B7664 March 31-April 4, 2019

Professor Donald R. Lehmann

Office Hours: By Appointment

Phone: 212-854-3465

Email: [DRL2@columbia.edu](mailto:DRL2@columbia.edu)

## Marketing for Organic Revenue Growth

Companies in general and marketers in particular are under 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, brands, and customers. Participants play the role of growth consultants/Chief Growth Officers. The course is designed for people interested in management, consulting, and entrepreneurship as well as marketing.

After laying out some basic “algebra” of growth, each of three growth paths (new product, customer brand based) are examined.

Participants:

1. Discuss standard cases and two live cases (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 growth strategy.
5. To develop the ability to gain insights from atypical sources, i.e. academic research.

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 (new product, brand, and customer based), 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) evaluate each option, and d) pick the “best” one. The output will be 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. (For 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) 45 points**

Academic article summary (5) (Individual)

Broadridge Memo (5) (Individual)

Growth Strategy for Eversource Energy (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 on April 4th, written report due Monday, April 15th in my office)

**Daily Schedule**

**Day 1: Sunday, March 31 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 |
| General Readings and Case  (to be done by all prior to class) | Favaro and Neely, (2011) Strategy and Business Magazine  “[The Next Winning Move in Private Equity”](https://www.strategy-business.com/article/11208)  “[The Immelt Revolution”, (2005) Business Week, March 28, pp 64-73](https://www.bloomberg.com/news/articles/2005-03-27/the-immelt-revolution)  VoCollect’s Talkman |
| Written Assignments Due  (at the beginning of class) | a. FIRST 8 – 10 periods of sales data and graph of it for forecasting assignment. |

**Sunday, March 31 PM**

|  |  |
| --- | --- |
| Main Content | a. Generating Growth Options (continued)  b. Forecasting New Product Sales |
| General Readings | (ALL) Lehmann  “Anticipating Demand and Forecasting Sales”  “Metaphor/Simile Driven Growth Concept Identification”  “Innovating by Deletion”  “Ideation Through Grammatical Tinkering” |
| Academic Readings | Moreau and Dahl, (2005) JCR  “Designing the Solution: The Impact of Constraints on Consumer Creativity”  Toubia, (2006) Marketing Science  “Idea Generation, Creativity and Innovation”  Woojung and Taylor (2016) JM  “The Effectiveness of Customer Participation in New Product Development”  Bayus (2013) Management Science  “Crowdsourcing New Products”  Allen, Chandrasekaran and Basuroy (2018) JM  “Design Crowdsourcing” |
| Written Assignment Due | a. Memo identifying company/business to focus on for group project |

**Day 2: Monday, April 1 AM**

|  |  |
| --- | --- |
| Main Content | 1. a. Forecasting New Product Sales (continued) 2. b. Drivers of Adoption   a. |
| General Readings | (All) Lehmann,  “Encouraging Innovation and New Product Adoption” |
| Academic Readings | Carpenter and Nakamoto, (1989) JMR  “Consumer Preference Formation and Pioneering Advantage”  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”  Goldenberg, Han, and Lehmann, (2009) JM  “The Role of Hubs in the Adoption Process”  Goldenberg, Lehmann, and Mazursky, (2001) Management Science  “The Idea Itself and the Circumstances of its Emergence as Predictors of New Product Success”  Kornish and Ulrich (2014) JMR  “The Importance of the Raw Idea in Innovation”  Moreau, Lehmann, and Markman, (2001) JMR  “Entrenched Knowledge Structures and Consumer Response to New Products”  Rubera (2015) Marketing Science  “Design Innovativeness and Product’s Sales Evolution”  Sultan, Farley and Lehmann, (1990) JMR  “A Meta Analysis of Applications of Diffusion Models” |
| Written Assignments Due | 1. Three period ahead forecasts (Linear, Bass) (group) |

**Monday, April 1 PM**

|  |  |
| --- | --- |
| Main Content | 1. Brand Driven Growth |
| General Readings | Keller, (2002) MSI  “Brand Extensions”  Lehmann,  “Brand Driven Growth” |
| Academic Readings | Carpenter, Glazer, and Nakamoto, (1994) JMR  “Meaningful Brands from Meaningless Differentiation: The Dependence  on Irrelevant Attributes”  Parker, Keller, Lehmann, and Schleicher (2018) JAMS  “Building a Multi-Category Brand” |
| Written Assignments Due | a. New product based examples (1 success, 1failure): (individual) |

**Day 3: Tuesday, April 2 AM**

|  |  |
| --- | --- |
| Main Content | Customer Driven Growth |
| General Readings | Gupta and Lehmann, pp 167-182  “Managing Customers as Investments”  Lehmann,  “Customer Based Growth” |
| Academic Readings | Prins, Verhoef, and Franses, (2009) IJRM  “The Impact of Adoption Timing on New Service Usage and Early  Disadoption”  Reinatz and Kumar, (2000) JM  “On the Profitability of Long-Life Customers in a Noncontractural Setting”  Stahl, Heitmann, Lehmann, and Neslin (2012) JM  “The Impact of Brand Equity on Customer Acquisition, Retention and  Profit Margin” |
| Written Assignments Due | 1. Brand based examples (individual) 2. Brand audit memo (group) |

**Tuesday, April 2 PM**

|  |  |
| --- | --- |
| Main Content | a. Broadbridge Case  b.Customer Driven Growth II |
| Academic Reading | Biligar, Hasan Tolga, Kamel Jedidi, Donald R. Lehmann, and Scott Neslin (2015) Customer Needs and Solutions  “The Long-Term Effect of Multichannel Usage on Sales” |
| Written Assignment Due | a. Broadridge memo (individual): Suggest 3 “sensible” and one “wild” growth idea for Broadridge |

**Day 4: Wednesday, April 3 AM**

|  |  |
| --- | --- |
| Main Content | Eversource Energy Growth Strategy |
| Written Assignments Due | Memo (individual) for Eversource Energy which   1. indicates what the company should do in the specific situation described in the memo 2. identifies three “sensible” and one “wild” growth idea for the company |

**Wednesday, April 3 PM**

|  |  |
| --- | --- |
| Main Content | * 1. Evaluating Growth Options   2. Customer Based Examples |
| General Reading | Lehmann,  “Selecting Which Growth Options to Pursue” |
| Academic Readings | Bahadir, Bharadwaj, and Parzen, (2009) IJRM  “A Meta-Analysis of the Determinants of Organic Sales Growth”  Chandy and Tellis, (2000) JM  “The Incumbent’s Curse: Incumbency, Size, and Radical Product Innovation”  Dahan, Kim, Lo, Poggio, and Chan, (2011) JMR  “Securities Trading of Concepts” (STOC)  Golder and Tellis, (1993) JMR  “Pioneer Advantage: Marketing Logic or Marketing Legend?”  Henard and Szymanski, (2001) JMR  “Why Some New Products are More Successful than Others”  Kornish and Ulrich (2011) Management Science  “Opportunity Spaces in Innovation” |
| Written Assignment Due | a. Customer based examples (individual) |

**Day 5: Thursday, April 4 AM**

|  |  |
| --- | --- |
| Main Content | 1. Implementation 2. Defensive Reactions 3. Gunfire at Sea Discussion |
| General Reading  (to be discussed in class) | Morison, (1966) MIT Press  “Gunfire at Sea” In Men, Machines, and Modern Times |
| Academic Reading | Ailawadi, Zhang, Krishna, and Kruger, (2010) JMR  “When Wal Mart Enters: How Incumbent Retailers React and How this Affects Their Sales Outcome”  Biyalogorsky, Boulding, and Staelin, (2006) JM  “Stuck in the Past: Why Managers Persist with New Product Failures”  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”  Morgan, Slotegraaf, and Vorhies, (2009) IJRM  “Linking Marketing Capabilities with Profit Growth”    Whitler, Krause, and Lehmann (2018) JM  “When and How Board Members with Marketing Experience Facilitate Firm Growth” |
| Written Assignment Due | None |

**Thursday, April 4 PM**

|  |  |
| --- | --- |
| Main Content | a. Project Presentations  b. Course Summary |
| General Readings | Lehmann, (2015)  “Marketing and Organic Revenue Growth” |
| Written Assignment Due | 1. Group Project Written Report due April 15th |

**Some Readings for the Future**

Boyd and Goldenberg (2013) Inside the Box

Slywotzsky and Wise (2003) How to Grow When Markets Don’t

Stengel (2011) Grow: How Ideals Power Growth at the World’s Greatest Companies

Golder and Mitra (2018) Handbook of Research on New Product Development

**Written Assignments Due by Day**

**Sunday March 31**

AM Graph of the FIRST 8-10 periods of sales data of some product or service: Bring with you to the first class (Individual)

PM Memo Identifying Group Project Team Members and Company for the project

(Group)

**Monday April 1**

AM Forecasting Assignment (Group)

PM New Product Based Examples (Individual)

**Tuesday April 2**

AM Brand Based Examples (Individual)

Brand Audit Memo (Group)

PM Broadridge Memo (Individual)

**Wednesday April 3**

AM Eversource Energy Memo (Individual)

PM Customer Based Examples (Individual)

**Thursday April 4**

PM Group Project Presentation

**Monday April 15**

AM Group Project Written Report

**PLUS: Article summary on the day you present it**

**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 academic article you are assigned, an oral “elevator pitch” of 2 to 3 minutes plus a one page memo (due when the article is discussed) is the expected output. Key output: One sentence summarizing the main takeaway(s) from the article. For the other academic articles, a quick skim reading all that is expected. (We will select articles to report on Sunday morning)

**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 a) why it succeeded or failed and b) what was (were) the key difference(s) between the success and the failure.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 (i.e. sales as a function of time)
4. the Bass model

3. Comment on what you think of the forecasts.

**Growth Strategy for Broadridge**

* Propose three possible growth strategies for Broadridge’s Fixed Income business.

Turn in 2 copies of a one to two page memo based on this at the beginning of the class when we discuss it.

**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. Are you familiar with\_\_\_\_\_?
2. How well do you like \_\_\_\_\_\_?
3. Have you ever bought or used \_\_\_\_\_\_?
4. How satisfied are you with \_\_\_\_\_\_?
5. Will you buy \_\_\_\_\_\_ in the future?
6. 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.

Be prepared to present/discuss your findings in class.

Live Case Write UP

**Growth Strategies for Eversource Energy (Individual)**

Recommend whether The Company should proceed with the proposed new product. Then propose three other “sensible” growth strategies and one “wild” one they could follow to grow. Turn in 2 copies of a one to two page memo summarizing your ideas at the beginning of the class when we discuss it.

**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. Ideally this will be an established company that the rest of the class can understand/relate to (ie., not a start up) 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 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 Sunday afternoon, March 31.

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 (April 4) and a written report of about 15 pages due 11 days later (April 15th).