Distribution channels: direct, indirect
  - Reaching consumers through direct channels
  - Reaching consumers through indirect channels
  - Reaching organizational customers
- Distribution channel breadth

- Criteria for selecting, evaluating intermediaries
- Putting it all together: The distribution strategy

#### *Managing Distribution Channels*

- Intermediary compliance
- Power in distribution systems
- Conflict in distribution systems
- Planning for power changes
- The partnership model

#### *Retailing*

- Value retailers offer
  - Alternative retail forms
    - Traveling retail stores
    - Direct marketing
    - Internet retailing
    - Fixed-location retail stores
  - Retail store location
- Contemporary retailing trends
  - Growth of Internet shopping
  - Tracking shopping behavior
  - Integrated physical/digital operations
  - Globalization of retailing
  - Peer-to-peer transactions (P2P)
  - Evolution in purchasing, payment systems
- Retail profitability
  - Margins
  - Setting retail price
  - Profitability

#### *Wholesaling*

- Value to suppliers
- Value to retailers/end users

### Classroom Engagement

**Teaching tips.** The instructor should emphasize the importance of the distribution function as one important element in implementing the market strategy (marketing mix). Students should also learn the many functions that must be performed by one entity or another in the distribution system and the choices firms have in evolving their distribution strategies. The instructor should distinguish between formulating a distribution strategy and the very real challenges of managing a distribution system, placing emphasis on power, conflict, and emerging partnership arrangements.

As *browsing* and purchasing online has become simpler and more widespread, the retail industry — physical and virtual — must pay attention to the unique and customized value it can offer. The instructor should pay attention to how retail owners — bricks & mortar and Internet — and the customer experience is evolving. The instructor should highlight an opportunities for retailers of all types to differentiate their offers. A core retailer focus should be to build long-term relationships with current and potential consumers.

**Discussion starter.** Ask students:

- Why do FMCG firms sell their product through retailers? What's the point?
- Why did Samsung stop selling its products through Walmart and Kmart and put major effort with Circuit City and Best Buy?
- Suppose you developed a new consumer product for toddlers that you believe has nationwide appeal and that you manufactured at a factory in Michigan. How would you go about making distribution arrangements?
- How can the retailer clearly differentiate their offer compared to an online distributor?
- What are the challenges and opportunities for retailers in today's highly competitive marketplace?
- Provide an example of a retailer that engages their consumers, delivers consistent value, and generates brand loyalty.

**Group exercise/application project suggestions**

- Assign two groups a new toothpaste brand imported from Japan that is competitive with Colgate and Crest in price and performance. Ask each group to develop a distribution strategy and provide the rationale for distributor selection. Have each group present and defend its conclusions in the face of the other group's presentation.
- The instructor selects a well-known snack food. Students bring to class their assessment of its retail distribution.
- Identify a struggling retailer — losing market share and facing profit problems. Conduct an *audit* — focus on strengths and weaknesses, opportunities and threats. Assign groups to develop recommendations to improve/turn around the situation.

- Assign various retailers to student groups, like pharmacies, supermarkets, big box stores. Using specific product classes, like shampoo, cosmetics, cereal, soft drinks, have student groups identify an appropriate retailer strategies for these product classes. Students should focus on issues like shelf space, relationships with suppliers, and success measures.

## Distance Learning Considerations

Using a threaded discussion approach:

- Students present examples of products that they believe were well, and poorly, distributed.
- Students provide examples of products that seem to be exclusively, selectively, and intensively distributed.
- Have students debate the assertion: "Despite its evident importance, the Internet is not really changing the basic way in which firms distribute goods and services." An effective process is for each of two groups to develop arguments either pro or con. Each group then presents its set of arguments; then develops counterarguments to the other group's presentation. Through this process, students gain significant insight into both conventional and Internet distribution.

Identify relevant YouTube videos that highlight:

- challenges and opportunities of managing and marketing retail stores
- global trends in online shopping
- buyer behavior — retail versus online shopping
- opportunities for fixed-location retail that is not available online
- relationship between retailers and wholesalers

Students select a retail store — franchise or individually owned. Students research and provide evidence of retail trends, marketability, competitive assessment, and how to establish presence and leadership in the retailer's product class.

Initiate a threaded discussion highlighting lessons learned on how (to):

- promote and generate retail loyalty in the marketplace

- fixed-location retail stores compete against online shopping
- develop a sustainable physical presence

**Wholesaler relationships.** Have students identify a national wholesaler/retailer partnership:

- Identify roles and responsibilities for wholesalers and retailers
- How does each define and measure success?
- Evaluate partnership values for end users

## Project Descriptions

One question discussed above leads to a good out-of-class project:

- Page 324. Review websites for Hockey Monkey, Lands' End, or 1-800-Flowers. Order a product; in a couple of days, order another product. What data did the firm request on each occasion? Did the firm remember you from the first order to the second order?
- Interview an executive(s) at a local distributor. Seek insight into the issues the distributor faces in dealing with its direct customers and with its suppliers.
- Suppose that you work for a manufacturer of dental products that dentists purchase for their practices. You must appoint a new distributor in New England. Develop a set of questions and preferred answers for interviewing potential distributor candidates.

Divide students into groups.

### Group A

- Ask this group to identify a brand (e.g., HP Inc. printers, Canon digital cameras, L'Oreal shampoos).
- Ask the group to identify relevant retailers (local, regional, or franchisees (and provide appropriate rationale on selection and evaluation criteria.

### Group B

- As a retailer — Best Buy, Staples, Supermarket, Home Depot — ask students to identify locations, and demographic breakdowns. With limited shelf space, what criteria does the store use for brand (product) selection? What is expected performance (sales)? In particular, if you have choices of brands

in a product class like shampoo, but limited inventory space, how will you decide which brands to carry?

After completion, have the two groups compare and contrast their decisions from both a retail and brand perspective.

## Other Sources

**Web links** (key search considerations)

- Distribution systems
- Distribution functions
- Distribution strategy
- Direct distribution
- Indirect distribution
- Telemarketing
- Franchising
- Distribution exclusivity
- Selecting distributors
- Intermediary compliance
- Distribution power
- Distribution conflict
- Distributors, wholesalers
- Supply-chain management
- Internet distribution
- Distribution partnerships
- Price discrimination
- Resale price maintenance
- Tying agreements
- Terminating distributors
- Unrelenting competition: the biggest story of 2015 [596p]
- 5 ways small retailers can compete [972p]
- How your business can compete with big box retailers [330p]
- Strategies for understanding customers needs while competing in digital retailing [730p]

## CHAPTER 18

# Critical Underpinnings of Pricing Decisions

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 18 is the sole chapter in Part D of Imperative 4 — Design the Market Offer. Part D focuses on *Getting Paid for Customer Value*. The purpose of this chapter is to provide students with a foundation for pricing, and explores the critical underpinnings of pricing — perceived value, costs, competition, and strategic objectives. We also discuss setting prices.

#### Chapter Themes

- Pricing impact on profitability
- Perceived customer value
- The role of costs
- The impact of competitors on pricing
- The role of strategic objectives
- Setting prices for new and existing products
- The pricing toolkit
- The pocket price and the price waterfall
- Key issues in setting prices

### Teaching Suggestions (topic coverage)

#### Overview and Focus

Start off by emphasizing the important role of pricing in determining profitability. Then discuss the roles of perceived customer value, costs, competition, and strategic objectives in price-setting and show how too much emphasis in any one area can lead to poor pricing decisions. The chapter also focuses on actually setting prices. We start with setting price for a new product, then move to making and avoiding price changes. Then the instructor should move to

the pricing toolkit, and pocket prices, and the price waterfall.

#### Topic Coverage Suggestion

- 20% Perceived value
- 10% Costs
- 10% Competition
- 5% Strategic objectives
- 15% Setting prices for new and existing products
- 20% Using the pricing toolkit, the pocket price, and the price waterfall
- 20% Pricing management

#### Lecture/Discussion Content

- Perceived customer value
  - Creating value
  - Measuring value
  - Capturing value
  - Customer price sensitivity
- Understanding costs
  - Using costs inappropriately: Cost-plus pricing
  - Appropriate roles for costs
- Competition
  - How will competitors respond to firm price changes?
  - Responding to competitor price reductions
- Strategic objectives
  - Sales/market-share growth
  - Profits
  - Cash flow
- Approaches to pricing
  - Improper approaches
  - The *right* way to set price
- The pricing toolkit
  - Pocket prices, price waterfalls

- Alternative pricing methodologies
- Setting the actual price
  - Fees, surcharges
  - Promotional pricing versus steady pricing
  - Psychological pricing
  - Pricing bases
- Special topics in setting prices
  - Complementary product pricing
  - Gray-market pricing
  - Topsy-turvy pricing
  - Transfer pricing

### Classroom Engagement

**Teaching tips.** It is important early on to get students' attention regarding the importance of pricing in determining profit. Then:

- Initiate dialog around the key issues that underpin the pricing decision. Show how too heavy a focus on one or the other can lead to inappropriate pricing decisions. It is especially important to emphasize the problems with cost-plus pricing and focusing too heavily on competitors' prices.
- Spend time on customer value to identify ways that firms can add value and hence improve pricing flexibility.

It's important early on to reinforce the message regarding the importance of pricing in determining profit. Then:

- Show how to approach setting prices for new products.
- Show how to modify prices for existing products.
- Show how to avoid price changes.
- Make students aware of the various ways of altering the actual price (what the customer actually pays) as a lead into discussing the pocket price and the price waterfall.

### Discussion starter

- What do you think of Southwest Airlines' pricing actions in Texas in the early 1970s?
- *On the importance of price.* Ask students: Write down a sales revenue figure that is meaningful to you; be sure to write down all of the zeros. (For working students, this may be the revenues of their product, business unit, or firm. For non-working students, this could be for a company that they admire, or not!) Now erase the last two zeros. What figure are you left with? (Write these figures on the

board.) There's bad news and good news. The bad news is that this is the amount by which profits would reduce if the firm cut prices by one percent without any volume increase! The good news is that this is the amount by which profits would increase if the firm raised prices by one percent without any volume decrease! This exercise generates vigorous discussion.

- *On the importance of perceived customer value versus cost.* Make sure that you have collected all chalk and marker pens and bring a student volunteer to the front of the class. Say something like this to the student: "I'm going to give you a task. If you are successful in the task, this class will turn out to be the most valuable class that every student here has ever taken, and as a result of this class they will each get the job they desire with a vast increase in salary. But if you fail, none of them will get a decent job, and most will end up working at McDonalds, and everyone will know who is responsible. So there's quite a lot riding on your performance! Here is the task: Without changing your position, write your name on the board. What, you don't have a writing implement? I'm the only one with any; I'll sell you this piece of chalk for \$1,000." This little game generates vigorous discussion. Typically some class members want to offer competitive products; this spices up the class.

### Group exercise/application project suggestions

- Identify several products or services to which students have easy access. Give each student the out-of-class task of identifying a price for each product or service. Form student groups to collect the various prices together with the circumstances of securing the prices. Each group's task is to explain why the several prices for each individual product or service differ.
- The instructor brings to class several different competitive brands of the same product form, possibly purchased from a grocery store. The instructor forms student groups to conduct dollarmetric studies on customer value. Using customer value data from each member, the group generates recommended prices for the several brands. The instructor conducts a comparison of recommended prices by the groups and with the actual in-store prices.
- Have students participate in the Competitive Pricing Game.

## Distance Learning Considerations

There are many concepts to cover in this chapter. Some starting questions for a threaded discussion approach include:

- What are the core elements upon which you would base your pricing strategy?
- How can you determine if your pricing strategy is consistent with the desired brand position?
- Why do so many firms use cost-plus pricing? Would you use cost-plus pricing? Why or why not?
- What are the challenges of setting price for a new product and changing price for an existing product?
- How can you approach avoiding price changes?
- Describe the benefits and risks of using competitors' prices as a benchmark for setting your own prices.
- Firms typically face some internal pressures for raising prices and other internal pressures for lowering prices. What is the source of these pressures and how would you deal with them if you were the product manager?

## Project Descriptions

The in-class group exercise/application project suggestions also make for good out-of-class projects.

- Identify several products or services to which students have easy access. Give each student the out-of-class task of identifying a price for each product or service. Form student groups to collect the various prices together with the circumstances of securing the prices. Each group's task is to explain why the several prices for each individual product or service differ.
- The instructor brings to class several different competitive brands of the same product form, possibly purchased from a grocery store. The instructor forms student groups to conduct dollarmetric studies on customer value. Using customer value data from each member, the group generates recommended prices for the several brands. The instructor conducts a comparison of recommended prices by the groups and with the actual in-store prices.

- The instructor selects a real or fictitious new product or service that is due to be launched in the next 30 days. Students determine a pricing strategy to engage early adopters and innovators.

## Other Sources

**Web links** (key search considerations)

- Pricing strategy
- Customer value
- Dollarmetric method
- Conjoint analysis
- Costs
- Competitive pricing
- Elastic demand
- Inelastic demand
- Strategic objectives
- Effective pricing
- Segmented pricing
- Penetration pricing
- Skim pricing
- Demand pricing
- Barter
- Pocket pricing
- Price waterfall
- Price discrimination
- Variable pricing
- Dynamic pricing
- Variable-rate, flat-rate pricing
- Customer-driven pricing
- English auction
- Dutch auction
- Vickrey auction
- Reverse auction
- Loss-leader pricing
- Everyday low pricing (EDLP)
- Psychological pricing
- Pricing bases
- Transfer pricing
- Pricing management and pricing policy





## **SECTION 4**

# Implementing the Market Strategy

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### **IMPERATIVE 5**

Secure Support from Other Functions

### **CHAPTER 19**

Ensuring the Firm Implements  
the Market Offer as Planned

### **IMPERATIVE 6**

Monitor, Control Execution/Performance

### **CHAPTER 20**

Monitoring, Controlling  
Firm Performance, Functioning

# Capon's Marketing Essentials

## SECTION 1: MARKETING AND THE FIRM

CHAPTER 1  
Introduction to Managing Marketing

CHAPTER 2  
The Value of Customers

## SECTION 2: FUNDAMENTAL INSIGHTS FOR STRATEGIC MARKETING

CHAPTER 3  
Market Insight

CHAPTER 4  
Customer Insight

CHAPTER 5  
Insight about  
Competitors, Company,  
Complementers

TRANSITION  
TO STRATEGIC  
MARKETING

## SECTION 3: STRATEGIC MARKETING

IMPERATIVE 1  
Determine, Recommend Which Markets to Address

IMPERATIVE 2  
Identify, Target Market Segments

CHAPTER 6  
Identifying, Choosing Opportunities

CHAPTER 7  
Market Segmentation, Targeting

IMPERATIVE 3  
Set Strategic Direction, Positioning

CHAPTER 8  
Market Strategy – Integrating Firm  
Efforts for Marketing Success

CHAPTER 9  
Managing through the Life Cycle

CHAPTER 10  
Managing Brands

## SECTION 4: IMPLEMENTING THE MARKET STRATEGY

IMPERATIVE 4  
Design the Market Offer

Part A: Providing Customer Value

CHAPTER 11  
Managing the Product Line

CHAPTER 12  
Managing Services,  
Customer Service

CHAPTER 13  
Developing New Products

Part B: Communicating Customer Value

CHAPTER 14  
Integrated Marketing  
Communications

CHAPTER 15  
Mass Communications,  
Digital Marketing

CHAPTER 16  
Directing, Managing  
Field Sales Efforts

Part C: Delivering Customer Value

CHAPTER 17  
Distribution, Retailing, Wholesaling

Part D: Getting Paid for Customer Value

CHAPTER 18  
Critical Underpinnings of Pricing Decisions

IMPERATIVE 5  
Secure Support from Other Functions

CHAPTER 19  
Ensuring the Firm Implements  
the Market Offer as Planned

IMPERATIVE 6  
Monitor, Control Execution/Performance

CHAPTER 20  
Monitoring, Controlling  
Firm Performance, Functioning

## CHAPTER 19

# Ensuring the Firm Implements the Market Offer as Planned

*For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)*

### Chapter Description

#### Purpose of Chapter

The purpose of Chapter 19 is to focus on the internal requirements for effective marketing implementation. Important decision areas for the firm include functional excellence, key interfaces both internally between marketing and other functions and externally with the market environment, alternative organization forms for marketing, and the design of systems and processes for improving marketing effectiveness. The overarching concern is to develop and maintain an organization with an external versus an internal orientation.

#### Chapter Themes

- Functional excellence in successful externally oriented firms
- Integrating functional areas for an external orientation
- Transforming the organization to become externally oriented
- Organizing the firm's marketing efforts
- Hard and soft systems and processes for effective marketing
- Human resource management
- Sustaining an external orientation

### Teaching Suggestions (topic coverage)

#### Overview and Focus

Many of the chapters in this book focus on the firm's external environment and on the actions it must take to select markets and segments, develop market

strategy, and design the marketing offer. By contrast, this chapter focuses on what has to happen internally so the firm accomplishes these tasks effectively. Chapter 19 is concerned with internal functional excellence and effective interrelationships among marketing and other firm functions including, but not limited to, customer service, human resources, finance, operations and the supply chain, research and development, and sales. Although marketing represents the voice of the customer, to a very large extent, other functions do the work to produce and deliver customer value; seamless interfunctional relationships improve overall organizational effectiveness. The chapter discusses alternative organization arrangements for marketing, the systems and processes, and human resource practices necessary for marketing to be truly effective. Finally, the chapter includes a model for developing an external orientation and concludes by highlighting key problems in maintaining this orientation and how to address them. (For a fuller exposition of the interrelationships among marketing and other functions, J.M. Hulbert, N. Capon, and N.J. Piercy, *Total Integrated Marketing*, New York: Free Press, 2003.)

#### Topic Coverage Suggestion

- 20% Functional excellence and integration with marketing
- 20% A model for developing an external orientation
- 20% Organizing the marketing function
- 20% Systems and processes, and human resource practices for improving marketing practice
- 10% Sustaining an external orientation

### Lecture/Discussion Content

- Functional excellence in successful externally oriented firms
  - Customer service
  - Finance
  - Human resources
  - Operations/supply chain
  - Research, development
  - Sales
  - Integrated systems

#### *Transforming to an External Orientation*

- Values, vision, mission, strategy
- Organizing the firm's marketing efforts
  - Traditional organizational models
  - Newer nontraditional organizational models
- Systems/processes
  - Hard systems
  - Soft systems
  - Optimizing firm systems/processes
- Managing human resources

#### *Sustaining an External Orientation*

### Classroom Engagement

**Teaching tips.** A key objective of this chapter is to highlight how marketing interfaces with many internal and external firm functions to deliver value consistently and to implement cost-effective plans. We recommend that the instructor create illustrations on how marketing interfaces with such functional areas as:

- Customer service: consistency and effectiveness of customer service, for example
- Finance: developing and managing inventory and billing systems, for example
- Human resources: talent management and ongoing training, for example
- Operations and supply chain: distribution strategy, for example
- Research and development: providing *voice of the customer* input to R&D and/or engineering departments as input for new product development, for example
- Sales: partnership to generate qualified leads and/or develop customized offers, for example

A useful exercise is to have students go online to identify values statements from different firms and to compare and contrast them. A related task has students focus on a single firm and investigate the relationship between the firm's values statement and the firm's actual behavior toward customers.

**Discussion starter.** Ask students the following questions:

- The chapter highlights many ways to organize the firm's marketing effort. Select the organization structure that you would use if you became a marketing director. Why would you use this structure? What do you see as the advantages and disadvantages? Under what conditions do you believe this structure would be most effective? (The instructor may use this question to highlight the roles, responsibilities, communications needs, and interfaces for various organizational positions.)
- What difficulties do you see in implementing the framework for developing an external orientation (Figure 19.1)?

#### **Group exercise/application project suggestions**

- Divide students into two groups. One group plays the role of salespeople; the other group comprises marketing executives. The *salespeople* develop a list of things they would like marketing to provide so they could do their jobs better. The marketing executives have similar requests of marketing. The groups identify the conflicts and work on ways to overcome them.
- Marketing executives have developed a new product concept for cleaning teeth that requires consumers to gargle rather than use a toothbrush and toothpaste. Identify the organizational function with which marketing should interface to get this project moving and the nature of the initial discussions.

### Distance Learning Considerations

Distance learning with this chapter provides the opportunity to interconnect many students with diverse functional backgrounds. Those with experience in accounting, customer service, finance, information technology, operations, R&D, and sales

can each contribute to discussions of key challenges and opportunities in working with one another and especially with marketing. A few key questions to establish focus and *learn from one another* include:

- [For those not in a marketing department] Describe the challenges and opportunities of working with the marketing organization.
- [For those who are members of a marketing team] Identify key issues in working with other functions. Present a success story; present a disaster story.
- [For those not in a marketing department] What are your expectations in working with the marketing organization?
- [For those who are members of a marketing team] What are your expectations in working with accounting, customer service, finance, etc?
- What skills (e.g., functional, personality, leadership) do you think members of the marketing team should have?
- How can systems (e.g., CRM) and processes (e.g., best practice transfer) support the marketing function?
- “All functions in a firm have marketing responsibilities.” Do you agree? Provide examples based on your experience.

## Project Descriptions

- Identify a specific organization. What do you believe are its internal marketing challenges? What actions should the firm take to improve marketing effectiveness?
- Highlight a firm that you believe has great marketing and/or a great reputation. What internal factors can you identify that contribute to its success?
- Select any three of the following departments: accounting, customer service, finance, human resources, information technology, operations, R&D, and sales. As CEO, what actions would you take to improve the manner in which these departments support one another and better interface with marketing?

## Other Sources

**Web links** (key search considerations)

- Marketing excellence
- Brand management/brand strategy
- Marketing culture
- Product management interfaces
- Supply chain
- Customer service organization
- Human resource management
- External and internal orientation
- Organizational behavior
- Marketing organization structure
- Global marketing organization
- Sales management
- Marketing interfaces

## CHAPTER 20

# Monitoring, Controlling Firm Performance, Functioning

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### Chapter Description

#### Purpose of Chapter

Chapter 20 contains critical material that is absent from many marketing texts. The key underlying principle is captured in the statement “If you can’t measure it, you can’t manage it.” Throughout the book we have talked about allocating scarce resources: This chapter addresses the question of whether or not those resources are being well spent. In particular, the chapter shows how to evaluate the firm — both its marketing and business results, as well as the actions it took to achieve those results. By securing and evaluating feedback on its actions, the firm can make changes to improve overall performance.

#### Chapter Themes

- Principles of the monitor-and-control process
- Market levers and alternative plans
- Input, intermediate, and output variables
- Critical elements of the monitor-and-control process
- Monitoring and controlling firm performance
- Monitoring and controlling firm functioning
- The marketing audit
- The balanced scorecard

### Teaching Suggestions (topic coverage)

#### Overview and Focus

Key topics include principles of monitor and control, types of metrics, the monitor-and-control process, and monitoring and controlling both firm per-

formance and firm functioning. In particular, the instructor should focus on:

#### Topic Coverage Suggestion

- 15% Principles of the monitor-and-control process
- 15% Elements of the monitor-and-control process
- 25% Monitoring and controlling firm performance
- 25% Monitoring and controlling firm functioning
- 10% The balanced scorecard

#### Lecture/Discussion Content

- Key principles of monitor/control processes
  - Focus on market levers; develop alternative plans
  - Generally, implement steering control, not postaction control
  - Use the right performance measures at the right organizational levels
  - Model relationships among input, intermediate, output measures
  - Tie compensation to performance
- Critical elements of the monitor/control process

#### *Monitoring, Controlling Firm Performance*

- Output measures
  - Internal hard measures: Sales
  - Internal hard measures: Product profitability
  - Internal hard measures: Customer profitability
  - Internal hard measures: Summary
  - External hard measures: market share
  - Soft measures
- Intermediate measures

#### *Monitoring, Controlling Firm Functioning*

- Input measures
  - Implementation control
  - Strategy control
  - Managerial process control

## Classroom Engagement

**Teaching tips.** The instructor should highlight the significance of monitoring and controlling the marketing effort. Lots of hard work, company resources, and various types of budget have been allocated and spent in identifying and selecting markets and segments, developing market strategy, and designing and implementing marketing offers. Now is the time to assess whether or not the firm is achieving an adequate return on these investments and whether the marketing function is operating effectively. The instructor may make a useful comparison with simple capital budgeting procedures in finance. In building a new factory or buying a piece of capital equipment, the finance function typically requires extensive financial analysis before the investment and detailed assessment after the investment. No less should be required of marketing investments.

**Discussion starter.** Ask students the following questions:

- Think beyond traditional tangible measures of marketing success like sales revenues and market share. As a CEO, how would you assess the performance of the marketing function in your organization?
- Describe specific criteria that you would use to evaluate the marketing function.
- What are the implications of your answers to the first two questions for rewarding marketing and other executives?

### Group exercise/application project suggestions

- Use key dimensions of a marketing audit to evaluate the marketing function at your organization. If you are a full-time student, use the marketing audit to evaluate the admissions department.
- Divide the class into pairs. In each pair, one member role-plays marketing; the other member role-plays accounting, customer service, finance, human resources, information technology, operations, R&D, or sales. Each pair develops metrics for assessing the degree of cooperation between the functions. (Refer to the distance learning material in this chapter.)

## Distance Learning Considerations

Consider the following set of questions to encourage students to share backgrounds and experiences in measuring both marketing performance and marketing functioning. The instructor should encourage those students with experience of a marketing audit to share those experiences.

- What is the purpose and objective of a marketing audit?
- What functions should participate in a marketing assessment? Who should receive the findings?
- Describe the monitor-and-control process. What are the challenges and opportunities of executing this process?
- Share your experience of participating in a marketing audit. Describe a specific example of a *lesson-learned* that the firm implemented as a result of this analysis.
- Provide examples of how the *marketing team* assesses its competencies and effectiveness.
- What are the challenges of providing timely feedback to marketing?

## Project Descriptions

- You have been asked by an organization to develop plans for conducting an audit of its marketing activities. Describe how you would approach this assignment.
- You have been appointed as the new vice president of marketing, reporting to the CEO. He has given you 90 days to assess the current effectiveness of the marketing organization and to report back with recommendations for change. How would you approach this assignment? What measures would you use to assess current performance and future performance?



## Other Sources

**Web links** (key search considerations)

- Marketing audit
- Balanced scorecard
- Customer satisfaction measurements
- Monitor-and-control process elements, variables
- Performance metrics and measures
- Internal and external measures (profitability, sales, efficiency)
- Customer profitability
- Implementation control

## APPENDIX

# Course Outline Suggestions

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## The Design of Marketing Courses

Instructors can use the textbook to anchor several different types of courses at various graduate and undergraduate levels. The major options are:

- **Introduction to Marketing** (focuses mainly on marketing implementation)
- **Marketing Management** (includes marketing strategy and marketing implementation)
- **Advanced Marketing Strategy** (focuses mainly on marketing strategy)

Depending on the objectives and the student level, the instructor will probably choose different topics to emphasize and hence use different textbook chapters. In the Appendix, we offer typical syllabi for each of these three types of courses. For those courses that involve out-of-class projects, instructors may find exercises in *The Virgin Marketer: Create Your Market Plan* to be useful.

## A. Introduction to Marketing

**Course description.** This course is intended for senior-level undergraduate and/or first-year graduate students. The course integrates many marketing concepts to provide a practical *hands-on* experience for students and practitioners. The course also provides the basis for a working vocabulary of the *marketing language* while encouraging strategic thinking and considerations. To enable a basis for accumulating marketing knowledge, the course focuses on the marketing mix and its role in the successful implementation of marketing programs.

The central course objective is to develop expertise in making marketing decisions. Strategic decisions, unlike tactical decisions, have long-term effects and are costly to change. Senior marketing managers typically monitor these important decisions closely. From time to time, the instructor may invite practicing business people to address the class as guests.

The course consists of several major parts:

- What marketing factors enable a company to be successful in the long run? Or, what are the marketing sources for a company's sustained competitive advantage? We identify markets to address and pursue; we examine brand positioning decisions, the notion and value of brand equity, and organizational decisions.

- How can a firm acquire a sustainable advantage, and how it should compete strategically? When competitors enter a firm's market, what is the best defense or attack strategy? How should the firm prepare for entry and how should it react to entry? What is the best mix of brands throughout the life cycle?
- What is the relationship between marketing strategy and marketing tactics? Can a tactical product become a strategic product? Which products/services should the firm develop and market? How should they be marketed, sold, distributed, and priced? What promotional themes and relationship-building programs should be introduced? When and how should a firm deviate from its traditional strategy and image?
- How should the firm make sure that its plans are actually implemented? How should the firm measure its success and what sort of performance review system should it put in place?

**Course requirements.** Students should be prepared for class; they will be evaluated on their class participation. Several cases are assigned for class discussion. Students must turn in an analysis of one of these cases. Analysis is based solely on facts in the case and should reflect judgments on the benefits and risks of specific marketing strategies implemented. The write-up comprises three double-spaced pages and should include a summary. Students should download *The Case Method in Marketing Management* from [www.wessexlearning.com](http://www.wessexlearning.com) to guide their approach to studying cases. In addition, students are required to complete a class project.

**Course materials.** These comprise a textbook and a set of cases.

- Capon, Noel, *Capon's Marketing Framework* (cmf), Bronxville, NY: Wessex.
- Marketing case packet
- *The Case Method in Marketing Management*
- Hard-copy overheads

### Student evaluation

- |                       |     |
|-----------------------|-----|
| • Test I              | 25% |
| • Test II             | 30% |
| • Class participation | 15% |
| • Case Write-Up       | 10% |
| • Team Project        | 20% |

**Class project.** Requirements for the class project are as follows:

- Three to four students; each student receives the same grade.
- Papers should be no more than nine pages (three students) or 12 pages (four students) excluding appendices in length, double-spaced, typed in Times New Roman 12. The bibliography and footnotes should be on a separate page.
- All material should be sourced and appropriately footnoted.

The paper will be comprised of two sections:

- **Section I: Background and Topic Coverage — 40%**
  - Background information on the topic (origin, marketing impact)
  - Narrative of topic (description, overview)
  - Definition of terms (terminology to clarify key issues)
  - Discussion of techniques/strategies (highlight benefits/risks and value)
  - Theory of subject matter (historical trends)
  - Case analysis of topic (relevant cases — lessons learned)
- **Section II: Application (6-12 months plan) — 60%**
  - Practical application of subject in a real situation [Six-Month Plan]
  - Use information from Section I and apply to current marketing situation.
  - How do companies use the techniques today to satisfy marketing goals?
  - Outline benefits and risks of recommended strategies.
  - Define success and methodology for measuring performance.

**Possible topics**

Consumer Behavior (*Competitive Analysis*)  
 Market Segmentation (*Target Marketing*)  
 Sociological and Psychological Determinants in Marketing (*Price Strategy*)  
 New Product/Service Introduction (*Marketing Research*)  
 Product Strategy – Branding, Packaging (*Personal Selling*)  
 Distribution Strategy (*Promotional Strategy*)  
 Media Planning (*Product Life Cycle*)  
 Global Marketing

Electronic Commerce Marketing  
 (*On-line Services Marketing*)  
 Entering New Markets (*Brand Extensions*)  
 Brand Launch Strategy  
 Marketing Communications Strategy  
 Other

**Possible topic areas, organizational examples**

New Product Development (*Gum, Healthy*)  
 Target Market (*Senior Housing*)  
 Market Research/E-commerce (*Customer, Beauty Supply*)  
 Promotional Strategy (*Smartphone–mp3 Player*)  
 Brand Extension (*[PSE&G] Cleaner Fuel*)  
 Brand Extension (*Cosmetics for Men, L'Oreal*)  
 Promotional Strategy (*Fast Food, Broadband Connections*)  
 Target Market (*Pier 1 Imports*)  
 Promotional Strategies (*JetBlue*)  
 Promotional Strategy (*Ford, bring people back to U.S.-made cars*)  
 Promotional Strategy — New Markets (*Dunkin Donuts*)  
 Market Research (Competitive Analysis) (*Tea House instead of Coffee Shop*)  
 Promotional Strategy — New Service (*Singapore Airlines*)  
 Promotional Strategy (*Arena Football*)  
 Distribution Strategy (*Mary Kay Cosmetics*)  
 Product Life Cycle (*Key Chain Electronic Positions [GPS]*)  
 Target Market (*Toll Brothers, Retirement Housing*)  
 Entering New Markets (*Sports Apparel – New Brands*)  
 New Product (*Hybrid Car [Gas/Electric] — Toyota*)  
 Celebrity Endorsements (*Promotional Strategy/Market Strategy*)  
 New Product Launch (*GE Light Bulb*)  
 Promotional/Distribution Strategy (*Cable TV/TIVO*)  
 New Service Launch (*Restaurants with Online Access – OpenTable*)  
 Promotional Strategy (*Cable TV Packaging*)  
 Segmentation/Product Strategy (*Sirius/XM Satellite Radio*)  
 Positioning Strategy (*Large-Volume Retailer – Costco*)  
 Competitive Assessment (*Voice-Over IP [VOIP]*)  
 Entering New Market (*Online Grocery [delivery]*)  
 Brand Extension (*The \$100 computer*)  
 Product Launch (*All-in-One Washer/Dryer*)

New Business Venture

*(Verizon: Entering the TV Business)*

Social Marketing

*(Philanthropy for Cancer – Sloan Kettering)*

Brand Extension *(Ben & Jerry's Kids Clothing)*

Distribution Strategy

*(Introducing Starbucks Drive-Thru)*

Brand Introduction *(Lipton Pyramid Tea)*

### **Bibliography**

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*(McGraw Hill)*

The Marketing Edge — Bonomo *(Free Press)*

The New Positioning — Trout *(McGraw Hill)*

The Discipline of Market Leaders —

Treacy/Wiersema *(Addison-Wesley)*

The Nordstrom Way — Spector/McCarthy *(Wiley)*

Netmarketing — Judson *(Wolff)*

The One to One Future — Peppers/Rogers

*(Doubleday)*

Guerrilla Marketing — Levinson/Rubin

*(Houghton/Mifflin)*

Global Marketing — Johansson *(Irwin)*

International Marketing — Cateora *(Irwin)*

Rocking the Ages — Smith/Clurman *(Harper)*

Kotler on Marketing — Kotler *(Free Press)*

Trade Journals

The Internet

## **Class Schedule**

### **Class 1**

**Topic: Defining Marketing**

*Readings: Capon's Marketing Framework, Chapter 1*

### **Class 2**

**Topic: Developing Marketing Strategies and Plans**

*Readings: Capon's Marketing Framework, Chapter 9*

### **Class 3**

**Topic: Gathering Information, Marketing Research  
Review requirement of class project**

*Readings: Capon's Marketing Framework, Chapter 6*

### **Class 4**

**Topic: Gathering Information, Marketing Research  
(continued)**

*Readings: Capon's Marketing Framework, Chapter 6  
(review)*

*Case: XM Satellite Radio*

### **Class 5**

**Assignment: Turn in project outline**

**Topic: Creating Customer Value, Loyalty**

*Readings: Capon's Marketing Framework, Chapter 2*

### **Class 6**

**Topic: Market Insight**

*Readings: Capon's Marketing Framework, Chapter 3*

### **Class 7**

**Topic: Consumer and Business Buyer Behavior**

*Readings: Capon's Marketing Framework, Chapter 4*

### **Class 8**

**Topic: Competition**

*Readings: Capon's Marketing Framework, Chapter 5*

### **Class 9**

**Topic: Market Segmentation**

*Readings: Capon's Marketing Framework, Chapter 8*

### **Class 10**

**Topic: Test 1 (Chapters 1, 2, 4, 5, 6, 8, 9)**

**Interim course review**

### **Class 11**

**Topic: Brand positioning**

*Readings: Capon's Marketing Framework, Chapter 11*

*Case: Inside Intel Inside*

### **Class 12**

**Topic: Managing through the Life Cycle**

*Readings: Capon's Marketing Framework, Chapter 10*

### **Class 13**

**Topic: Services Marketing**

*Readings: Capon's Marketing Framework, Chapter 13*

*Case: Hilton HHonors Worldwide: Loyalty Wars*

### **Class 14**

**Topic: Pricing**

*Readings: Capon's Marketing Framework,  
Chapters 20, 21*

*Case: Virgin Mobile USA: Pricing for the First Time*

### **Class 15**

**Topic: Channel Strategy**

*Readings: Capon's Marketing Framework, Chapter 18*

### **Class 16**

**Topic: Marketing Communications**

*Readings: Capon's Marketing Framework, Chapter 15*

**Class 17**

*Topic: Advertising, Direct Marketing, Sales Promotion, Publicity and Public Relations, Nonpersonal Communications*

*Readings: Capon's Marketing Framework, Chapters 15 and 16*

**Class 18**

*Topic: New Market Offerings*

*Readings: Capon's Marketing Framework, Chapter 14*

**Class 19**

*Topic: Global Marketing Strategy*

*Readings: Capon's Marketing Framework, Chapter 24*

*Case: Cola Wars in China*

**Class 20**

*Topic: Organizing for Marketing*

*Readings: Capon's Marketing Framework, Chapter 22*

**Class 21**

*Topic: Executing the Marketing Plan*

*Readings: Capon's Marketing Framework, Chapter 22*

**Class 22**

*Topic: Test 2 (Chapters 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 24)*

**Final course review**

**B. Marketing Management**

**Course description.** This course emphasizes the role of marketing in creating value for customers. In turn, creating value for customers leads to the creation of value for other firm stakeholders such as shareholders and employees.

Marketing activity is at the core of managing a business. Marketing provides the focus for interfacing with customers and is the key source of intelligence about customers, competitors, and the general business environment. Marketing is concerned with the long-run relationship of the firm to its customers, as well as short-run sales activity. Marketing is a major organizational thrust, rather than just a task assigned to a single functional department.

This course introduces students to the role of marketing in the modern corporation, both at the level of the firm and the marketing function. The course provides a set of concepts and ideas for approaching marketing decisions; it offers a common language

with which to think about marketing issues and shows how to structure and analyze managerial problems in marketing. It prepares future CEOs and general managers to deal with core marketing issues by showing how to think strategically about the firm's products, services, and markets.

By the end of the course, students will have developed a framework for approaching marketing problems. They will be able to develop market strategy and implementation programs in a variety of contexts: domestic/international, products/services, industrial/consumer, private sector/public sector, and non-profit.

Specific course objectives include:

- gaining an understanding of key marketing concepts;
- developing decision-making skills by applying these concepts to real-life problems both domestically and internationally;
- assessing market opportunities by analyzing customers, competitors, and the company;
- understanding the impact of various environmental factors on the firm;
- gaining experience in developing marketing strategy and implementation programs;
- developing an awareness of the latest tools, techniques, and research in marketing; and
- developing oral and written communication skills.

We will achieve these objectives via a combination of lectures, readings, and case discussions. For those students who do not contemplate careers in marketing, this may be the only marketing course they will take. This course is designed to meet the needs of both marketing and nonmarketing specialists. Since we anticipate that many students are, or will become, general managers, this course represents what the general manager *must* know about marketing.

During the course, students will develop a high tolerance for ambiguity. There are no right or wrong answers to marketing problems, just some that may be better than others. There are no simple (or even complex) formulae in which to plug numbers and secure the *right* answer. Students will learn to approach complex and unstructured problems in a creative and measured way.

Learning to address marketing problems requires a great degree of effort. Hence, the course offers oppor-

tunities to develop skills in marketing problem-solving via several case studies. The case method is an effective means of sharpening decision-making skills. The student becomes an *active* participant in resolving a marketing problem. When they work diligently on each successive case, students will develop a way of thinking that is powerful and has broad applicability.

No previous marketing background is required. Students whose prior marketing education focused on the marketing mix learn that marketing-mix design focuses on implementation. Before implementation decisions can be taken, many other important areas must be addressed.

**Course materials.** These comprise a set of cases, reading assignments, and analytic materials for marketing strategy development. Students receive a hard-copy set of PowerPoint slides for lecture sessions. The complete materials set includes:

- Capon, Noel, *The Marketing Mavericks*, New York: Crown Business, 2007
- Capon, Noel, *Capon's Marketing Framework*, Bronxville, New York: Wessex, 2007
- Columbia Business School, *The Case Method in Marketing Management* (also available at [www.wessexlearning.com](http://www.wessexlearning.com))
- Marketing Case Packet
- Hard-copy PowerPoint slides available class by class

**Evaluation.** Grades will be weighted as follows:

- |                         |     |
|-------------------------|-----|
| • Homework exercises    | 20% |
| • Class participation   | 30% |
| • Written case analysis | 20% |
| • Final examination     | 30% |

All exercises and assignments to be turned in should be typed.

**Exercises.** Students are required to submit the following four exercises (grade and due date in parentheses):

1. Financial Analysis for Marketing Decisions (5%, September xx, 20yy)
2. Lifetime Value of Customers (5%, October xx, 20yy)
3. Economic Value to the Customer (5%, November xx, 20yy)
4. Innovative Marketing Strategies (5%, December xx, 20yy)

All exercises are *individual*. (Other processes are integrity code violations. If multiple students turn in identical material, each will receive zero points for that exercise.) Students should bring their work to class (hard copy) on the due date. Exercises 1, 2, and 3 will be posted on the web. Exercise 4 follows directly from Peter Drucker's assertion noted in Chapter 1 of *Capon's Marketing Framework* that the business enterprise has two — and only these two — basic functions: marketing and innovation. We tend to think of innovation in terms of product or process technology, but firms develop many other types of innovation in the way they address markets. For the homework exercise students should write up in one or two pages a contemporary customer-focused innovation that they have observed. They should describe the innovation and specify why, indeed, it is an innovation. In addition, each student should be prepared to make a short PowerPoint presentation to the class — place this on memory stick for efficiency in making presentations.

**Class conduct.** Students should play an active role in class discussion. Students should read and thoroughly evaluate the case. In each session, the professor may randomly select a few students to start the class discussion (cold calling); thereafter discussion is open to the entire class. Your *consistent* and *high-quality* involvement in case and other classroom discussions via presentation and defense of your positions is central to the course — also, it is the basis for the class participation grade. Sheer quantity of participation is neither sufficient nor necessarily desirable, but without some quantity, quality cannot be assessed. Study groups are recommended — they shorten preparation time and also help you to learn more from the cases. The *Case Method in Marketing Management* should prove helpful.

You should complete assigned textbook chapters before the class lecture or discussion. We shall not specifically discuss chapter material in class. Rather, these chapters are critical resource materials for the assigned sessions.

Each student must ensure that the professor has a personal photograph. Students may assume the professor has a copy of the class bulletin. If a student's photograph is not in the bulletin, he or she should arrange to provide the professor with a copy. As a courtesy to the professor, each student should *always*

have a name card visible. Students who forget their cards can make up a temporary one.

Time is a precious commodity. Classes will start and end on time. Students will be courteous to their classmates by being punctual. Students who are unable to attend a class should arrange for a classmate to collect any distributed materials. Uncollected (or lost) materials will not be redistributed in hard copy.

**Laptop policy.** Laptop computers and other electronic devices are prohibited during class sessions — there will be no network connectivity. Students are free to use laptops or other electronic devices during a class break but should switch them off when class recommences.

**Honor code.** Students should not use lecture or case notes from previous offerings of this course. Nor should they violate the School's Integrity Code in any other way.

**Class preparation.** To gain the most from this course students should be sure to prepare for each class session. Preparation means reading the assigned chapter and, if appropriate, preparing the case.

### Pre-term assignment

- Read and study the course outline.
- Read *The Marketing Mavericks*.
- Come to class prepared to discuss Federal Express (B), and American Airlines Value Pricing (A).
- Identify the top two marketing companies in the world. Prepare one typed page (maximum) on your choices and reasons and be prepared to hand this in. This individual assignment will not be graded, but is required.
- Complete an organizational orientation scale for your current or former firm or business unit (whichever level of analysis makes most sense for you) or an organization with which you are familiar. Use either the MARKOR or COLOR scales in Chapter 1 of *The Virgin Marketer: Create Your Market Plan*. Turn in your scaled results and answers to the following questions:
  - What conclusions do you draw from the results of your analysis?
  - What factors led to this situation?
  - Do you believe that matters will change within the next three years?
  - Why (or why not)? And how?

Please restate the question before answering it. We shall use this material in class 3.



## Class Schedule

Class	Topic	Case
<b>Section 1: Marketing and the Firm</b>		
Class 1	The Marketing Process	Federal Express (B)
Class 2	Course Introduction and Managing Markets Strategically	
Class 3	The Externally Oriented Organization	
<b>Section 2: Fundamental Insights for Strategic Marketing</b>		
Class 4	Competitive Insight	American Airlines Value Pricing (A)
Class 5	The Value of Customers: Acquisition/Retention	Sonik CD
Class 6	Market and Customer Insight	J&J Philippines (A)
<b>Assignment due</b> HE1: Financial Analysis for Marketing Decisions		
Class 7	Customer Identification and Customer Value I	ICI Fibres SaleSoft, Inc. (A)*
Class 8	Customer Value II	The Medicines Company
<b>Section 3: Marketing Imperatives</b>		
<b>Marketing Review 1</b>		
Class 9	<b>MI 2</b> Market Segmentation	Aqualisa Quartz
Class 10	<b>MI 3</b> Marketing Objectives and Strategy	Evergreen Trust*
<b>Assignment due</b> HE2: Customer Lifetime Value		
Class 11	<b>MI 2</b> Marketing Objectives and Strategy: Application	Ryanair Newlines Airways Ltd. (A)
<b>Assignment due</b> New Product Development assignment (see <i>Detailed Course Outline</i> )		
Class 12	<b>MI 4</b> Product Decisions	EMI and the CT Scanner (A) and (B)
<b>Marketing Review 2</b>		
Class 13	<b>MI 4</b> Managing the Sales Force	Hausser Food Products Company
<b>Assignment due</b> HE3: Economic Value to the Customer		
Class 14	<b>MI 4</b> Integrated Communications	
Class 15	<b>MI 4</b> Pricing	Harper Chemical Company, Inc.
Class 16	<b>MI 3</b> Branding	The Global Branding of Stella Artois*
Class 17	<b>MI 4</b> Marketing Services	Harrah's Entertainment, Inc.
Class 18	<b>MI 4</b> Key/Strategic Account Management	The Case of the Pricing Predicament Van Leer Packaging Worldwide: The Total Account (A) and (B)
<b>Course Integration</b>		
Class 19	Integrative Case	Citibank: Launching the Credit Card in Asia Pacific (A)
<b>Assignment due</b> HE4: Innovative Marketing Strategies		
Class 20	Innovative Marketing Strategy Presentations and Course Summary	
<b>Course Concludes</b>		

\* These cases will be used for targeted in-class discussion rather than for full case discussion.

## Detailed Course Outline

### Section 1: Marketing and the Firm

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#### Class 1

##### Topic: The Marketing Process

##### Case: Federal Express (B)

At the time of the case, Federal Express is evaluating its various services. It is wondering what to do about Courier Pak, an overnight document delivery service with presently limited sales. The case provides a context for discussing the entire range of issues surrounding a potential marketing opportunity.

##### Discussion Questions:

1. Who uses the Courier Pak? How large is the potential market for Courier Pak? What are the appropriate target markets for Courier Pak?
2. What is the competition for Courier Pak?
3. Is Courier Pak consistent with Federal Express' objectives and abilities?
4. Is Courier Pak an economically viable product?
5. If Federal Express decides to go ahead, how should it support and market the Courier Pak? You may wish to consider issues related to target market, positioning, price, product, promotion, service, and distribution.

*Readings:* Detailed course outline

*The Case Method in Marketing Management*

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#### Class 2

##### Topic: Course Introduction and Managing Markets Strategically

We introduce the course and set expectations for students and faculty. We articulate the imperatives of marketing — regardless of whether or not they are actually being conducted in the marketing department. We also identify four fundamental principles upon which to base market strategy.

*Readings:* Capon's *Marketing Framework*, Chapter 1, except section titled, "Marketing as a Philosophy: External and Internal Orientation."

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#### Class 3

##### Topic: The Externally Oriented Organization

We address several distinctions between externally and internally oriented organizations. We explore how these two organization types address different marketing decisions and suggest an approach to becoming externally oriented.

**Assignment:** Complete an organizational orientation scale for your firm or business unit — whichever level of analysis makes most sense for you. Use either the MARKOR or COLOR scales in Chapter 1 of *The Virgin Marketer: Create Your Market Plan*. Please answer the following questions:

- i. What conclusions do you draw from your analysis?
- ii. What factors led to this situation?
- iii. Do you believe that matters will change within the next three years?
- iv. Why? Or, why not? And how?

*Readings:* Capon's *Marketing Framework*, Chapter 1 — section titled, "Marketing as a Philosophy: External and Internal Orientations," and Chapter 20.

### Section 2: Fundamental Insights for Strategic Marketing

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#### Class 4

##### Topic: Competitive Insight

We discuss how to analyze competitors and anticipate their future actions.

*Readings:* Capon's *Marketing Framework*, Chapter 5

##### Case: American Airlines' Value Pricing (A)

In April 1992, American Airlines (AA) launched Value Pricing in an attempt to simplify the industry's complex pricing structure. AA believed this simplification would benefit customers, AA, and the entire airline industry. But there were many uncertainties about competitive reaction to AA's initiative.

##### Discussion Questions:

1. What is "Value Pricing"? Why did AA introduce it?
  2. What results did AA expect? What are AA's implicit assumptions?
  3. What is the likely reaction of each competitor? What should AA do?
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#### Class 5

##### Topic: The Value of Customers: Acquisition/Retention

We discuss customer acquisition and retention, with special emphasis on customer lifetime value (LTV). We show why firms should focus on LTV, how it affects the firm's profits and long-term value, and how to measure and enhance LTV.

*Readings:* Capon's *Marketing Framework*, Chapter 2

**Case: Sonik CD**

Sonik CD was founded in October 1995 as a whole-sale buying club for music CDs. By the late 1990s, most of Sonik's sales had shifted to the Web. Sonik is re-evaluating its strategic direction.

**Discussion Questions:**

1. What is the lifetime value of a Sonik CD customer for the niche and mass-market options (assume a 12% discount rate)?
2. What value do you assign to Sonik CD for the niche, mass-market, and distribution options?

**Class 6****Topic: Market and Customer Insight**

We discuss market structure, market and product evolution, and industry and environmental forces. We also commence a discussion of customer insight.

*Readings: Capon's Marketing Framework, Chapter 3*

**Case: J&J Philippines (A)**

"Boy" de Claro, marketing VP for Johnson & Johnson (Philippines), Inc., said: "We have decided we must have product introductions if this company is going to grow." In a few days the firm would begin shipping a brand-new product to the trade. The product, Johnson's face power, was packaged in a plastic compact for use outside the home.

**Discussion Questions:**

1. What is the product?
2. What part of the Philippine population represents the market potential for this product? Are those numbers large enough to merit its development?
3. What is your assessment of the marketing offer J&J has developed?
4. What do you expect the financial outcome to be?

**Assignment due: HE1: Financial Analysis for Marketing Decisions**

This homework assignment gives you the opportunity to work on financial analysis problems, similar to those discussed in the Federal Express case. The concepts, such as contribution margin, should not be new to you, but their application in a marketing context may be. For background, see Financial Analysis for Marketing Decisions at [www.wessexlearning.com](http://www.wessexlearning.com).

**Class 7****Topic: Customer Identification and Customer Value I: Functional and Psychological**

We focus on customer identification and functional and psychological value for customers. A product is a bundle of attributes; customers often buy products —

like a computer, by evaluating its attributes — hard disk, memory, etc. We discuss multi-attribute utility theory and describe methods for measuring customers' perceived value of various products. We also discuss the role of psychological influences on choice.

*Readings: Capon's Marketing Framework, Chapter 4*

**Case: ICI Fibres**

Malcolm Hand, tarpaulin end-use manager, was contemplating how to improve sales of Terylene® polyester fiber for use in tarpaulins — breathable, waterproof covers for the trucking industry. Specifically, he was trying to decide who were ICI Fibres' customers.

**Discussion Questions:**

1. Who is ICI Fibres' customer?

**Case: SaleSoft, Inc. (A)\***

SaleSoft developed and marketed Comprehensive Sales Automation Systems. SS must decide whether or not to introduce a Trojan Horse product or continue with its existing PROCEED product.

**Discussion Questions:**

1. Lay out the customer decision process for Proceed and Trojan Horse

**Class 8****Topic: Customer Value II: Economic**

*Readings: Capon's Marketing Framework, Chapter 4*

**Case: The Medicines Company**

The Medicines Company was formed to acquire/rescue drugs abandoned by other drug firms. Medicines completed development and brought drugs to market. Its first acquisition was *Angiomax* — a blood-thinning drug used in angioplasty procedures. In December 2000, Medicines received FDA approval for *Angiomax*. Now it must bring *Angiomax* to market as a replacement for *Heparin*, the most widely used bloodthinning drug in coronary medicine. *Heparin* sells at about \$2 per dose; the cost to manufacture *Angiomax* is \$40 per dose!

**Discussion Questions:**

1. What is the value of *Angiomax* to customers?
2. What price should Medicines charge for a dose of *Angiomax*? Why?
3. Will this be an easy sell or a tough sell? Why?
4. If you were the senior marketing executive at Medicines, how would you promote adoption?
5. What do you think of Medicines' business model of *rescuing* abandoned drugs?

### Section 3: Marketing Imperatives: Formulating Marketing Strategy

#### Class 9

##### Topic: Market Segmentation

Different customers have different preferences — hence the market segmentation concept. Recent technological advances are pushing this concept to a *segment of one* or *mass customization*. We discuss these issues and illustrate with examples.

*Readings: Capon's Marketing Framework, Chapter 8*

##### Case: Aqualisa Quartz: Simply a Better Shower

In September 2001, Harry Rawlinson, managing director of Aqualisa, is deciding how to handle the marketing of the Quartz shower, the first significant product innovation in the British shower market in many years. Existing British showers are plagued with problems, and there is widespread consumer dissatisfaction with overall shower performance. Regardless, the vastly superior Quartz shower — three years and £5.8 million to develop — is not selling.

##### Discussion Questions:

1. What is the Quartz value proposition to plumbers? To consumers?
2. Why is the Quartz shower not selling?
3. Aqualisa spent three years and £5.8 million developing the Quartz. Was the product worth the investment? Is Quartz a niche product or a mainstream product?
4. What should Rawlinson do to generate sales momentum for the Quartz product? Should he change his marketing strategy to target consumers directly, target the DIY market, or target developers? Should he lower the price of the Quartz? Or should he do something different altogether?

#### Class 10

##### Topic: Marketing Objectives and Strategy

Securing market, customer, competitor, and company insight provides a good basis for setting objectives and choosing among strategic options. We discuss and illustrate some of these issues. We also lay out the components of *A Complete Market Strategy*.

*Readings: Capon's Marketing Framework, Chapter 9*

##### Case: Evergreen Trust

In May 1994, Sylvianne Lafontaine, Director of Marketing for Evergreen Trust (ET), was faced with the challenge of formulating a market strategy for ET. ET had a well-defined mission statement, but it was

not immediately clear to LaFontaine how to translate this statement into a profitable market strategy.

##### Discussion Questions:

1. What are the vision, mission, and general financial objectives of Evergreen Trust?
2. What are the Marketing Objectives and are they attainable? If they are not, what should they be?
3. What options appear to be the most attractive?
4. Define the target market, target competitors, and positioning appropriate for reaching the objectives.

##### Assignment due: HE2: Customer Lifetime Value

#### Class 11

##### Topic: Marketing Objectives and Strategy:

##### Application

##### Case: Ryanair and Newlines Airways (A)

##### Discussion Questions:

1. Why was Ryanair unsuccessful in the late 1980s?
2. Why was Ryanair successful in the early 2000s?

##### Newlines Airways Ltd. (A)

Founded by a Columbia MBA, Newlines plans to fly from London (Stansted) to New York (JFK), with a single class of service — business class. Entrepreneur Julian Cook must make a host of marketing and financial decisions.

1. If you were Julian Cook, how would you proceed? Why?

### Section 3: Marketing Imperatives: Implementing Marketing Strategy

#### Class 12

##### Topic: Product Decisions

We focus on the firm's product decisions, paying special attention to new product development.

*Readings: Capon's Marketing Framework, Chapters 12 and 14 — See also Chapter 10.*

##### Case: EMI and the CT Scanner (A) and (B)

##### Discussion Questions:

1. How do you assess EMI's entry into the CT Scanner business?
2. In 1976, what are EMI's major options?
3. In 1976, what are Philips' major options?
4. In 1976, how do you assess EMI's future prospects?

**Assignment due: New Product Development**

Identify the new product development process for your firm or for an organization with which you are familiar. Prepare one PowerPoint slide of the process and one page that interprets the slide. This assignment comprises an element of class participation. Be prepared to present your company's process in class. Take pains to identify how this is similar to, or different from, the standard stage-gate process. This is an individual assignment.

**Class 13****Topic: Managing the Sales Force**

*Readings: Capon's Marketing Framework, Chapter 17*

**Case: Hausser Food Products Company**

Hausser Food Products Company focuses on the issue of motivation and behavior in a sales environment. The situation confronting Brenda Cooper, a regional sales manager for Hausser, is one in which she needs the support of the people below her — particularly the manager at the district level. Yet she fails to get this support.

**Discussion Questions:**

1. Will Jay Boyar provide or withhold critical information about the Florida sales district? Why?
2. Why did this state of affairs occur?
3. What actions should Hausser take?

**Assignment due: HE3: Economic Value to the Customer****Class 14****Topic: Integrated Communications**

*Lecture:* We examine various aspects of integrated communications: advertising, sales promotion, direct marketing, and on-line marketing.

*Readings: Capon's Marketing Framework, Chapters 15 and 16*

**Class 15****Topic: Pricing**

Pricing is a critical firm decision. We discuss both the strategic and tactical aspects of pricing and describe factors that affect pricing decisions.

*Readings: Capon's Marketing Framework, Chapters 20 and 21*

**Case: Harper Chemical Company, Inc.****Discussion Questions:**

1. How good is the product?

2. What obstacles has Harper encountered in developing the market for Domonite?
3. In what segments does Domonite offer the greatest economic value for customers?
4. Is Harper's pricing strategy sound? What changes should it make?
5. Should Harper try to sell the Domonite operation?
6. If the decision is not to sell the Domonite operation, what changes should Harper make in the current sales program?

**Class 16****Topic: Branding**

Why did Philip Morris acquire Kraft for nearly \$13 billion, more than 600% over book value? What explains the \$26 per share IPO for Ralph Lauren? What is Nike's real asset? We discuss the role of brands in consumers' evaluation of products. We show that brands have value to the firm and its customers — these values can be measured and managed.

*Readings: Capon's Marketing Framework, Chapter 11*

**Case: The Global Branding of Stella Artois**

Interbrew developed into the world's fourth-largest brewer by acquiring and managing a large portfolio of national and regional beer brands in markets around the world. More recently, senior management decided to develop one of their premium beers, Stella Artois, as a global brand. This case examines the early stages of Interbrew's global branding strategy and tactics in the context of a fragmented but consolidating industry.

**Discussion Questions:**

1. Does it make sense for Interbrew to develop a global brand?
2. Does Stella Artois appear to be the right choice for the company's flagship brand?
3. If Stella Artois is the right choice, how would you go about developing a global branding strategy for the brand?

**Class 17****Topic: Marketing Services**

*Readings: Capon's Marketing Framework, Chapter 13*

**Case: Harrah's Entertainment, Inc.**

In May 2000, Phil Satre is assessing Harrah's strategy<sup>[nc1]</sup>. Harrah's has been very successful — recently, 50% growth in revenue and 100% increase

in profits and stock price. Now he is wondering whether these results were a one-shot event or could be achieved every year, even if competition copies Harrah's methods.

**Discussion Questions:**

1. How effective are database-marketing programs?
2. Will they continue to be effective?
3. What are the social consequences of Harrah's products? Is this Harrah's problem?
4. What, if any, are the issues involved in using customer-level data?

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**Class 18**

**Topic: Key/Strategic Account Management**

We discuss recent critical organizational developments based on the recognition that customers are critical organizational assets.

*Readings: Capon's Marketing Framework, Chapter 17, first section*

**Case: The Case of the Pricing Predicament  
Van Leer Packaging Worldwide: The  
Total Account (A) and (B)**

Van Leer supplies packaging to oil, chemical, and other industries around the world. One of its major accounts is Total, the major French oil company. Total has embarked on a global purchasing initiative and is negotiating a contract for steel drums.

**Discussion Questions:**

1. How do you assess Van Leer's prospects for winning the Total account?
2. What makes you think that Van Leer will or will not win the Total business?
3. What factors have led to this state of affairs?
4. What should Van Leer do?

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**Course Integration**

**Class 19**

**Topic: Total Integrated Marketing Case**

*Readings: Capon's Marketing Framework, Chapters 22 and 23*

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

Rana Talwar, head of Citibank's Asia Pacific Consumer Bank, was considering launching 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, on 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 should it 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 \$100million earning target by 1990?

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**Class 20**

**Topic: Innovative Marketing Strategy Presentations  
and Course Summary**

*Readings: Capon's Marketing Framework, Chapters 15 and 24*

**Assignment due: HE4: Market Strategy —  
Innovative Marketing Strategies**

*Lecture:* This session will be used to summarize the course.

## C. Advanced Marketing Strategy — I

**Course description.** This course builds upon your work in the core marketing course. The goal of the course is to prepare you for making critical strategic marketing decisions in today's modern corporation. As you know from your studies thus far, the environment that firms face is becoming ever more complex and fast-changing. Hence the job of attracting, retaining, and growing customers and increasing shareholder value is ever more important, but ever more difficult. Clear thinking and decisive decision-making is the critical currency for entrepreneurs and practicing managers.

In this fast-changing environment, the number of alternative actions or strategies available to managers is substantial. One consequence of this variety is that managers must learn how to allocate and concentrate available resources. This is a particularly challenging task for marketing executives, positioned at the crucial interface between senior management, with its diverse mix of motives and responsibilities, other functional areas within the enterprise, and a constantly changing set of external forces, including customers, competitors, and regulators.

To achieve competitive advantage in this environment, marketing plans and strategies must be data and analytically based, comprehensive, actionable, and flexible, as well as understood and supported by senior management. With such diverse requirements, it should not come as a surprise that many well-conceived strategies and their related implementation plans and programs fall far short of achieving their objectives.

This course is designed to help you develop knowledge and skills necessary to develop marketing strategy at the business (in contrast to product) level. Emphasis will be on planning for a three-to-five-year horizon. The course will provide you with hands-on experience in using welldeveloped processes to create strategy. Material will be particularly relevant to third- and fourth-term MBA students who expect to be responsible for developing and/or assessing marketing strategy as owners, employees, and consultants.

Specific course objectives include:

- providing insight into the role of marketing in strategy development at the highest levels of an organization;
- enhancing knowledge and skills necessary to understand and apply the frameworks, concepts, and methods used in the development of effective marketing strategy;
- gaining practical experience in the application of processes used to develop strategy;
- discussing the internal and external barriers to strategy implementation, as well as approaches to overcoming these barriers; and
- enhancing students' skills in verbal and written persuasion, in the final analysis, the only way to influence management decisions.

We shall achieve these objectives by developing powerful frameworks to help you make critical strategic marketing decisions. Learning will come from five modes: lecture/discussion, case studies, a marketing simulation, guest speakers, and a group class project on an organization of your choice. Class participation during lectures and meaningful contributions to the case discussions are extremely important.

**Course materials.** These comprise a set of cases, reading assignments, and analytic materials for

developing marketing strategy development. Students will receive a hard-copy set of PowerPoint slides for lecture/discussion sessions. The complete materials set includes:

- Capon, Noel, *The Marketing Mavens*, New York: Crown Business, 2007
- Capon, Noel, *Capon's Marketing Framework* (cmf), Bronxville, NY: Wessex.
- Capon, Noel, *The Virgin Marketer: Create Your Market Plan* (tvm), Bronxville, NY: Wessex, 2013
- *The Case Method in Marketing Management*, Columbia Business School. Secure from [www.wessexlearning.com](http://www.wessexlearning.com)
- *Marketing Case Packet*
- Hard-copy PowerPoint slides — available class by class

Ideally, students should read *The Marketing Mavens* before the course commences. Students may purchase hard-copy versions of both *Capon's Marketing Framework* and *The Virgin Marketer: Create Your Market Plan* from [www.wessexlearning.com](http://www.wessexlearning.com); these books are also available from the bookstore. The website also offers limited-time access (6 months) to electronic versions of both books at lower prices. Students who purchase *The Virgin Marketer: Create Your Market Plan* (hard copy or electronic) will be able to access a PowerPoint file containing the book's templates. *The Case Method in Marketing Management* is available (at no cost) from this site.

Related materials that students may also find valuable are:

- Hulbert, James, Noel Capon, and Nigel Piercy, *Total Integrated Marketing*, New York: Free Press, 2003
- Day, George S., *The Market Driven Organization: Understanding, Attracting, and Keeping Valuable Customers*, Free Press, 1999
- Aaker, David A., *Strategic Market Management*, Free Press, 1995
- Fahey, Liam, *Outwitting, Outmaneuvering and Outperforming Competitors*, New York: Wiley, 1999

**Markstrat simulation.** <http://www.stratxsimulations.com>. For this simulation, students are assigned to one of five teams, typically two to four students per team. Each team competes against the four other firms in its industry. Depending upon 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. You will be required to provide information on your plans and on your decision-making processes. 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 presentation on their objectives, strategies, action programs, and performance and will identify members' key learning.

#### Evaluation.

- Class Participation 15% (individual)
- Individual Innovation Paper 35% (individual)
- Strategic Marketing Plan 50% (groups of 3-5)

**Class participation.** This element of the grade depends on the quality of your preparation and contributions. Highly valued contributions include asking insightful questions about lecture material or assigned chapters and readings, 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 generic learning points from a particular case or class discussion.

Assigned chapters are intended to provide the framework for understanding fundamental concepts and examples of their usefulness. The text is intended to prepare you for case discussions and class participation. Please go over the material prior to class. In general, lectures will not duplicate the textual material; they will supplement and embellish the text and offer alternative viewpoints.

From time to time, you may be asked to answer one or two questions in writing during class. These "quizzes" are designed to provide the instructor with feedback regarding your understanding of essential concepts and ideas. Answers will be considered in determining your final Class Participation grade.

**Individual innovation paper.** Peter Drucker famously said that business has only two functions — marketing and innovation. This assignment focuses on innovation. Each student prepares a paper that identifies, describes, and assesses the value of an innovation of his or her choice. This may be a product

innovation, but it may also be a marketing innovation, a new business model, or some other type of innovation. Papers should be in essay form and be as comprehensive as possible. They should be typed and not exceed four pages (excluding exhibits).

**Strategic market plan.** Preparation of a strategic market plan is an essential part of this course. Drawing on your individual and collective learning experience, you will complete the process necessary to develop effective and efficient marketing strategy. Some of the frameworks derive directly from your learning in the core marketing course. The full set of frameworks for the analysis that you will need to complete the plan are in *The Virgin Marketer: Create Your Market Plan*, Chapters 1 – 11; these chapters correspond to chapters in *Capon's Marketing Framework*.

Self-selected teams consisting of no more than four students will prepare and present each plan. Each team will select a new or existing business and prepare a market strategy. Give careful thought to selecting the product/market for your project; that way you will derive maximum benefit from your efforts. Markets need not be limited to the U.S. The essential task is to establish objectives and develop strategies for reaching these objectives, using concepts, processes, and methodologies taught in the course. The end product is a strategic marketing plan for the business.

Ordinarily, you will develop the plan using secondary data sources and information in the public domain, but it can also be based on field research or interviews and data collection within an organization. The project should provide a significant learning experience for all members of the team. Please discuss your options and your progress with the instructor.

Submit the project (which must be typed); please print pages back to back. Completed hardcopy projects must include an Executive Summary, complete with appropriate charts, graphs, and figures. The final document should be simply stapled — plastic covers, page dividers, and so forth are not acceptable. Electronic files are not acceptable. Note that the exercises in Appendix 2 are for student feedback and should not be handed in.



The plans will be evaluated according to the following criteria:

- Quality of the analysis — were the right questions asked?
- Feasibility of conclusions or recommendations — do they follow from the analysis?
- Evidence of mastery of the frameworks, concepts, and methods developed during the course.
- Effectiveness of the written and verbal presentation of the report.

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 15 minutes. Effectiveness of the verbal presentation, including materials used, will represent 25% of the total project grade.

Early in the semester, you submit a project proposal; the purpose of this document is to get you moving on the project. The document is no more than a single page and should include team members (with phone numbers and e-mail addresses), the name of the firm/brand/product you intend to make the focus of your efforts, any contacts within the firm you are hopeful of using, and anything else you think is relevant.

## Class Schedule

### Class 1

Topic: **Course Introduction**

### Class 2

Topic: **A Framework for Strategic Marketing: Marketing Imperatives, Marketing Principles, and an External Orientation**

Readings: *Capon's Marketing Framework*, Chapter 1

### Class 3

Topic: **Introduction to MARKSTRAT**

Readings: From <http://www.stratxsimulations.com>  
Bring laptops to class.

### Class 4

Topic: **Framing out the Class Project**

Readings: *The Virgin Marketer: Create Your Market Plan*

### Class 5

Assignment: **Project proposal due**

Topic: **Tools and Concepts for Strategic Marketing**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapters 8 and 11

### Class 6

Topic: **Setting Market Strategy and Securing Competitive Advantage**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapter 5  
Case: The Arden Company

### Class 7

MARKSTRAT: **Decision 1 due**

Topic: **Understanding Customer Evolution**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapter 4  
Case: Merck Procurement (A)

Guest: Howard Richman, *Executive Director, Marketing and Commercial Services Procurement, Merck*

### Class 8

Topic: **A Complete Market Strategy**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapters 8 and 9

### Class 9

MARKSTRAT: **Decision 2 due**

### QUIZ

Topic: **How Markets Develop**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapter 3

### Class 10

Topic: **Determine and Recommend Which Markets to Address**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapter 7

### Class 11

MARKSTRAT: **Decision 3 due**

Topic: **Determine and Recommend Which Markets to Address (concluded) Developing Competitive Strategy through the Product Life Cycle**

Readings: *Capon's Marketing Framework*, Phil Park <phil.wpark@gmail.com>, Chapter 10

**Class 12**

*Topic: Developing Competitive Strategy through the Product Life Cycle*

*Case: EMI and the CT Scanner (A) and (B)*

**Class 13**

**MARKSTRAT: Decision 4 due**

**QUIZ**

*Topic: Developing Competitive Strategy through the Product Life Cycle (concluded)*

**Markstrat: Taking Stock, Student Meetings**

**Class 14**

*Topic: Market Strategy and Securing Competitive Advantage*

*Case: Newlines A*

*Readings: Capon's Marketing Framework, Phil Park <phil.wpark@gmail.com>, Chapters 8 and 9 revisited*

**Class 15**

**MARKSTRAT: Decision 5 due**

*Topic: Implementing Strategic Marketing in a Major Corporation*

*Readings: Capon's Marketing Framework, Phil Park <phil.wpark@gmail.com>, Chapter 22*

*Guest: Sam Moed, Senior VP, Worldwide Strategy and Operations, Bristol-Myers Squibb*

**Class 16**

*Topic: Strategic Account Management*

*Case: The Case of the Pricing Predicament*

**Class 17**

**MARKSTRAT: Decision 6 due**

*Topic: Managing through the Life Cycle: Decline*

*Guest: Ron Boire, President, Toys "R" Us*

**Class 18**

*Topic: Strategic Account Management*

*Case: Van Leer Packaging Worldwide: The Total Account (A) and (B)*

**Class 19**

**MARKSTRAT: Decision 7 due**

*Topic: Monitoring and Controlling Firm Performance and Functioning*

*Readings: Capon's Marketing Framework, Phil Park <phil.wpark@gmail.com>, Chapter 23*

**Class 20**

*Topic: Monitoring and Controlling Firm Performance and Functioning*

*Guest: Alan Fortier, CEO, Fortier Associates*

**Class 21**

*Topic: MARKSTRAT Review*

**Class 22**

*Assignment: Innovation paper due*

*Topic: Course Review*

**Class 23**

*Assignment: Term Project due*

*Topic: Class Projects, Student Presentations*

**Class 24**

*Topic: Class Projects, Student Presentations (continued)*

## C. Advanced Marketing Strategy — II

*Developing and Executing the Market Strategy, B760 [877v]*

This course outline provides links to various materials (videos and PDFs) that are integral to the course. You may access these materials at [www.axcessvids.com](http://www.axcessvids.com). Each item is identified by a four-digit alphanumeric code, like the course introduction video (above). You may wish to bookmark the website.

**Course description.** This capstone market strategy course is especially designed for both EMBA and MBA students. The course is offered in an intensive block-week format. The course combines significant market strategy content together with **Markstrat**, a market strategy computer simulation. Course hours are 9.00 a.m. – 6.30 p.m., Monday through Thursday; we finish somewhat earlier on Friday. Students are required to complete course pre-work and to set aside time for evening work, Monday through Thursday; there is a post-course examination.

The course builds upon the core marketing courses — B6601 and B7601. This course goal is to prepare you for making critical strategic marketing decisions in today's modern corporation — established or startup. The environment firms face is increasingly complex and fast changing. Hence, the job of attracting, retaining, and growing customers, earning profits, and increasing shareholder value, is ever more important, but ever more difficult. Clear thinking and decisive decision-making are critical currencies for practicing managers and entrepreneurs.

In increasingly difficult environments, thoughtful managers can construct substantial numbers of strategic options. A critical consequence of this variety is that managers must learn how to allocate and concentrate available resources. This task is particularly challenging for marketing executives, positioned at the crucial interface between senior management, with its diverse mix of motives and responsibilities, other functional areas, and constantly evolving external environmental forces.

To secure differential advantage, market strategies and plans must be data driven, analytically based, comprehensive, actionable, and flexible, but also understood and supported by senior management. With such diverse requirements, it is no surprise that many well-conceived market strategies and implementation plans and programs fall far short of achieving their objectives.

This course is designed to help you develop the knowledge, skills, and abilities (KSAs) necessary to create and implement market strategy. We emphasize planning for a three-to-five-year time horizon. You receive hands-on experience in using well-developed processes to create market strategy. Course content is particularly relevant for students who seek responsibility for developing, executing, and/or assessing market strategy as owners, employees, and/or consultants.

Specific course objectives include:

- Provide insight into marketing's strategy development role at high organizational levels;
- Enhance the KSAs necessary to understand and apply critical frameworks, concepts, and methods for developing effective market strategy;
- Gain practical experience in applying systems and processes to develop market strategy;
- Discuss internal and external barriers to strategy implementation, and approaches for overcoming these barriers;
- Enhance student skills in verbal and written persuasive communications.

Because of the concentrated nature of the course, students are expected to clear their calendars for the entire week, including evening time to watch class videos and prepare presentations. Students will have time to make/take critical telephone calls in

mid-morning/afternoon breaks and at lunchtime. Students are expected to commit to the course; the reward for commitment is significant learning.

**Markstrat simulation and presentation.** For the **Markstrat** simulation [492v], each student (as a member of a team) is assigned to a firm that competes against four other firms in its industry. In this course, we shall operate two parallel, independent industries — *Othello* and *Juliet*. The starting positions of firms within each industry are different but roughly equivalent in terms of strengths and weaknesses, opportunities and threats. Each firm makes decisions over eight periods (years). You secure marketing research information, assess likely competitor reactions to your potential moves, and make strategic marketing decisions accordingly. Because you play the simulation during eight periods, you are able to measure the results — sales, market share, profit contribution, share price — of your decisions, and evolve your objectives, strategies and implementation programs in real time. For this course, we shall form two industries — *Othello* and *Juliet*: firm starting points are identical in the two industries. The instructor will form **Markstrat** teams. Based on anticipated enrollment, most teams will comprise four students.

At the conclusion of the simulation, each team prepares a presentation — objectives, strategies, action programs, performance — and identifies key learning points. Presentations will be graded.

#### Assignments

Five group assignments are (due with Markstrat Decision as noted):

- **Assignment A: Short-term planning. Pro Forma P&L for one of your brands** (Decision 2)
- **Assignment B: Competitive insight. Pro Forma P&L for a competitor brand** (Decision 3)
- **Assignment C: Firm Assessment** (after Decision 4)
- **Assignment D: Perceptual Mapping** (after Decision 4) — in class discussion
- **Assignment E: Medium-term planning. Pro Forma P&L for your firm** (Decision 6)

Each Assignment is explained in a separate document, and is posted on Canvas with supporting files. All Assignments **MUST** be delivered in hard copy to the **Markstrat** Administrator. Be sure to include your

industry and firm identifier on each page of each assignment. You should clearly state the assumptions on which your projections are based.

**Class participation.** Students are expected to attend each and every class session, and each and every team meeting. If you cannot attend any session because of an emergency situation, you **MUST** advise the Instructor or Senior **Markstrat** Administrator beforehand. The class participation element of the grade depends on the quality of your preparation and contributions. Highly valued class contributions include asking insightful questions about videos, presentation/lecture/discussion material, and assigned chapters; redirecting discussion when the current point has been adequately covered; and being deeply involved in team discussions for **Markstrat** decisions.

Each team will be assigned a topic to be presented in class. Assigned videos and textbook chapters are intended to provide the frameworks for understanding fundamental strategic marketing concepts, and offering examples of their usefulness. The videos and textbook chapters are intended to prepare you for the **Markstrat** simulation. **Please ensure you watch the assigned videos and read the appropriate chapters prior to class.** In the *flipped-classroom* approach that we use, class sessions are designed to explore issues raised in the videos. Assigned student teams are responsible for initiating and moderating class discussion, sourcing related examples, formulating questions for the instructor, and generally seeking to delve more deeply into the core topic and related topics. Student teams should assume that **ALL** students have watched the videos; they should use the videos as a starting point. **Student groups should NOT simply regurgitate material from the videos.** Two student teams are assigned to each of the five topics; each group presents and moderates discussion. Class sessions help prepare and support students during the **Markstrat** simulation. After each group has completed its presentation/discussion, the instructor will summarize the topic. Each team should send its presentation to the Senior **Markstrat** Administrator; they will be placed on Canvas so all students may share their work with each other. **Please reread this paragraph to ensure you prepare appropriately.**

**Final examination.** After the formal class sessions are concluded, students will complete an individual take-home examination — due date — **May 8**. The examination will test your ability to integrate material from the videos and presentation/lecture/discussion sessions with your experience in the **Markstrat** simulation. Students who commit to the class are expected to do well in the examination.

**Course evaluation.**

• Class Participation	20% (individual)
• Markstrat Performance and Final Presentation	40% (group)
• Assignments	20% (group)
• Final Examination	20% (individual)

**Course materials.** The course is based on experience in working with major corporations to develop market strategy-making skills in senior and mid-level executives. Student learning comes from watching pre-class videos; presentation/lecture/discussion sessions; preparing and discussing class presentations; and from the role the **Markstrat** simulation plays in providing you with experience in developing and implementing market strategy. You will receive access to the **Markstrat** participant manual before the course commences. **YOU MUST READ THE MARKSTRAT MANUAL THOROUGHLY BEFORE THE FIRST CLASS SESSION.**

Key concepts and ideas are in *Capon's Marketing Video Book*, available from [www.wessexlearning.com](http://www.wessexlearning.com). They are also available in written form in *Capon's Marketing Framework*. Books for the course are:

- Capon, Noel, *Capon's Marketing Video Book* (cmvb), Bronxville, NY: Wessex, 2014: \$99.70
- Capon, Noel, *Managing Marketing in the 21st Century* (mm21c) (longer) or *Capon's Marketing Framework* (cmf) (shorter), (3rd editions), Bronxville, NY: Wessex, 2012: \$49.70 – Printed book/PDF-ebook

Note: Students may find it useful to prepare for the course by reading:

- Capon, Noel, *The Marketing Mavens*, New York: Crown Business, 2007 (an easy read designed for practicing managers)

Students may secure PowerPoint slides for presentation/lecture/discussion sessions from Canvas.

Related Materials that students may also find valuable are:

- Aaker, David A. *Strategic Market Management*, Free Press, 1995
- Day, George S., *The Market Driven Organization: Understanding, Attracting, and Keeping Valuable Customers*, Free Press, 1999
- Fahey, Liam, *Outwitting, Outmaneuvering and Outperforming Competitors*, New York: Wiley, 1999
- Hulbert, James, Noel Capon, and Nigel Piercy, *Total Integrated Marketing*, New York: Free Press, 2003

#### **Important notes**

- Professor Capon has an extremely bad memory for names. Hence, please be sure to bring your name card to **EACH** and **EVERY** class session.
- Before the class commences, this course outline is a work in progress. Be sure to download the final version the day that the class starts.
- All students in this class are very busy people. Regardless, please do not work on your e-mail or other non-class activities during class sessions. This request applies both to presentations by and by fellow students and the instructor.
- Turn in your final examination as a Word file or PDF. Make sure your name, firm, and industry is on the file.

- Any course at Columbia Business School is, in some sense, a work in process. We try to enhance the learning in each successive course offering. In this regard, we shall be collecting data by questionnaire during the week. A researcher may also sit in (unobtrusively) on team meetings, and may record some of your deliberations. You will not be personally identified, nor will the instructor have access to data until long after the course is completed and grades are submitted.

#### **\*\*\*IMPORTANT\*\*\***

**Access the MARKSTRAT Participant Manual (msh)**

**Read MARKSTRAT Manual**

**Watch MARKSTRAT videos, Part 1 and Part 2**

**Bring laptop to every class**

**Note: You will be making the first decision during the first class period on Monday morning. Good preparation is critical so please take the foregoing instructions seriously.**

**MARKSTRAT Introduction – Part 1 [381v]**

**MARKSTRAT Introduction – Part 2 [786v]**

## Class Schedule

- Before the course starts:
- Secure **MARKSTRAT** Participant Manual (msh)
  - Watch video: **Introduction to MARKSTRAT: Parts 1 and 2**
  - Readings: *msh*, All Chapters
  - Watch *cmvb* – Chapter 1: **Managing Markets Strategically**
  - Readings: *mm21c* or *cmf*, Chapters 1, 2

Time	Topic
<b>DAY 1</b>	
9:00 a.m.	<b>Course Introduction</b> – Bring laptops to class
9.15 a.m.	<b>Introduction to MARKSTRAT – 1</b> – Prof. Capon/Kishore Pasumarty
10.00 a.m.	Break
10.15 a.m.	<b>MARKSTRAT: Make Decision 1</b>
12.30 p.m.	<b>MARKSTRAT: Decision 1 due</b>
12.30 p.m.	Lunch
1.30 p.m.	<b>Managing Markets Strategically: Marketing Imperatives, Marketing Principles, External Orientation:</b> Discuss video – Prof. Capon
2.30 p.m.	Break
2.45 p.m.	<b>Introduction to MARKSTRAT – 2: Discuss Period 1 Results</b> – Prof. Capon/Kishore Pasumarty
3.45 p.m.	Break
4.00 p.m.	<b>MARKSTRAT: Make Decision 2 and Complete Assignment A</b> [959p]
6.30 p.m.	<b>MARKSTRAT: Decision 2 due</b>
7.00 p.m.	<b>Assignment A due</b>
7.00 p.m.	<b>End of Day</b>
<i>Preparation:</i> Watch <i>cmvb</i> – Chapter 7: <b>Determine and Recommend Which Markets to Address</b>	
<i>Readings:</i> <i>mm21c</i> or <i>cmf</i> , Chapter 7	
<b>DAY 2</b>	
9.00 a.m.	<b>Determine and Recommend Which Markets to Address</b> – Prof. Capon Student moderators: <i>Othello</i> – Firm M; <i>Juliet</i> – Firm T
10.15 a.m.	Break
10.30 a.m.	<b>MARKSTRAT: Decision 2 Results and Discussion</b> – Prof. Capon/Kishore Pasumarty
11.15 a.m.	<b>MARKSTRAT: Make Decision 3 and Complete Assignment B</b> [315p]
12.30 p.m.	<b>Working Lunch</b>
3.00 p.m.	<b>MARKSTRAT: Decision 3 and Assignment B due</b>
3.00 p.m.	Break
3.15 p.m.	<b>MARKSTRAT: Decision 3 Results and Discussion</b> – Prof. Capon/Kishore Pasumarty
4.00 p.m.	<b>MARKSTRAT: Make Decision 4</b>
6.30 p.m.	<b>MARKSTRAT: Decision 4 due</b>
6.30 p.m.	<b>End of Day</b>

*Preparation:* Watch *cmvb* – Chapter 8: **Market Segmentation and Targeting**

Watch *cmvb* – Chapter 9: **A Complete Market Strategy**

*Readings:* *mm21c* or *cmf*, Chapters 8, 9

Time	Topic
<b>DAY 3</b>	
9.00 a.m.	<b>Market Segmentation and Targeting</b> – Prof. Capon Student moderators: <i>Othello</i> – Firm S; <i>Juliet</i> – Firm L
10.15 a.m.	Break
10.30 a.m.	<b>MARKSTRAT: Prepare Assignment C [172p]</b>
11.30 p.m.	<b>MARKSTRAT: Assignment C due</b>
11.30 p.m.	<b>MARKSTRAT: Decision 4 Results and Discussion</b> – Prof. Capon/Kishore Pasumarty
12.00 p.m.	Lunch
1.00 p.m.	<b>A Complete Market Strategy</b> – Prof. Capon Student moderators: <i>Othello</i> – Firm T; <i>Juliet</i> – Firm R
2.15 p.m.	<b>MARKSTRAT: Discuss Assignment D [724p]</b> – Prof. Capon
3.00 p.m.	Break
3.15 p.m.	<b>MARKSTRAT: Make Decision 5</b>
6.30 p.m.	<b>MARKSTRAT: Decision 5 due</b>
6:30 p.m.	<b>Course reception</b> , Feldberg Lounge
7.30 p.m.	<b>End of Day</b>

*Preparation:* Watch *cmvb* – Chapter 10: **Managing through the Life Cycle**

*Readings:* *mm21c* or *cmf*, Chapter 10

Prepare questions for *Ask the Professor* session

Start preparing final presentation

#### DAY 4

9.00 a.m.	<b>Managing through the Life Cycle</b> – Prof. Capon Student moderators: <i>Othello</i> – Firm L; <i>Juliet</i> – Firm M
10.15 a.m.	Break
10.30 a.m.	<b>MARKSTRAT: Decision 5 Results and Discussion</b> – Prof. Capon/Kishore Pasumarty
11.15 a.m.	<b>MARKSTRAT: Make Decision 6 and Complete Assignment E [223p]</b>
12.30 p.m.	<b>Working Lunch</b>
2.45 p.m.	<b>MARKSTRAT: Decision 6 and Assignment E due</b>
2.45 p.m.	Break
3.00 p.m.	<b>Ask the Professor!</b> – Prof. Capon
4.00 p.m.	<b>MARKSTRAT: Decision 6 Results and Discussion</b> – Prof. Capon/Kishore Pasumarty
4.30 p.m.	<b>MARKSTRAT: Make Decision 7</b>
6.30 p.m.	<b>MARKSTRAT: Decision 7 due</b>
6.30 p.m.	<b>End of Day</b>

*Preparation:* Watch *cmvb* – Chapter 22: **Monitor and Control**

*Readings:* *mm21c* or *cmf*, Chapter 22

Time	Topic
<b>DAY 5</b>	
9.00 a.m.	<b>MARKSTRAT: Decision 7 Results and Discussion</b> – Prof. Capon/Kishore Pasumarty
9.30 a.m.	<b>MARKSTRAT: Make Decision 8</b>
11.00 a.m.	<b>MARKSTRAT: Decision 8 due</b>
11.00 a.m.	Break
11.15 a.m.	<b>Monitor and Control</b> – Prof. Capon Student moderators: <i>Othello</i> – Firm R; <i>Juliet</i> – Firm S
12.30 p.m.	<b>Working Lunch and Prepare Final MARKSTRAT Presentation</b>
1.30 p.m.	<b>Prepare Final MARKSTRAT Presentation</b>
2.15 p.m.	<b>Meet in Classroom: Course Evaluation</b>
2.30 p.m.	Break
2.45 p.m.	<b>Final MARKSTRAT Presentations – 15 minutes per firm</b> – Prof. Capon/Kishore Pasumarty
5.30 p.m.	<b>End of Course</b>

**Final check:** Please ensure your firm has sent its “chapter” presentation to the Senior **Markstrat** Administrator for posting on Canvas.

**Note:** The course ends when the course ends. The course **Does Not End** when your **Markstrat** team has made its presentation!