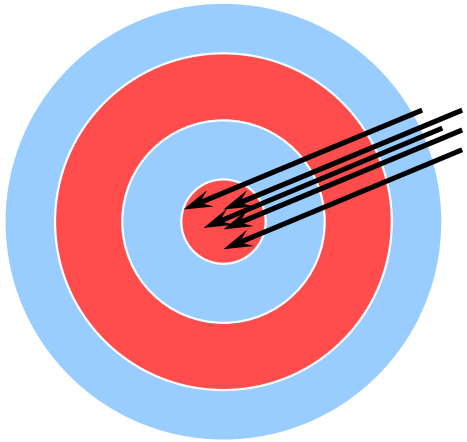
Goals of 15.810

1. Introduce you to marketing issues and topics.

2. Provide a breadth of experience through balanced case examples:
   - products and services
   - consumer and business-to-business
   - US and International
   - successes and failures



3. Help you to think about marketing issues.
   - recommendations depend upon analysis
   - understand and apply the theory

4. Provide a structure, 4P's and 5C's.

5. Introduce you to the questions you should ask.

6. Provide tools and theories such as:

   TOOLS: focus groups, experiential interviews, perceptual maps, VOC, conjoint analysis, virtual customer, segmentation, House of Quality, response analysis, efficiency criterion for channels, differentiation to reduce adverse price competition, expected value in use for pricing, market triangles (e.g., Barco, Swatch, BMW).

   THEORIES: "Lens" model (lens of perceptions), branding by "owning" a dimension, schema theory (worms), hierarchy of effects, behavioral decision theory (e.g., compromise effect), mental accounting, discrepancy of assortment,, price-value images, defensive marketing strategy, trial vs. repeat, diffusion of innovation.

7. Help you to think about the ethical issues in marketing.

Class	Day	Date	Topic or Case	Type
1	Wed	2/4	**Marketing (4P's, 5C's)† & Positioning (Company skills)**	Theory
2	Fri	2/6	Barco Projection Systems: Worldwide Niche Marketing	Case
3	Mon	2/9	Calyx and Corolla	Case
4	Wed	2/11	**Product (Designing for Customers)**	Theory
5	Fri	2/13	Southwest Airlines, 1993	Case
6	Tue	2/17	The Brita Products Company	Case
7	Wed	2/18	**Customers (Behavior, Research)**	Theory
8	Fri	2/20	Scott Cook and Intuit	Case
9	Mon	2/23	Tivo	Case
10	Wed	2/25	**Advertising (Promotion)**	Theory
11	Fri	2/27	Swatch	Case
12	Mon	3/1	BMW Films	Case
13	Wed	3/3	**Pricing (Customers, Competition)**	Theory
14	Fri	3/5	Tweeter, etc.	Case
15	Mon	3/8	**Distribution (Place, Collaborators)**	Theory
16	Wed	3/10	Aravind Eye Hospital, Madurai, India	Case
17	Fri	3/12	**Wrap up & Review (Context)**	Theory

MITSloan MANAGEMENT

Marketing courses for 2004-2005

Fall Semester, 2004

- 15.847 – Customer Behavior (Frederick)

Spring Semester, 2005

- 15.834 – Marketing Strategy (Wernerfelt)
- 15.835 – Entrepreneurial Marketing (Kim)

Spring Semester (H2), 2005

- 15.841 – Market Research (Danaher)
- 15.825 – Marketing Models (Kim)

Spring Semester (H1), 2005

- 15.846 – Branding (J. Roberts)
- 15.828 – New Product Development (Urban)

Marketing framework: 4Ps + 5Cs

- Strategic Issues: The “5Cs”
  - Customers
  - Company skills
  - Competition
  - Collaborators
  - Context
- Marketing Tactics - The “4Ps”
  - Product
  - Price
  - Promotion
  - Place
- Integration

Customers (Behavior, Research)

- THEORY
  - asset value of a customer (Calyx & Corolla, Brita, BMW)
  - systems vs. filters (early in lifecycle growth we underestimate filter sales)
  - "lens" model (lens of perceptions, cues & communications)
    - own a dimension (Brita), conceptual ingredient (Pantene)
    - performance cues (BMW) and price cues (Tweeter)
    - schema theory (worms, ambience of Tweeter)
  - behavioral decision theory (e.g., asymmetric dominance at the Economist, compromise effect for mid-grade gasoline, feature salience in many advertisements)
    - mental accounting (segregate gains, integrate losses, choose your frame)
    - framing (gains vs. losses for surgeons, expectations for cable price increase)
  - fairness (Coke price discrimination, pile-driving pads)
  - diffusion of innovations (innovators, imitators, market saturation, S-curve)

Customers (Behavior, Research)

- TOOLS
  - Voice of the Customer (e.g., Puritan Bennett, Levi's, Coke operations, Stew Leonard)
    - customer needs (focus groups, experiential interviews)
    - hierarchy (customer sort vs. team sort)
    - priorities (various scales for perceived needs)
    - segmentation (benefit segmentation)
  - conjoint analysis (traditional and web-based, e.g., Polaroid camera)
  - virtual customer (e.g., information pump, STOC, many new methods)
  - Bass model of diffusion (sales = $[M - Y(t)][p + qY(t)]$)

Company Skills

- THEORY
  - core competency focuses strategy on what you can do best and/or do the cheapest (Barco, Calyx, SWA, Brita, BMW, Nielsen vs. Sabritas)
  - differentiation (Calyx – flower lovers, pre-planners; SWA – road warriors; Brita – taste; Aravind – free vs. pay)
  - brand as a means to communicate strengths (BMW, Brita, Swiss)
  - what is a disruptive technology (Brita, TiVo, quartz watches)
    - defensive marketing strategy (reposition to strength in Brita, reduce price)
  - human resources as a marketing asset (SWA, Intuit)
  - production as a marketing asset (Swatch, Aravind)

Company Skills

- TOOLS
  - brand DNA to establish and maintain a long-term position for product line (Pantene, Brita, BMW, SWA, Swiss)
    - value maps & perceptual maps (Brita, SWA, Best Buy & Tweeter, Tylenol, Tivo)
    - advertising and product design as a means to differentiate
    - unique benefits (Pantene)
    - satisfies perceived customer needs
    - reduces price competition
  - advertising as a barrier to entry (Swatch)
  - knowledge of customers and channel (Brita, Stew Leonard, Intuit, SWA, Sabritas, Aravind)

Competition

- THEORY
  - marketing is the means to make competition imperfect
    - differentiation (own a dimension) and segmentation (figure out who you want to serve and who you are not serving, market triangle in Barco, etc.)
    - reduce perceived price competition (compete on perceptions in BMW, take price out of the equation in Tweeter)
  - focus on value to the customer (Intuit)
- TOOLS
  - "lens" model, schema theory, behavioral decision theory, mental accounting
    - value maps, perceptual maps, defensive strategy
    - advertising, framing, cues
  - marketing research, new product design (HOQ), VOC
  - conjoint analysis simulators

Collaborators and Context

- Collaborators
  - channel (place)
    - rule of efficiency (Nielsen vs. Sabritas)
    - who assures quality; who provides which service
  - supply chain
    - not the focus of 15.810 but examples in Swatch, Calyx & Corolla, Aravind
    - lessons for customers and for the channel of distribution apply (rule of efficiency, listen to the needs of your suppliers, communicate your needs to your suppliers, avoid inadvertent schema)
- Context
  - implicit in all of the cases and lectures throughout the semester
    - Brita – growth of health consciousness
    - TiVo – lifestyle changes
  - ethics (fairness of Coke price discrimination, advertising images, information on customers, conceptual ingredients)
  - international (sensitivity to culture, language, etc., but the basic theoretical lessons are the same, e.g. Pantene, British Airways)

Product (Designing for Customers)

- THEORY
  - product development funnel
  - company-ese vs. customer-ese
    - surfactants in Liquid Dishwashing Detergents,
    - Intuit
  - Listen to the customer! (Stew Leonard, Levi's)
  - "Lens" model (features & cues → perceptions → preference → choice)
  - trial vs. repeat (Brita, Intuit)
  - differentiation and segmentation (Barco, Calyx & Corolla, SWA, Tylenol, Brita, Swatch, Tweeter, Aravind)
    - reduce price competition
    - provide customer that which the customer values (cost pennies sell for dollars)

Product (Designing for Customers)

- TOOLS
  - focus groups, experiential interviews (Coke production, Levi's)
  - Voice of the Customer
    - perceptual maps, value maps (automobile examples, Tylenol, Best Buy & Tweeter, Swatch, BMW)
    - focus on important customer needs (SWA, Intuit, Tweeter)
    - conjoint analysis (cameras, laptop bags, Exec. Ed.)
  - House of Quality (Puritan Bennett)
  - pre-test markets, pre-launch forecasting, information acceleration (Brita, electric vehicle)
  - Virtual Customer methods (bike pumps, cross-over vehicles)
    - "listening in" during SIP
    - ideation during SIP

Advertising (Promotion)

- THEORY
  - consideration sets (deodorants, automobiles, from 1 in 300 → 1 in 8)
  - Hierarchy of Effects
    - exposure → awareness → knowledge → preference → trial → purchase
    - indicates what advertising can and cannot do
    - provides a means to measure advertising effectiveness (and manage effectiveness)
  - "Lens" model (Subway – taste and low-fat)
    - schema theory (McDonald's worms, P&G Satan, British Airways)
  - variation theory
    - e_n*variation*reliability*validity → portfolio of variety
    - nails, BMW Films, Tweeter carry some lower-end products
  - behavioral decision theory (e.g., compromise effect, feature salience)
  - mental accounting (establish the "frame"; gains vs. losses)
  - barrier to entry (Swatch)

Advertising (Promotion)

- TOOLS
  - HOE → measures → tactics (British Airways, Swatch)
  - brand positioning, brand DNA (Pantene, Brita, BMW)
  - strategy → execution (British Airways – the good and the bad)
  - retrieval vs. storage with memory schema
    - worms & toasters
    - British Airways
    - BMW Films
  - advertising testing (18 ways in Ogilvy, for 15.810 that it can be done)
  - segmentation and differentiation (BMW Films)
  - buzz
    - lower the watchers' defenses
    - get the attention of the TiVo generation

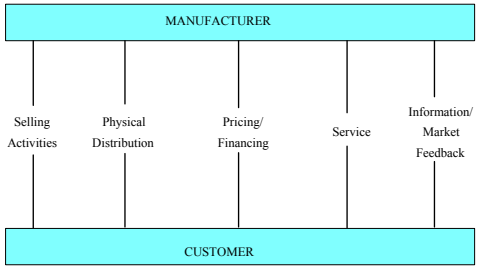
Pricing (Customers, Competition)

- THEORY
  - perfect vs. imperfect competition (lobsters vs. Perdue chicken)
    - differentiation to make competition imperfect (Barco, Brita, Swatch, BMW, etc.)
    - "lens" to understand perceived value (yellow chickens, ambience, fashion)
  - behavioral decision theory such as compromise effect (Mobil vs. Apple)
    - mental accounting influences perceived price (anchoring a cable price increase)
    - framing for fairness (CMI pile-driving pads, Coca-Cola vending)
  - price → perceived value (Absolut Vodka, Tweeter)
  - game theory (Circuit City cannot respond to Tweeter)

Pricing (Customers, Competition)

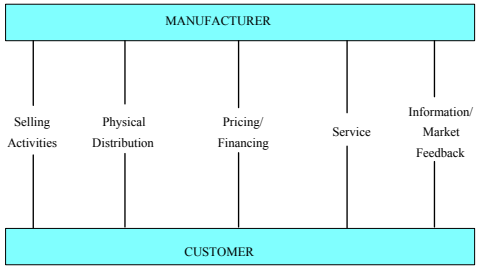
- TOOLS
  - Increase perceived value
    - value maps for differentiation (Tylenol, Brita)
    - segmentation for differentiation (Levi's, Barco, SWA)
    - EVIU [expected value in use] calculations (CMI pads, Dell Premier Pages)
    - conjoint analysis (cameras – $10 value for plastic camera covers)
    - VOC (Puritan Bennett, figure out what customers will pay for)
  - Decrease perceived price
    - framing (cable television pricing, Aravind)
    - segregate gains, integrate losses (infomercials, rebates, credit cards)
    - perceptual cues via the lens model (Michelin tires, GM's two-toned paint, Tweeter, Aravind)
    - reduce competition on price (Tweeter – take price out of the equation)

Distribution (Place, Collaborators)



- THEORY
  - discrepancy of assortment (Nielson vs. Sabritas, sailboats)
  - rule of efficiency (Aravind, Tweeter, Sabritas, sailboats)
  - conflict on service, quality, and margins from shared demand (McDonald's, Dell vs. Compaq, "double marginalization")
  - interbrand competition (Coca-Cola)
  - "lens" model helps us understand cues (BMW Films, Tweeter, Aravind)
  - channel as a means to get close to your customer (Barco)

Distribution (Place, Collaborators)



- TOOLS
  - "what do channels do" diagram
    - Nielsen vs. Sabritas
    - Aravind
  - exclusive-selective-intensive structure (automobiles vs. auto parts)
  - coordinating mechanisms
    - contracts
    - profit sharing
    - quantity discounts (effective profit sharing, align marginal revenue = marginal cost)
    - joint ownership
      - branding (some of "Crispy Crunch" to Sabritas)
      - product-line branding (some of "Milch" to Nielsen)
  - think like a channel member – the channel is a customer too! (Swatch, Aravind)

Marketing strategy and tactics are part of an overall integrated corporate strategy

- Integrate marketing, engineering, manufacturing, & finance
- Marketing strategy and company skills
  - Human resources (*Intuit, Calyx & Corolla, Aravind*)
  - Leadership (*Intuit, SWA, Aravind, Stew Leonard*)
  - Research and Development (*Barco, Puritan Bennett*)
  - Production (*SWA, Swatch, Aravind*)
  - Historic brand image (*BMW Films, Swiss, Tweeter*)
- Advertising, promotion, price, channels, image *(Aravind)*
- Global strategies *(Swatch, BMW, British Airways)*
- The right organization and the right people *(Intuit, SWA, Aravind)*
- In all of the cases we discussed, we focused on marketing, but within the context of the corporation and its other skills and activities

Theory, tools, and good marketing management work together

A few of the many examples

- brand DNA → plan the product line to both use and maintain DNA

- perceptual maps, value maps → how to make competition imperfect
- defensive marketing strategy → how to reposition competitively
- lens model → how to achieve perceived differentiation.
- VOC → set features, set cues, beat competition, design products
- conjoint analysis → what feature to provide, what price to charge

- pre-test markets → whether to launch, how much to invest
- hierarchy of effects → set advertising strategy and tactics, test advertising effectiveness

- consideration sets → focus marketing
- schema theory → evaluate advertising copy
- mental accounting → lower perceived price
- framing, behavioral decision theory → set the right price

- rule of efficiency → channel negotiation, who does what
- discrepancy of assortment → key to understanding the channel

Marketing can be, and is, a science! But also an art.

The true marketing function

1. Understand customer needs and design products and services accordingly.
2. Understand how to communicate (both ways) with the customer.
3. Provide the organization with intelligence (and focus) on the customer.
4. Understand the delivery (and information) system to provide value from serving the customer.
5. Set prices fairly with knowledge of customers, competition, and company strengths.
6. Ensure that quality goods and services are delivered at a profit to the organization.

We think of marketing as distributed throughout the organization, bringing the voice of the customer through appropriately collected information and helping to define and communicate a bundle of benefits in an integrated way with R&D, operations, finance, and sales ...

John D. C. Little, Institute Professor
(Converse and Parlin Awards)