

Marketing Management MKT430

Visiting Professor - Philip C Zerrillo Ph.D.

This course is intended to introduce you to the essentials of marketing: how firms and consumers behave and what strategies and methods marketers can use to successfully operate in today's dynamic environment. Specifically, the course goals are:

- To introduce students to the language of marketing.
- To expose students to the common problems that Marketers face.
- To define the strategic role of marketing in the firm.
- To introduce students to the key elements of marketing analysis and provide a sound conceptual and theoretical “tool kit” for analyzing marketing problems.
- To advance your understanding of the marketing process and the way that a marketer thinks and views the world.

Course Organization

There are three main components of this course:

- **Class sessions:** Classes will involve a blend of lectures and case discussions. Students are expected to contribute to the class discussions based on their own business experiences and their preparation of the required readings.
- **Teamwork:** A significant amount of the work for this course will be done in teams. Although this work is done entirely outside the classroom, students' contributions to these efforts are considered an integral aspect of the course.
- **Individual work:** In addition to preparing for class sessions and group activities, students will do two assignments on an individual basis.

Groups

As noted above, teamwork is an essential component of the course. Groups will be formed during the first week of class. Groups should be 4-5 students each. To ensure equal participation on group projects, team members are requested to evaluate each other's performance using the Team Evaluation Form. This form is to be submitted anytime after the completion of the last group assignment and before the deadline for the final exam.

Final Exam

The final exam is a case analysis. The case will be distributed in week 9. This is a take-home assignment. The case analysis format and grading criteria are the same as for cases discussed in class. The due date of the case is the date/time assigned for the final exam. Early submissions are welcome.

Course Readings

The course pack is required and may be purchased at the bookstore. Additionally, students are expected to read all materials posted on Blackboard (B-Board).

There is no required Book for this course

In addition, the following textbook is recommended for your library of business books: Philip Kotler and Kevin Lane Keller, *Marketing Management, 12e*, Prentice Hall, 2006. This book provides a comprehensive general background on marketing and is a good reference. A few chapters from this book are included in the course packet. These are the only chapters that are required reading so it is not necessary to purchase the book for the course. Note: this is a book that has been a required in most introductory MBA programs around the world for nearly 30 years. Several of the chapters have been modified and will be included on your B-Board readings.

Another book for your library is *Kellogg on Branding* (ed. Alice M. Tybout and Tim Calkins), Wiley Books, 2005. You will receive a complimentary copy of this book at the beginning of the quarter. Because you will be receiving the book, the assigned chapters in it have not been duplicated in the course packet.

Grading

Each student's overall course grade will be based upon the following:

- Class contribution 15%
- Quantitative analysis (individual) 10%
- Datril case write-up (consult with group, individual paper) 5%
- Calyx & Corolla case write-up (group) 10%
- Ford KA case (group) 15%
- Pavichevich Brewing (group) 15%
- Final exam (individual) 30%

Case write-ups are graded on a scale from 0 to 15. The grades are interpreted as follows:

- 15.0 Perfect
- 14.0-14.9 Excellent
- 13.0-13.9 Very good
- 11.0-12.9 Good
- 9.0-10.9 Fair
- 7.0-8.9 Mediocre
- 5.0-6.9 Poor
- 3.0-4.9 Very poor
- 1.0-2.9 Terrible
- 0.0-.09 Abysmal

Grading class participation is necessarily subjective. You are evaluated on the quality of the contributions that you make to class discussion and not on the amount of "air time" you take up per se. Please note that you will not be evaluated on questions that you ask to clarify lecture or

course material. If you have a question, chances are that the same question is on the minds of some of your classmates as well. Thus, you are doing the class a favor by asking it. The evaluation of your contributions to group work by your team mates also will be a factor in determining your class participation score.

Final grades usually range from A to C. The grading is “on the curve” and the total number of A’s in any given section will not exceed 40%. Keep in mind that your grade is not always a perfect indicator of your potential marketing skills; it simply reflects your performance on the set of specific tasks outlined above.

Attendance Policy

- Students taking this course for a credit must attend the first class.
- It is strongly recommended that students attend every class session.
- Missing more than two class sessions is strongly discouraged and may lead to a grade adjustment.
- Students are required to fill in the Class Absence Form each time they miss class. It is required that absence forms are submitted before the class session. In case of emergencies, the absence form can be submitted after the student has missed a class but no later than 2 days after that. This form is available at the course web site.

Honor Code and Classroom Etiquette

In addition to Kellogg's Honor Code, the following rules apply to this class:

- Discussion cases may be prepared in groups or individually.
- Written cases are to be prepared by group members only. The cases are not to be discussed with out-of-group members.
- The final exam should be done individually.
- To provide an optimal learning experience, students are asked to refrain from using laptops during class sessions except to take notes.

Glossary: The following are a series of terms we will encounter during this course.

Black markets- Black markets refer to markets for illegal goods. They are generally illegal because they are forbidden by law to be traded in the legal area (alcohol may be prohibited in a community), or between the various parties (you can not sell cigarettes to minors) or they are counterfeit (the products are fakes). The strength and enforcement of these laws has a great deal to do with their size and prevalence.

Cannibalization- we will often use this term to refer to a products capacity to "steal" or take sales from existing products. This term is generally used to discuss the cannibalization which may occur with your own existing products (generally not favorable), however it can also be used to discuss the ability to steal sales from competitor's products.

Channel captain- This refers to a firm that acts as the leader or key decision maker for a products distribution channel.

Channel diplomat- A firm which acts as peace keeper or attempts to settle channel conflicts. They may or may not be the channel captain.

Failure fees- Retailers often request that a manufacturer guarantee them a specified return on their shelf space. To insure that they do not lose money when a new product introduction is a flop, retailers may mandate a failure fee.

Forward buying on deal- This is a strategy often employed by retailers in an effort to take advantage of the manufacturer's trade promotion. Example a case of coke normally sells for \$8.00 at the retail level. The retailer generally pays \$7.00 for the case. Coke decides to run a promotion to help the retailers build store traffic. So, for a limited time they offer coke at a price of \$4.00 per case to the retailer with the agreement that during the promotion period the retailer will sell coke at a retail price of \$4.99 per case. The retailers buy more of the product than they need for the promotion period and store it for future sale. This is the process of forward buying. The retailers can either use this to reduce the price to the consumer in the future and stimulate store traffic, customer loyalty etc. or they can sell coke at the regular \$8.00 per case and reap artificially high returns. (Note: additionally, large retailers with substantial warehouse space mace in turn sell excess inventory to other retailers- creating a "Gray Market")

Functions- are tasks performed by the entity being discussed. I will often talk about "performing functions" as a way of discussing the work to be performed by a business unit.

Gray Markets- These are products which have been diverted from the markets or customers for which they were otherwise intended. (that is, they are products or service that show up where

they were not supposed to.) Gray markets, unlike black markets, are quasi legal, as they generally represent the overstepping or circumventing of a commercial agreement rather than a government law. As an example a distributor that sells their product to customers outside of their assigned territory is engaging in a gray market. It may not be illegal, but it certainly is in violation of their distribution agreement.

Horizontal integration- Taking over of firms at the same level of the vertical system. Say, if a Safeway corporation took over 7-11

Intermediaries- refers to any of the actors, or firms, which exist between the point of extraction or production and the point of consumption. This term will often be used to refer to the myriad of actors between the manufacturer and the consumer (dealer, broker, agent wholesaler, retailer,...).

Market Cap- This is equal to the net shares outstanding times the market price.

Mix variables- This refers to the elements of the marketing mix (product, place, promotion and price)

OEM's- Original equipment manufacturers- are firms who are involved in the manufacturing of the goods to be consumed.

Outsourcing- This term is often used to discuss the firms decision to let another firm perform certain functions for them. That is when you "farm" work out you are outsourcing. An example might be the mail or copy room at your former employers. Very often they are companies that specialize in running these centers. Another example is in the auto industry, very often a manufacturer -such as Chrysler will allow another firm to build its chassis or engines -such as Mitsubishi. Or a brewer like Samuel Adams may contract brew at several locations throughout the U.S.

Penetration strategy- when a company tries to get mass acceptance or trial of their product. Example if firm X looks at the market and decides "if we price our product at \$100 we will probably sell 20,000 units or if we sell at \$25 we can sell 80,000 units. if they choose the later price they are looking to penetrate a greater portion of the market- hence a penetration strategy.

Piggybacking- This is where one firm (or SBU) uses the distribution channel of another firm (or SBU). In doing so the firms are often able to achieve an economy of scale in their distribution task. This is a very popular method of taking products internationally. Example DuPonts' Reveal Wrap is distributed by Colgate.

Skimming Strategy- when a company attempts to collect high rents from a small segment. If the firm above priced at \$100 they would in effect be employing a skimming strategy. (we will discuss the rationale and implications for these in class)

SKU- Stock keeping unit- the smallest differentiable unit on the store-owner's shelf. Example, a 12 oz. bottle of diet coke and a 12 oz. caffeine free diet coke are separate stock keeping units. A 16 oz bottle of diet coke also constitutes a separate SKU from the 12 oz.

SBU- Strategic business unit- these are business units that can benefit from separate planning, face specific competitors, and can be managed as contained profit centers. (see chapter 2 notes)

Slotting allowances- fees paid to the retailers to get your product carried on their shelves. Technically, the slotting fee is paid to the retail firm to assist them with the expenses of putting this product into their ordering and warehouse system (i.e., racking of shelves, keying in of new product codes, and the disposal expenses incurred with scrapping old products). In the end, however, the fee is being paid with the intention of the product making it to the retail shelf.

Vertical integration- When a firm owns more than one level of the supply chain or the distribution channel. Example, when a grocery retailer opens their own warehouse to store their products in bulk before breaking them down to ship to their individual stores. The retailer has vertically integrated. Integration can be forward or backward. When a firm takes over the functions of intermediaries closer to the source of production or extraction they are integrating backward such as the grocery retailer has done. Forward integration entails performing functions closer to the end user, in example Apple has integrated forward to retail in beginning the apple stores.

Assignments

Week 1)	Lect 1	Introduction	(Overview of Marketing- Webster note on B-Board)
		-Discussion of Syllabus	Glossary of Marketing Terms
	Lect 2	Exercise 1	(Shimmerhorn quote) B-Board
		-Macro Analysis	
		--Consumption Trends	Low tech marketing Math- HBS- Robert Dolan.
		Concept of marketing	Skim Note on Consumer Demographics(B-Board)
Week2)	Lect 1	Macro Analysis	Note on Consumer demographics
	Lect 2	Competitive analysis	Read Framework for conducting competitive analysis
		--Competitive Analysis	BIC case
		Datril Case is Due Individually Thursday before class	
		For evening students this case may be submitted by Friday evening at 7pm	
Week 3)	Lect 1	Discuss Datril case	
	Lect 2	Forecasting	Read Forecasting Handout (B-Board)
Week 4)	Lect 1	Micro Analysis	
		What Consumers Think	Skim note on Consumer Information (B-Board)
		--How Consumers Make Decisions	Amsdeer Corporation (prepare for discussion)
	Lect 2	Segmentation	<u>Market Segmentation, Target Market Selection, and Positioning</u> HBS Note(9-506-019)
			Diamonds in the Data mine (Loveman) HBS Note
			Discuss Cialis Case HBS
		NOTE: Callyx and Carolla Case is due Thursday evening by 7pm	
Week 5)	Lect 1	Market Research	Getting Inside the Lives of Your Customers
			Analyzing Consumer Markets and Buyer Behavior

			Analyzing Business Markets and Buyer Behavior
Week 5	Lect 2	The Buying Process	Read posted article – The buying process
Week 6)	Lect 1	Building brands- Positioning	Three Questions to Ask about Your Brand Target strategic brand alliance exercise Brands and Brand Equity (posted B-Board) Discussion case Oldsmobile (posted B-board)
	Lect 2	Begin Pricing	Read pricing Note (hand B-Boardout) Read- Strategy and tactics of price (Packet)
Ford KA assignment Due Thursday at 6PM			
7)	Lect 1 &2	Channel Strategy --Extraction to Consumption Channels and trade promotion	Stern and El Ansary Chapter 1 (Posted B-Board) Trade promotions a call for a rational approach(BBoard)
Quantitative Analysis assignment Due (Posted B-Board)			
8)	Lect 1	Gray Markets	Gray Markets in the United States (B-Board) Competing with Gray Markets Keirsa HBS reading Merit Whisky Case A (posted B-board) Brief discussion
	Lect 2	Black markets	Merit Whisky Case B
Pavichevich Brewing assignment Due Thursday at 7 pm			
9)	Lect 1	Services	The case of the complaining customer HBS case Service Note Posted B-Board
9)	Lect 2	New Products	
10)	Lect 1	Innovation and Integration	The albatross (Posted B-Board) Corporate Fault zones (B-Board)
10)	Lect 2	Managing Integrated Communications	Building brands with effective advertise Building brands without mass media Rethinking Mkt Programs for emerging..