Marketing Strategy

Univ.-Prof. Dr. Oliver P. Heil
Chaired Professor of Business & Marketing,
Director of Centers on Luxury Research &
Brand Switching

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Class time: Wednesday 6-9 p.m.
Email: oliverheil2055@gmail.com
Office hours: by appointment
By marketing strategy we mean the long-term managerial guidance for a company and its products. Such strategic guidance has to incorporate competitive AND consumer conduct. Importantly, both change at an increasing rate, posing new challenges to the marketing manager. To illustrate, new competitors often come from seemingly unrelated markets like Google Maps suddenly challenged providers of navigation services (e.g. TomTom) or Amazon challenges Walmart. Also, competitors come from an increasing number of places around the globe, often with unique competitive backgrounds, capabilities, desires, resources, etc. Similarly, consumers' preferences and conduct is changing rapidly as consumers evaluate products along dimensions of political correctness, cultural appropriation, consumption experience, structure of value chain—in addition to traditional dimensions such as price, quality, etc. For example, Dolce & Gabbana suffered unexpectedly in China due to an advertisement that was dubbed culturally inappropriate and Bentley consumers like to know about the life to the cows that, eventually, deliver the hides for their cars. Notably, consumer reactions such as the one to D&G in China occur at an astonishingly fast speed. These developments combine into a previously unseen challenge for the marketing manager when s/he tries to decide on the best marketing strategy.

Thus, the overall objective of the course is to introduce you to the substantive and procedural aspects of strategic marketing management, to sharpen your skills for critical analytical thinking, to train effective communication with competitors, consumers/costumers, fellow managers in your company as well as, finally, to other stakeholders of your firm—all in an effort to produce the best marketing strategy over time.

More precisely, the goals include:
To familiarize you with the vital elements of strategic marketing management, especially market evolution, competitor analysis, competitor intelligence, competitive advantage, consumer/costumer analysis, evolution of consumer preferences and management of competitive interaction. Special focus will be on the merits of competition as marketing managers face much increased criticism about competition, esp. from younger consumers.

To familiarize you with the elements of the marketing mix (strategic pricing, product strategy, promotion & advertising, channel selection, segmentation, positioning, etc.) as the bases and gateway to the development of a marketing strategy.

To effectively and synergetically combine so-called brick-and-mortar constellations with the huge opportunities provided by the internet or e-commerce or digitalization of business.

To deepen your sensitivities for the long-term generation of revenue and profits via the satisfaction of consumers' ever evolving preferences (currently along lines such as sufficient sustainability, creative consumption experiences, limited footprints, etc.) AND competitors' (old and new) constantly evolving competitive conduct in an effort to gain competitive advantages.

To provide you with a forum (both written and oral) for presenting, justifying and defending your professional assessments, evaluations and recommendations.

To provide a forum for critically and respectfully examining and discussing assessments, evaluations and recommendations of others.

To understand the limitations of marketing techniques and tools—even though they are state-of-the-art.
FORMAT OF THE COURSE

To help achieve the objectives of the course, we will use traditional lectures, discussions and cases but also, as a unique tool, employ a computer simulation that is used in many of the best B-schools around the world, i.e. Markstrat. This simulation will make your classroom experience even more interactive but also much more challenging.

Lecture/Discussion: One portion of the course sessions follows a lecture/discussion format. These sessions are devoted to the presentation and discussion of theories, concepts, analytical techniques and empirical findings useful for marketing strategy. The lecture/discussion sessions are often supported by assigned reading materials, which will be chapters, notes, news articles, etc. Class sessions will be devoted to consolidating and extending the topics delineated in the reading materials. Naturally, it is expected that students studied the assigned materials prior to class.

Markstrat: As a major portion of the course, we will tackle the Markstrat simulation. Markstrat is the most sophisticated and most realistic simulation for developing marketing strategies. Markstrat is also a global market leader being used at approx. 80% of the top business schools worldwide. Markstrat has been continuously refined and updated for over 40 years. During our decision runs, we will simulate a full decade of competitive interaction. The length of this simulation allows the repeated development and marketing of new products up to the exit from different product/market combinations—as the result of teams' individual marketing strategies. This trains consistent and continuous strategic development und strategic updating as well as tactical and strategic marketing decision-making and, of course, thinking.

That is, much of what has been presented to you so far in various learning units comes "alive:" As a Markstrat team, you will set prizes, launch advertising campaigns, hire salespeople, develop and launch new or improved products, make positioning decisions—all as a result of your marketing strategy.

You will, hopefully only rarely, make so-so decisions—but, for sure, you always learn even from those that turned out so-so.
Also you will make quite painful exit decisions as a product may even still be profitable but may no longer fit your updated marketing strategy.
For all of this deciding, you will constantly discuss and even "argue" within your team—and, again, learn that way.

In addition, you will develop strategies and constantly discuss and update them due to markets and consumers changing all the time. You will - sometimes to your very surprise - suddenly see changes in consumer preferences and learn that "what worked well yesterday is old today."
Not only consumers will cause surprises but competitors will do so as well: Products often age faster than expected because competing teams could realize creative product launches—which may make your product as old as yesterday's newspaper. As a result, you will have to rethink your current product and marketing strategy, make modifications or invest in entirely new research to have better products in the future.
Furthermore, it is important to recognize that the market form we are simulating represents an oligopoly and thus corresponds to the dominating market structure found in America, Europe and Asia.

All of these challenges are faced by your classmates in other teams, too. And, as you know, these comrades are very ambitious, competitive and constantly eye profitability. In other words, everyone will be exposed to "hot" competitive interaction, and at the same time this exposure will also fuel competition.

Case Studies: Another major portion of the sessions follows a case discussion format. The case method is an effective means of sharpening your decision-making abilities, requiring you to be an active participant when
we develop a case-related marketing strategy. The assigned cases let you practice the development of marketing strategies and to support the developmental path that you prefer.  Further, the case method provides a vehicle by which to apply the theories, concepts, and analytical devices discussed in a class as well as in the reading materials. Finally, the discussion forum provides an opportunity to argue your position and to discuss problems pertinent to your particular job or industry experience. In general, the lessons to be learned from the cases are expected to be universally relevant and transcend particular situations, thus helping you to improve and sharpen your strategic marketing skills for your future career.

For a typical case study, one or more participants may be asked to start class by answering a specific question or series of questions. Each participant is expected to have thoroughly prepared the case and, thus, should be able to handle this lead-off assignment. After a few minutes or so of initial analyses we will build an initial strategic analysis of the situation and address the strategic problems and challenges embedded in the case. During these discussions, each person is expected to be prepared to share his or her individual views with the class. The principal objective of the discussions is to examine all aspects of the situation: facts, suppositions, tactics, alternative options, final actions to produce a marketing strategy.

A typical request at the end of a case discussion is: What is the biggest problem or challenge that you identified? Or what could be the best solution or strategy and why? And, importantly, what are potential pitfalls of the proposed? The emphasis here entails that the case method of learning typically does not provide a simple and unique answer—case challenges often amount to "shades of grey" as opposed to clear-cut solutions. In most case discussions several viable answers will emerge and be supported by different participants within the total group. It is important that you know what you would have done in that specific marketing situation.

As often in actual practice, cases may not have all the data you would like. Nevertheless, it is critical that you develop a reasoned strategy on the basis of the data/information available in the case. The information contained in the case is the relevant information as it is reflective of the knowledge at the point in time the case was written. Generally, thus, you should be careful using "current" information when discussing the case. That said, you need to come up with a pretty good comment to get an exception to that rule.

**COURSE REQUIREMENTS / GRADING**

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

<table>
<thead>
<tr>
<th>Class Participation</th>
<th>40%</th>
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<tbody>
<tr>
<td>Markstrat</td>
<td>40%</td>
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<tr>
<td>Final Examination</td>
<td>20%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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**Class Participation.** Although grading class participation can be viewed to be, to a degree, as subjective, several criteria for evaluating class participation objectively and effectively do exist. These criteria include:

*Do comments show evidence of strategic perspective of a case/reading?*  
*Do comments add to our understanding of the case's/reading's strategic aspects?*  
*Does the participant go beyond simple repetition of case's/reading's facts?*
Do comments show an understanding of theories, concepts and analytical devices presented in class lectures or reading materials?
Is the participant a good listener?
Are the points made relevant to the discussion?
Are the points linked to the comments of others?
Does the participant interact with other class members synergetically and respectfully?
Is the participant an effective communicator?
Does the participant appear to be open, curious and receptive to new comments and ideas?
Are concepts or ideas presented in a concise and convincing fashion?
Do the participant's comments move things toward the development of a strategy?

Keep in mind that your grade for class participation is not simply a function of the amount of "air time" you take up. In general, I will evaluate you on how well you respond to questions and on how effectively you take into account the comments and analyses of your classmates and move things forward.

Groups. As part of your preparation for lectures, cases and Markstrat, I suggest that you form discussion groups. The purpose of these groups is to assist each participant in developing his or her understanding of the topics raised. The discussion group is a useful and informal forum in which to test your ideas. Further, your discussion group should also be the same group you work with on your assignments, thus allowing you to build your problem solving skills as a group. Experience indicates that the optimum group size is 4-6 persons.

Examination: This course will have a final examination. The exam will be applied in focus but combine our lectures, case analyses and Markstrat. The exam may, for example, entail a WSJ article printed in December 2019 dealing with a new marketing strategy challenge or development in the real world and you will be expected to address/solve things.

COURSE MATERIALS

Reading-pack for Marketing Strategy
selected news articles
selected research articles
several cases
Markstrat Manual
Markstrat Lecture 1
Markstrat Lecture 2
(all materials available online)
"At a Glance" Class Schedule Marketing Strategy—Prof. Oliver P Heil

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Fundamentals of marketing strategy, market- &amp; marketing competition. Longterm 3Cs and how selfish marketers &amp; selfish consumers co-create great products &amp; services. Evolution of markets, competitors, consumers and, thus, marketing strategy. Illustrations, e.g. risks due to cultural appropriation. Brick-and-mortar or brick or internet? Strategic risks due to new/hybrid technologies, testimonials, influencers, etc. Special focus: Risks when using influencers to build competitive advantage—e.g. Tiger vs Federer. Overview online display advertising, sponsored searches, search engine optimization, social media as bases for a marketing strategy. Is tech maturing? Plus strategic basics: long-term segmentation (e.g. evolution of genders), MDS &amp; positioning (e.g. world going green), consumer experientials (e.g. WalMart vs Amazon vs LV) and satisfaction (e.g. Ferrari brand vs quality), SWOT (e.g. local vs global), generic strategies revised (e.g. cost?).</td>
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<td>2</td>
<td>Starbucks Case 2019: Developing a new service strategy to enhance consumers' experience and satisfaction. Disruptive innovation and strategic responses (or lack thereof). Competition among nations, regions, cultures (threat of appropriation). Fairness of competition and global competition—threats to strategic marketing?</td>
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<td>3</td>
<td>Accor 2017: Dealing with continuous and disruptive challenges in a service business. Extreme and destructive forms of competition, esp. war-type competition such as price wars: Reasons for price wars Costs of price wars for consumers, firms &amp; industry Ending a price war (Prisoner Dilemma, Nash, power of coupons) Competitor Intelligence: Traditional &amp; internet-based avenues.</td>
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<td>Week</td>
<td>Notes</td>
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| 5     | Half-term summary of course  
         Introduction to Markstrat (Lec1 & 2)) |
| 6     | Markstrat Dec1 (Simple decision)  
         Markstrat Dec2 (Learning about Markstrat markets, competitors & consumers) |
| 7     | Markstrat: Initial review (basics of decision making, advertising vs advertising research, R&D vs product modification, allocation of resources, etc.)  
         Reviewing MDS, Conjoint and other tools  
         First effort to develop a strategy. |
| 8     | Markstrat Dec3 (Learning about close, distant & potential competitors)  
         Short lecture on R&D and Marketing Strategy.  
         Markstrat Dec4 (New configurations of the marketing mix)  
         Updating strategy. |
| 9     | Markstrat Dec5 (Things are in full swing: new prices, new products, improved products, new channels, new consumer & competitor conduct etc.)  
         Search for competitive advantages?  
         Half-time review: Markstrat teams present their strategies—real ones and bluffing. Revising own strategy. |
| 10    | Markstrat Dec6 (New markets vs. old ones—who'll win?)  
         Markstrat Dec7 (New configurations of the product, market and marketing mix). Finetuning strategy? |
| 11    | Markstrat Dec8 (Which markets will allow for victory?)  
         Short lecture on strategy evolution. Final strategic turn?  
         Markstrat Dec9 (End of the tunnel is visible, last ditch efforts and a bit of turn-around efforts). |
| 12    | Markstrat Dec10 (And the winner is…)  
         Summary of Course  
         Final Exam |