B8699-61 January 13-17, 2014

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## Marketing for Organic Revenue Growth

Companies in general and marketers in particular are under increasing pressure to produce two main things: effective/productive spending and “real” (organic) revenue growth. This course addresses the second issue, organic growth. More specifically, it looks at three main (and inter-related) paths to growth: new products, brand building, and customers. Participants play the role of growth consultants/Chief Growth Officers. The course is designed for people interested in management and consulting as well as in marketing.

After laying out some basic “algebra” of growth, each of the three growth paths are examined.

Participants:

1. Discuss standard cases and live (current) situations,
2. Explore specific methods designed to spur creative thinking,
3. Present examples of successful and unsuccessful growth strategies drawn from current or past practice (i.e. best and worst practices)
4. Draw practical implications from carefully selected relevant academic literature, much of it Columbia related, and present a brief synopsis of one article in class
5. Generate growth options for a specific firm as the basis for the final project.

The intended benefits/learning are:

1. To better understand how a firm can generate growth.
2. To develop systematic skills to aid in identifying and evaluating growth options.
3. To see how new product development, branding, and customer management are related.
4. To have the opportunity to think in some detail about a particular company’s strategy.
5. To develop the ability to gain insight from atypical sources.

There is one “major” project, done in groups three (± 1) in size. The project is to, for a company or division of it of your choice, a) assume you are a consultant and suggest four of each of three types of growth strategies (original on your part), b) show their implications for the other two areas (e.g., for a new product show how it links to brand and customer strategies), c) make a forecast as to the expected result, and d) pick the “best” one. This project will result in a paper (l5 page maximum) plus a presentation in the last class.

The course follows a workshop-style approach, incorporating both “metrics” (quantitative thinking) and qualitative/conceptual components. (The same logic applies to homework assignments: content is all that is required, not fancy fonts, graphics, etc.)

Grading: This is an interactive class and hence contribution to the class in terms of participation is a critical element. More specifically, grades are based on:

**Memos: (2 page max, due at the beginning of class) 40 points**

Academic article summary (5) (Individual)

Growth Strategy for Proxair (10) (Individual)

Three Sets of Success and Failure Examples (15) (Individual)

Forecasting Assignment (5) (Group)

Brand Audit (5) (Group)

**Class Participation: (Individual) 20 points**

**Term Project: 40 points**

(Group: oral presentation in last class, written report due January 27th in my office)

**Daily Schedule**

**Monday, January 13 AM**

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| AM | |
| Main Content | 1. a. Introduction 2. b. VoCollect Case   Questions:   1. 1) Why aren’t they growing faster? 2. 2) What growth option would you pursue? 3. c. Generating Growth Options |
| Readings and Cases  (to be done prior to class) | “The Immelt Revolution”, (2005) Business Week, March 28, pp 64-73  Carden, Mendonca, and Shavers, (2005) The McKinsey Quarterly  “What Global Executives Think About Growth and Risk”  Favaro and Neely, (2011) Strategy and Business Magazine  “The Winning Move in Private Equity”  VoCollect’s Talkman |
| Written Assignments Due | None |

**Monday, January 13 PM**

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| PM | |
| Main Content | a. Generating Growth Options (continued)  b. Forecasting New Product Sales |
| Readings | 1. (All) Lehmann and Winer, P. 201-202 2. Moreau and Dahl, (2005) JCR   “Designing the Solution: The Impact of Constraints on Consumer Creativity”  Toubia, (2006) Marketing Science  “Idea Generation, Creativity and Innovation” |
| Written Assignments Due | a. Graph of the FIRST 8 – 10 periods of sales data for forecasting assignment. |

**Tuesday, January 14 AM**

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| AM | |
| Main Content | 1. a. Forecasting New Product Sales (continued) 2. b. Drivers of Adoption |
| Readings  (to be done prior to class) | (All) Lehmann,  Encouraging Innovation and New Product Adoption  Carpenter and Nakamoto, (1989) JMR  “Consumer Preference Formation and Pioneering Advantage”  Moreau, Lehmann, and Markman, (2001) JMR  “Entrenched Knowledge Structures and Consumer Response to New Products”  Goldenberg, Han, and Lehmann, (2009) JM  “The Role of Hubs in the Adoption Process”  Chevalier and Mayslin, (2006) JMR  “The Effect of Word of Mouth on Sales: Online Book Reviews”  Goldenberg, Lehmann, and Mazursky, (2001) Management Science  “The Idea Itself and the Circumstances of its Emergence as Predictors of New Product Success”  Garber, Goldenberg, Libai, and Muller, (2004) Marketing Science  “From Density to Destiny: Using Spatial Dimensions of Sales Data for Early  Predictions of New Product Success”  Steenkamp and Gielens, (2003) JCR  “Consumer and Market Drivers of the Trial Probability of New Consumer Packaged Goods”  Henard and Szymanski, (2001) JMR  “Why Some New Products are More Successful than Others”  Golder and Tellis, (1993) JMR  “Pioneer Advantage: Marketing Logic or Marketing Legend?”  Golder and Tellis, (1993) JMR  “Pioneer Advantage: Marketing Logic or Marketing Legend?”  Sultan, Farley and Lehmann, (1990) JMR  “A Meta Analysis of Applications of Diffusion Models” |
| Written Assignments Due | c. Three period ahead forecasts (Linear, Bass) (group)  e. New product based examples (1 success, 1failure): (individual) |

**Tuesday, January 14 PM**

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| PM | |
| Main Content | 1. Brand Based Growth |
| Readings  (to be done prior to class) | (ALL) Keller, (2002) MSI  “ Brand Extensions”  Carpenter, Glazer, and Nakamoto, (1994) JMR  “Meaningful Brands from Meaningless Differentiation: The Dependence  on Irrelevant Attributes” |
| Written Assignments Due | a. Brand audit memo (group)  b. Memo identifying company/business to focus on for group project (group) |

**Wednesday, January 15 AM**

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| AM | |
| Main Content | a. Customer Driven Growth |
| Readings  (to be done prior to class) | (ALL) Gupta and Lehmann, pp 167-182  “Managing Customers as Investments”  Reinatz and Kumar, (2000) JM  “On the Profitability of Long-Life Customers in a Noncontractural Setting”  Prins, Verhoef, and Franses, (2009) IJRM  “The Impact of Adoption Timing on New Service Usage and Early  Disadoption”  Stahl, Heitmann, Lehmann, and Neslin (2012) JM  “The Impact of Brand Equity on Customer Acquisition, Retention and  Profit Margin” |
| Written Assignments Due | a. Brand based examples (individual) |

**Wednesday January 15 PM**

**Customer Driven Growth (Cont’d)**

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| Main Content | Customer Driven Growth  a. Evergreen Trust  1) Build a flowchart model for their customers  2) Which aspect would you work on to improve profitability? |

**Thursday, January 16 AM**

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| AM | |
| Main Content | a. a. Selecting Growth Options  b. Readings Summaries  c. Gunfire at Sea discussion |
| Readings  (to be done prior to class) | (ALL) Morison, (1966) MIT Press  “Gunfire at Sea” In Men, Machines, and Modern Times  Chandy and Tellis, (2000) JM  “The Incumbent’s Curse: Incumbency, Size, and Radical Product Innovation”  Johnson and Tellis, (2008) JM  “Drivers of Success for Market Entry into China and India”  Biyalogorsky, Boulding, and Staelin, (2006) JM  “Stuck in the Past: Why Managers Persist with New Product Failures”  Dahan, Kim, Lo, Poggio, and Chan, (2011) JMR  “Securities Trading of Concepts” (STOC)  Morgan, Slotegraaf, and Vorhies, (2009) IJRM  “Linking Marketing Capabilities with Profit Growth”  Godes and Mayzlin, (2009) Marketing Science  “Firm-Created Word-of-Mouth Communication: Evidence from  a Field Test |
| Written Assignments Due | a. Customer based examples (individual) |

**Thursday, January 16 PM**

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| PM | |
| Main Content | Praxair Growth Strategy |
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| Written Assignments Due | Memo (individual) for Praxair which  a. indicates what they should do in the specific situation  described in the memo  b. identifies three “sensible” and one “wild” growth idea for Praxair |

**Friday, January 17 AM**

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| AM | |
| Main Content | a. Implementation  b. Defensive Reactions  c. Readings Summaries |
| Readings (to be done prior to class) | Ailawadi, Zhang, Krishna, and Kruger, (2010) JMR  “When Wal Mart Enters: How Incumbent Retailers React and How this Affects Their Sales Outcome”  Carpenter and Nakamoto, (1990) Management Science  “Competitive Strategies for Late Entrants into a Market with a Dominant Brand”  Gatignon, Robertson, and Fein, (1997) IJRM  “ Incumbent Defensive Strategies”  Bahadir, Bharadwaj, and Parzen, (2009) IJRM  “A Meta Analysis of the Determinants of Organic Sales Growth” |

**Friday, January 17 PM**

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| PM | |
| Main Content | a. Project Presentations  b. Course Summary |
| Assignment Due | Group Project due January 26th |

**ASSIGNMENTS**

**Academic Articles (Individual)**

A large body of academic research exists related to new products, innovation, and growth, much of it generated by current and former Columbia faculty members and PhD students.

Your task is to focus on what implications you can draw from the article, assuming the research is “correct”. Brief comments about limitation and weaknesses are also appropriate. The “hidden” benefit is realizing that you can draw useful insights (and more unique ones) from a wide range of sources and fields, i.e. not just from the WSJ and Business Week.

For the article you are assigned, an oral “elevator pitch” 2 to 3 minutes plus a one page memo (due when the article is discussed) is the expected output. For the rest, a quick skim reading is expected.

**Growth Strategies for (Praxair, Individual)**

Recommend whether Praxair should proceed with the proposed new product (Ceramic oxygen generator). Also propose three “sensible” strategies and one “wild” one they could follow to grow. Then prepare a one to two page memo to be handed in at the beginning of the class when we discuss it.

**Success and Failure Examples (Individual)**

Examples are powerful, if not very scientific, aids to understanding. Therefore, for each of the three growth paths discussed (new product, brand, customer), you are required to identify one successful and one unsuccessful growth strategy and briefly indicate why it succeeded or failed in a 1-2 page memo.

**Forecasting Assignment (Group)**

This is designed to enhance your understanding of some of the issues involved in forecasting demand for a new product. It has two parts:

1. Turn in data on some new product’s first 8 – 10 years/periods of sales from introduction and a graph of them.
2. Forecast three periods forward using
3. a linear regression model based on time
4. the Bass model

**Brand Audit (Group)**

A brand audit helps codify where a brand stands and where it can and cannot go to grow. A full audit includes metrics on sales, margin, etc. Here you are to focus on how customers perceive the brand. For a company we designate in class, each group needs to get a sample of 3 people (i.e. at least one per group number) to respond to the following questions and write up the results in a 2 page memo reporting both means and qualitative responses.

**Quantitative**: On six point scales (when 6 is high /good)

1. How well do you like \_\_\_\_\_\_?
2. How satisfied are you with \_\_\_\_\_\_?
3. Are you loyal to \_\_\_\_\_\_?
4. Would you recommend \_\_\_\_\_\_to a friend?

**Qualitative:** Open ended

1. What 3 attributes come to mind when you think of \_\_\_\_\_\_?
2. What picture best describes your view of \_\_\_\_\_\_?
3. What color best describes \_\_\_\_\_\_?
4. What sound comes to mind when you think of \_\_\_\_\_\_?
5. What type of music and specific song(s) come to mind when you think of \_\_\_\_\_\_?
6. Who is a typical user of \_\_\_\_\_\_?
7. What emotion do you have toward \_\_\_\_\_\_?
8. What else could \_\_\_\_\_\_ sell successfully?

Please note the age and gender of each respondent as well as the location where you collected data from them.

**Project (Group)**

The purpose of the project is to give you a chance to take a broad look at growth options for a specific company or business unit. Done in groups of three ± one (3 ± 1), the project entails

1. Generating three “sensible” options and one “wild” growth option (using some of the methods discussed in class) based on a) New Products, b) Brands, and c) Customers (i.e. twelve in total).
2. Developing a systematic “scorecard” for selecting among them.
3. Selecting the best one of each type (new product, brand, customer based) as well as the overall best.
4. Briefly discussing key issues in implementing the chosen alternative.

The sooner you select the group and company (or often better a part/division of it, e.g., GE Medical vs. GE), the better. In any event you need to turn in your group and company choice by Tuesday afternoon, January 13th.

In terms of working on the project, you will find it both more educational and less stressful if you work on the project as we progress through the course (i.e. generate new product options for your company as we discuss them in class).

The key outputs are an oral presentation in the last class (January 17th) and a written report of about 15 pages due 10 days later (January 27th).