

*Course title: Digital Strategy and Action*

Using data to win a campaign

**Dr. Shakhlo Ergasheva**

# Brief History and of Marketing Strategy

- ▶ Strategy arose from a military context: “The forces available must be *employed* with such skill that even in the absence of absolute superiority, *relative superiority* is attained at the *decisive point*” -Karl von Clausewitz, On War (1832)
- ▶ Management scholars added two elements to apply the strategy concept to business: the need to make the differential advantage *sustainable* and the idea that the objective of any business strategy is to *enhance firm performance* (60 and 70s)
- ▶ Marketers argue that it must be from the perspective of the *customer* (90s)
- ▶ Thus, five key elements are critical to marketing strategy:
  1. Leads to a differential advantages over competitors
  2. Sustainability
  3. Ability to enhance firm performance
  4. Customer perspective
  5. Guides decisions and actions



# Customer-Centricity is Key to an Effective Marketing Strategy

- ▶ Customer ultimately determines strategy's success or failure
- ▶ The shift in focus from firm to customer by incorporating the customer's perspective represents a natural, long-term progression in strategy
  - ▶ Economists tend to take an industry-level perspective, and management scholars adopt a firm-centric perspective, but customer is an even smaller unit of analysis
  - ▶ Helps explain variation in firms' performance by addressing smaller and smaller units of analysis

Marketing strategy consists of decisions and actions focused on building a sustainable differential advantage, relative to competitors, in the minds of customers, to create value for stakeholders.

# Example: Philips (Netherlands)

- ▶ Netherlands-based technology company
- ▶ Over past 125 years, Philips innovated its marketing strategy many times to remain competitive
- ▶ Company builds a strong presence in each market to understand the local market and customer desires
- ▶ Innovates continually; created “technology incubator” to develop new technologies
- ▶ Customer-centric view → success



# Exercise: What is Your Firm's Marketing Strategy

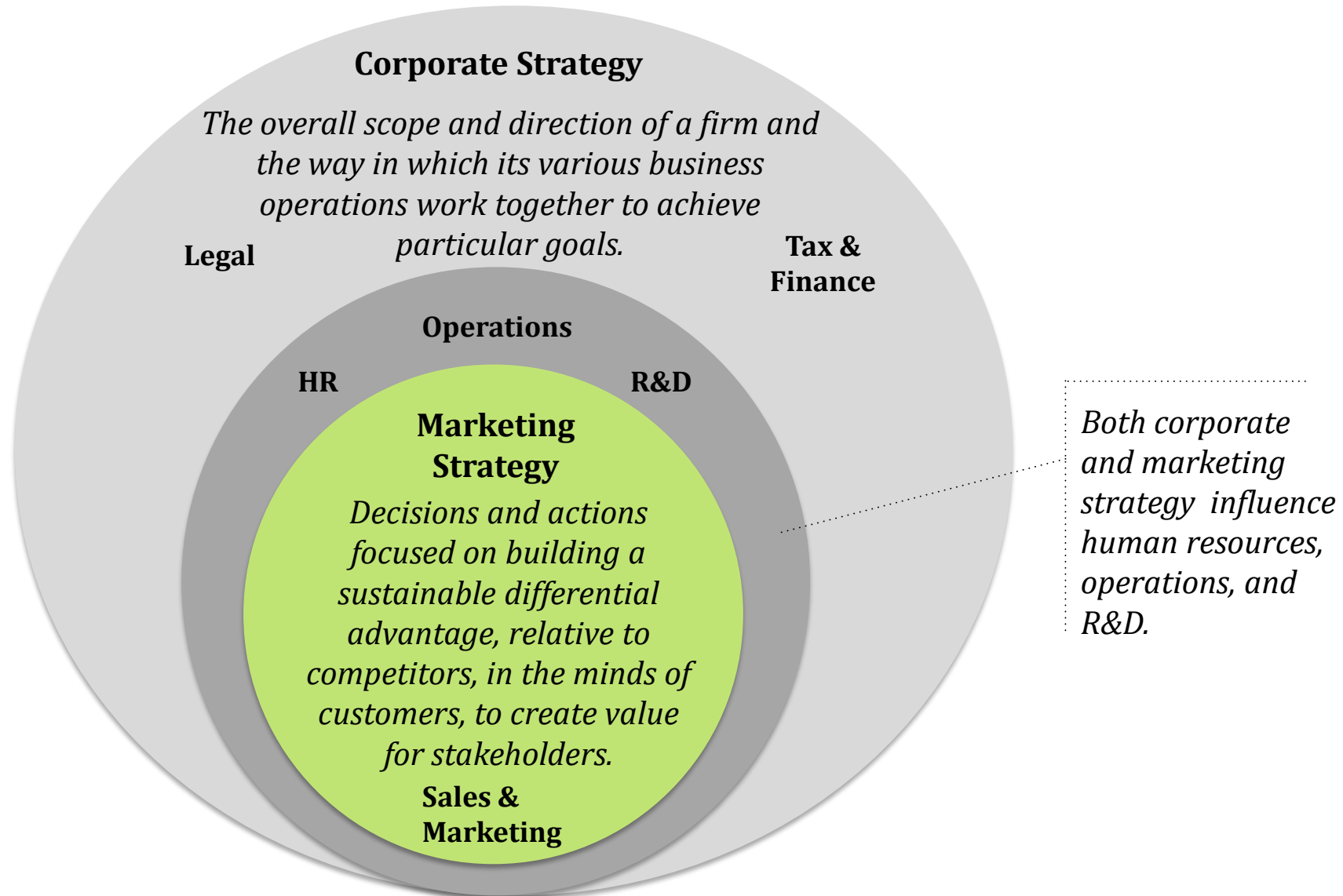
Take 5 minutes and answer these three questions:

1. What is your firm doing to build a relative advantage vs. competitors in the minds of your targeted customers?  
\_\_\_\_\_

2. How is your firm building barriers to competitors copying this advantage to make it sustainable? \_\_\_\_\_

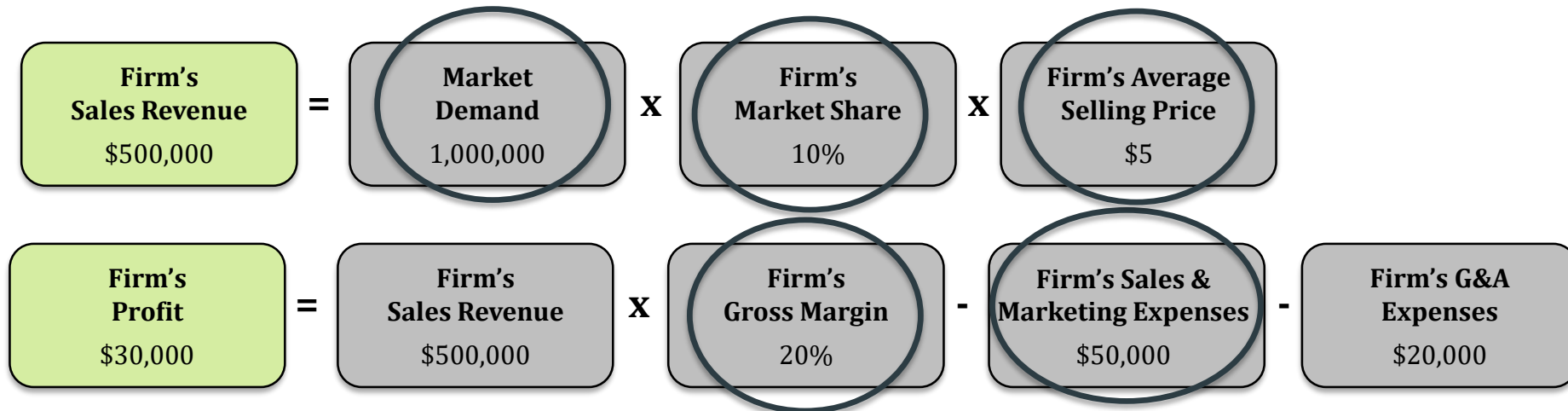
3. How is your firm “selling” this relative advantage?  
\_\_\_\_\_

# Differences Between Corporate Strategy and Marketing Strategy



# Why is Marketing Strategy Key to Long-Term Financial Performance?

- ▶ Large amount of research documents its impact on financial performance, but many people don't realize the scope of influences on sales and profits
  - ▶ Grow market size (new products and services, lower prices)
  - ▶ Grow share (better products and services than competition, higher loyalty to retain, and/or steal customers with acquisition strategies)
  - ▶ Better prices and margins (improve loyalty, brand image, relationships, products, targeting of high margin customers)
  - ▶ Reduce costs (WOM, brand, relationships, retain with loyalty)



# Example of Chain Ratios: Apple (US)

Year	iPhone Sales Revenue (millions)		Cell Phone Market Size in Units (millions)		iPhone Market Share (%)		iPhone Unit Price (\$)
2007	\$1,841.40	=	109.21	x	3%	x	\$558.00
2008	\$6,749.22	=	126.51	x	9%	x	\$591.00
2009	\$14,934.00	=	163.14	x	15%	x	\$600.00
2010	\$28,426.00	=	285.23	x	16%	x	\$610.00
2011	\$55,341.20	=	486.34	x	18%	x	\$620.00

- ▶ Launch of Apple's iPhone catalyzed explosive growth of smartphone market
- ▶ Market grew from 109 million units than 486 million in 5 years
- ▶ iPhone's market share increased from 3.3% to 18.4%.
- ▶ Apple maintains premium price



# Agenda

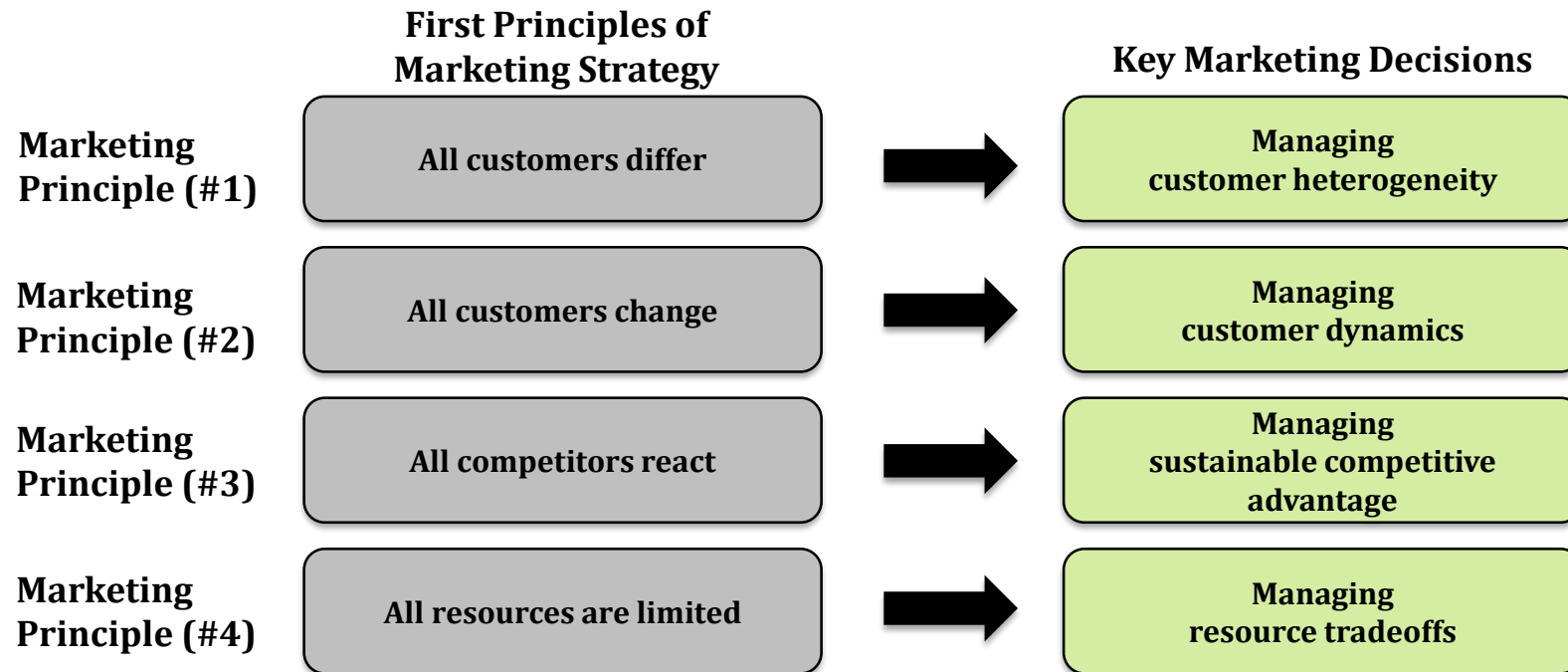
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- ▶ **First Principles of Marketing Strategy**
  - ▶ MP#1: All Customers Differ → Managing Customer Heterogeneity
  - ▶ MP#2: All Customers Change → Managing Customer Dynamics
  - ▶ MP #3: All Competitors React → Managing Sustainable Competitive Advantage
  - ▶ MP#4: All Resources Are Limited → Managing Resource Trade-Offs
- ▶ Integrating the Four First Principles of Marketing Strategy
- ▶ Markstrat
- ▶ Takeaways

# Why a First Principles Approach to Marketing Strategy?

- ▶ Managers are being overwhelmed with more and more analysis tools, processes, and research techniques, but hard to know when to apply each one
- ▶ Why not just use “case” examples?
  - ▶ Hard to find a case example for every marketing problem
  - ▶ Often what works for “case firm” will not work for your firm because:
    - ▶ Different customers
    - ▶ Different stage of product or industry lifecycle
    - ▶ Different competitive situation
    - ▶ Different resources
- ▶ Thus, a key requirement for making good marketing decisions is to identify underlying factors on which the decisions depend

First Principles approach argues that marketing strategy is the pursuit of solutions to four fundamental marketing problems and organizes all frameworks, processes, and analyses to solve these problems.

# Marketing Principles: Aligning Key Marketing Decisions with the First Principles of Marketing Strategy



*First Principles:* The foundational concepts or assumptions on which a theory, system, or method is based (Oxford Dictionaries )

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# First Principle #1: All Customers Differ

- ▶ For most products and services customers vary widely on desires/needs
  - ▶ Over 9000 mutual fund options, Grocery stores carry 60,000+ SKUs
  - ▶ Even for “commodities” (e.g., coffee, water)
- ▶ **Thus, firms are targeting smaller & smaller segments**
  - ▶ Mass marketing → niche marketing → 1-to-1 marketing
  - ▶ Competitive race as firms target smaller segments
  - ▶ Retail (Sears vs. Eurosport), cars (Model T vs. today)
- ▶ Why?
  - ▶ Matches inherent customer desires (real, perceived)
  - ▶ Faster response to customer trends and changes
  - ▶ Technology enabled (more economical to target/customize)
  - ▶ Only limited by tradeoff in efficiency (cost) versus benefit of better match to need (solution)



## Example: Godiva (Belgium)

- ▶ Addressed MP #1 by developing different products for different consumers

- ▶ 3 reasons people buy chocolate

1. To gift to others
2. To share with a group
3. To eat by themselves

- ▶ Expanded product line to meet all these needs (individual, wrapped candies for candy dishes, fondue baskets for sharing with a group, packaged candy bars for people to eat themselves)

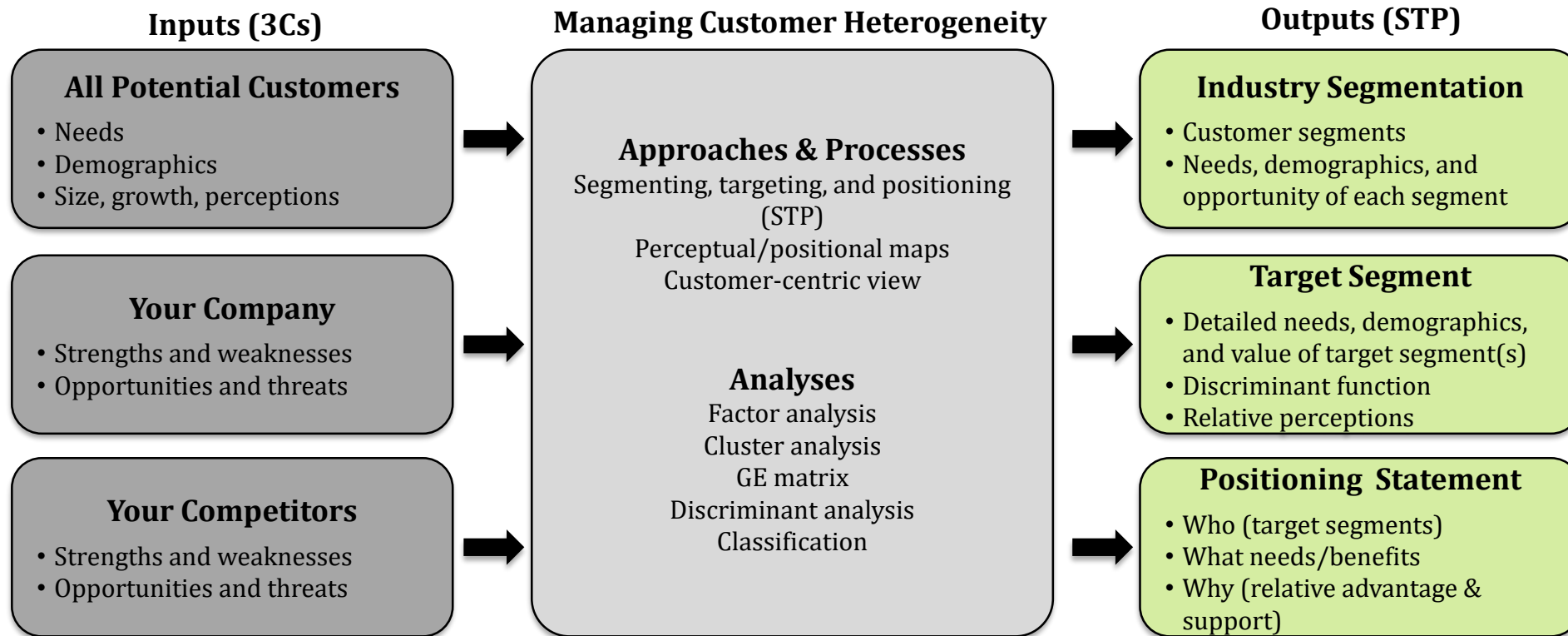
- ▶ Sales have increased by more than 10% per year for many years



# Input-Output Framework for Managing Customer Heterogeneity

- ▶ Three key inputs to the framework are required to conduct segmentation, targeting, and positioning of potential customers
- ▶ The second and third inputs are similar, but one focuses on the focal company and the other involves the company's competitors
- ▶ The inputs to managing customer heterogeneity entail the 3C's of situation analysis: **C**ustomers, **C**ompany, and **C**ompetitors
- ▶ In turn, the framework generates outputs, which then provide the inputs for subsequent First Principles

# Marketing Principle #1: All Customers Differ → Managing Customer Heterogeneity



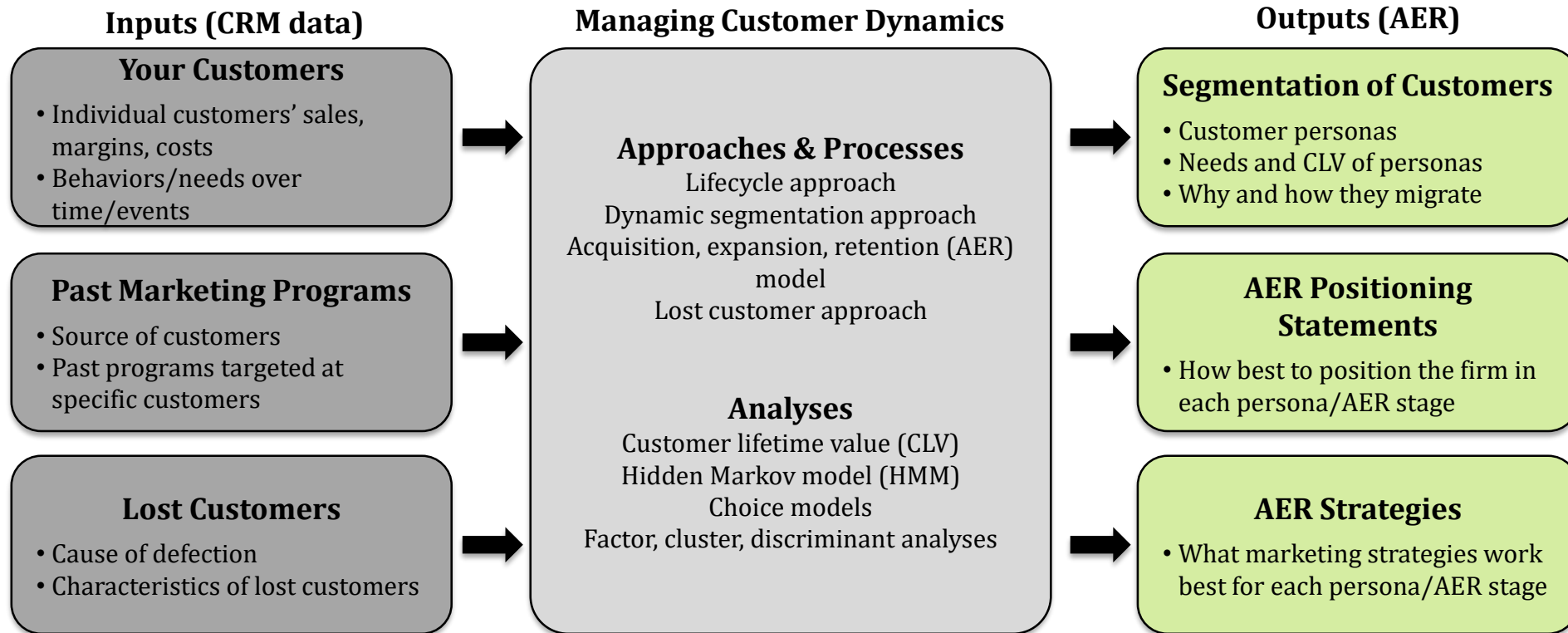
# First Principle # 2: All Customers Change

- ▶ Customer's desires/needs for most products and services change overtime or due to specific events
  - ▶ **Consumer needs change:** cars (Buick), clothes, food, financial services, and healthcare as consumers age
  - ▶ **Trigger events:** marriage, kids, job change, finances, move, graduation, acquisition, new managers, legal changes
  - ▶ **Industries/markets change:** experience curve, diffusion, competitive responses, overproduction
- ▶ **Customer's needs vary not only due to inherent differences in people (heterogeneity) but also as people and markets change (dynamics)**
- ▶ Thus, segmentation and targeting needs to account for lifecycle changes/customer dynamics

# Input-Output Framework for Managing Customer Dynamics

- ▶ Whereas *MP#1* focuses on the market as a whole, *MP#2* narrows the scope to the firm's existing customers, challenging the firm to understand how its customers change over time
- ▶ There are three categories of inputs for managing customer dynamics:
  - ▶ Your customers
  - ▶ Past marketing programs
  - ▶ Lost customers
- ▶ These inputs in turn produce three categories of outputs:
  - ▶ Segmentation of Customers
  - ▶ AER Positioning Statements
  - ▶ AER Strategies

# Marketing Principle #2: All Customers Change → Managing Customer Dynamics



# First Principle #3: All Competitors React

- ▶ Competitors are always copying successful strategies and innovating new ones
  - ▶ Only one firm remains from the original Dow 30 firms (GE)
  - ▶ Given enough money and time most strategies can be copied
- ▶ Thus, companies need to build a “barrier” to being copied, giving them time to adapt to innovation by others
- ▶ **These barriers are termed sustainable competitive advantage (SCA) and are critical to *long-term superior* financial performance**
- ▶ SCAs must meet 3 conditions:
  1. Customers care
  2. Company does “it” better than competitors
  3. Hard to duplicate

# “Business has only two basic functions: marketing and innovation” -Drucker

## Sources of SCA:

- ▶ Building brands and relationships
  - ▶ Awareness, image, status, meaning, reciprocity debts
  - ▶ Unconscious psychological barriers
- ▶ Innovative offerings
  - ▶ Products, services, and experience (value)
  - ▶ Patents, trade secrets, habits, switching costs
  - ▶ Costs, scale, location, first mover
- ▶ What are these companies' SCAs?
  - ▶ Coca-Cola, Nordstrom, Quicken, JC Penney
- ▶ Which sources of SCA are growing in importance?



## Example: General Electric (US)

- ▶ History shows few firms can maintain a leadership position forever
- ▶ Of the original Dow 30 companies, only one remains: General Electric (GE)
- ▶ GE has repositioned itself during multiple drastic, company-wide initiatives to stay competitive
- ▶ From 1929-2013, the Dow Jones top firms were replaced 56 times due to their failure to respond to market changes and competitive threats

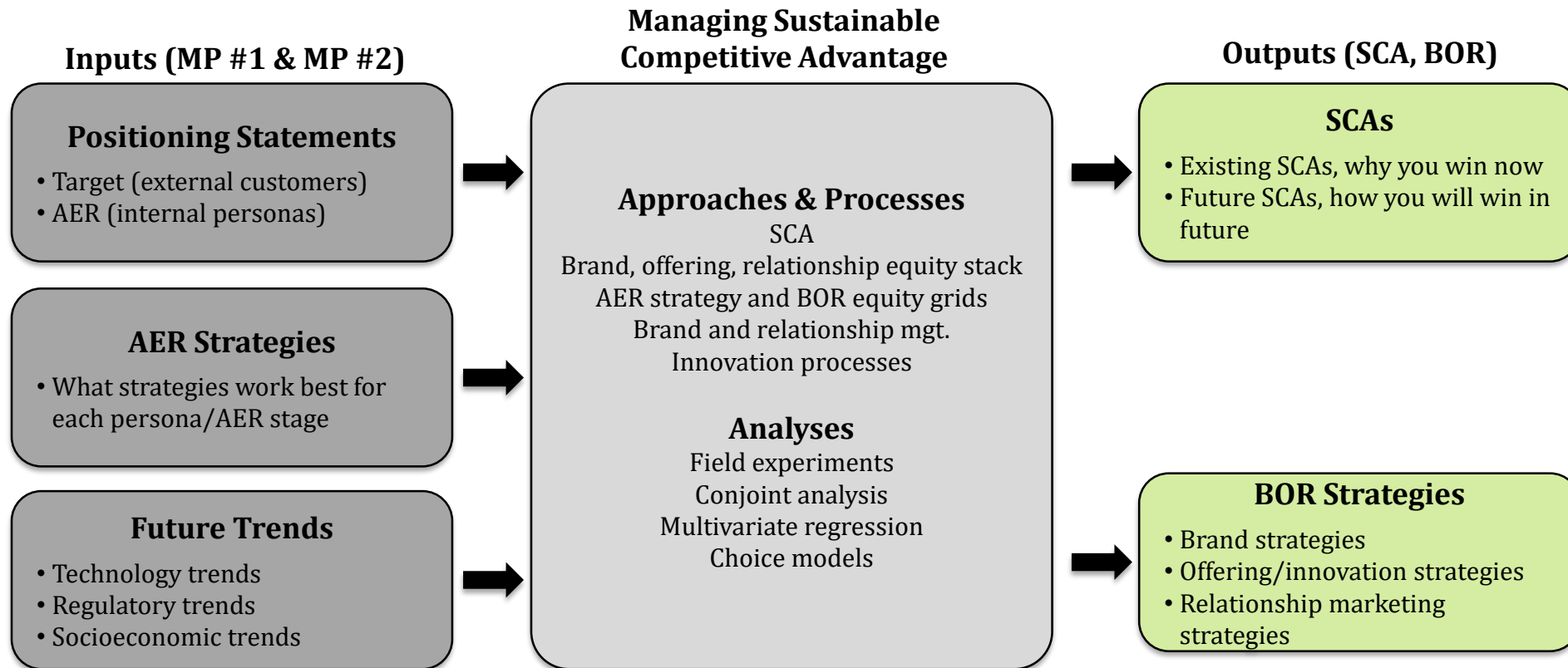


# Input-Output Framework for Managing Sustainable Competitive Advantage

- ▶ MP#3 builds and maintains strong barriers to withstand competitive attacks
- ▶ Three main inputs for SCA framework:
  - ▶ Positioning Statements
  - ▶ AER Strategies
  - ▶ Future Trends
- ▶ This leads to two outputs for SCA:
  - ▶ SCAs
  - ▶ BOR Strategies
- ▶ BOR (Brand-Offering-Relationship) equities combine



# Marketing Principle #3: All Competitors React → Managing Sustainable Competitive Advantage



# First Principle #4: All Resources Are Limited

- ▶ Most marketing decisions require tradeoffs across multiple objectives where resources are constrained and often interdependent
  - ▶ Advertising vs. salespeople vs. discounts vs. channel co-ops vs. R&D vs. online
  - ▶ Many “messages” are mutually exclusive (high status and low price) or (high performance and economical)
  - ▶ Short-term vs. long-term tradeoffs
- ▶ **Thus, need to balance marketing resources across:**
  - ▶ Customers (STP)
  - ▶ Acquisition, Expansion, and Retention stages (AER)
  - ▶ Brand, Offering, Relationships (BOR)
  - ▶ Marketing mix elements (4 to 7 Ps)

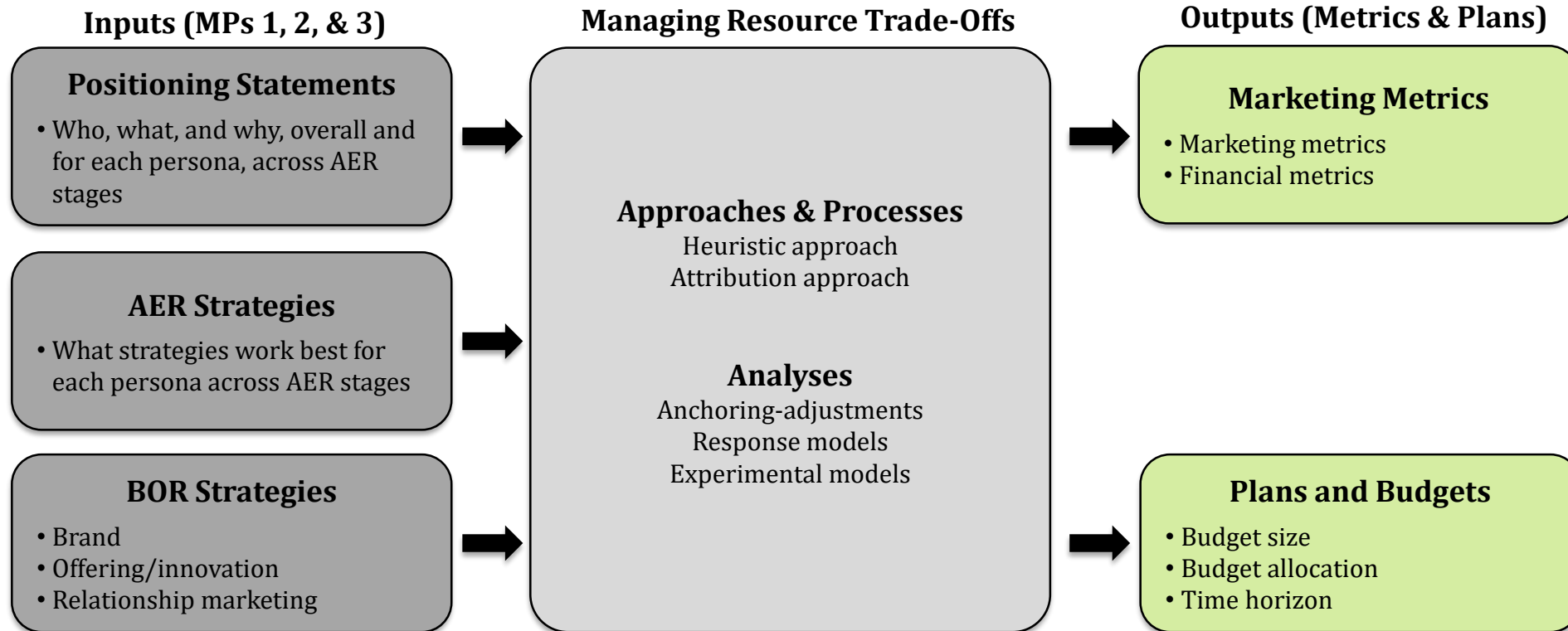


# Input-Output Framework for Managing Resource Trade-Offs

- ▶ There are three main inputs to the framework for managing resource trade-offs:
  - ▶ Positioning statements
  - ▶ AER strategies
  - ▶ BOR strategies
- ▶ There are two main outputs from the framework for managing resource trade-offs:
  - ▶ Marketing metrics
  - ▶ Plans and budgets
- ▶ As market segments change, due to changes in customers or the competitive landscape, the metrics and resource allocation decisions need to be adapted continually too

# Marketing Principle #4: All Resources Are Limited

## → Managing Resource Trade-Offs



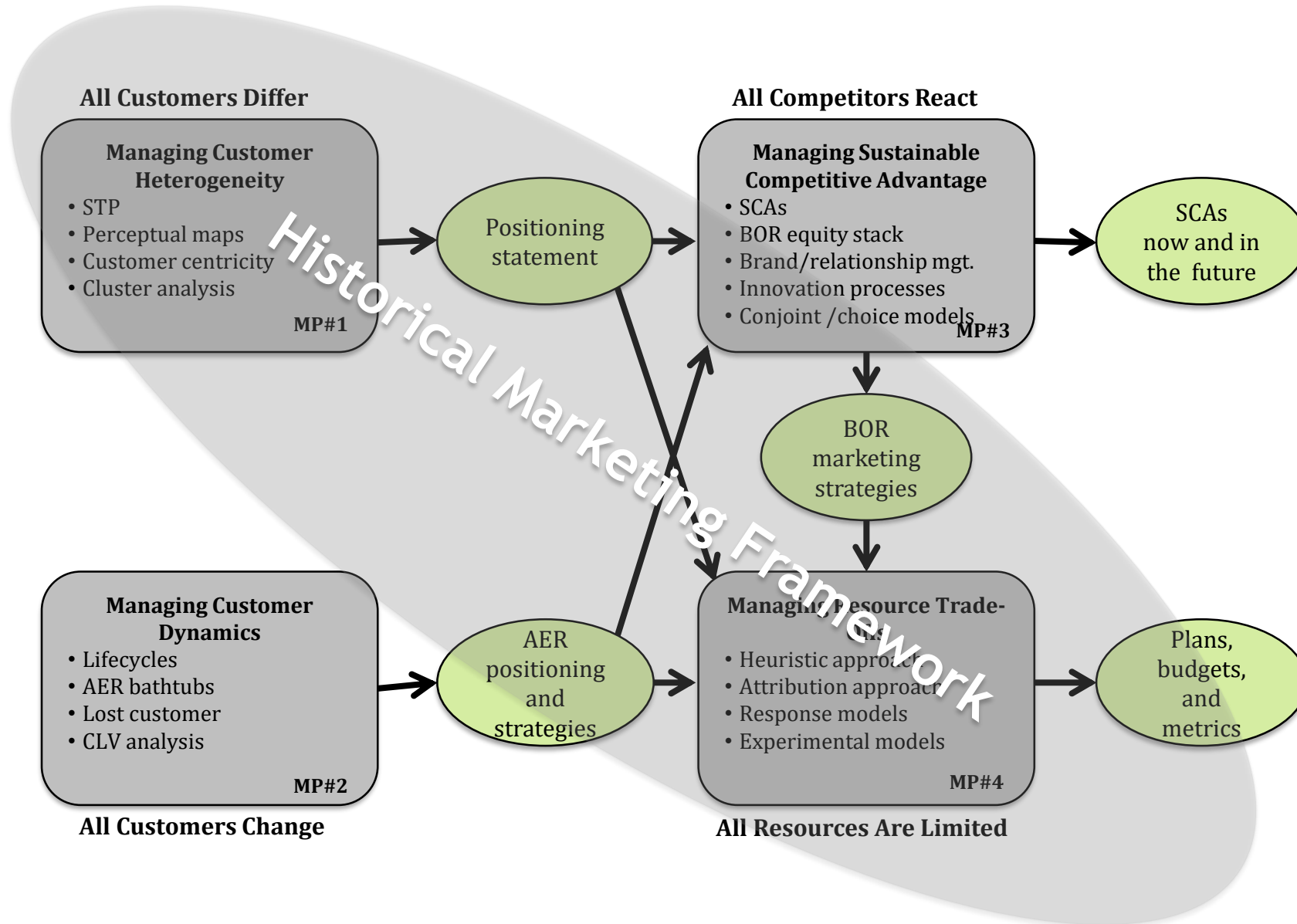
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# Natural Temporal Ordering of the First Principles of Marketing Strategy

- ▶ The solution to the four principles is **hierarchical**: Solving some principles requires knowledge of the solution to other principles
- ▶ A firm should embrace the notion that these solutions must address both **static and dynamic heterogeneity**
- ▶ Sustainable offerings that stand the test of time require a recognition that the firm cannot solve all the First Principles simultaneously, because of their complex and interrelated nature. Instead, firms need an **iterative approach** to integrate the principles

# Integrating the First Principles of Marketing



# Is it Worth it? Does Marketing Matter?

## ▶ *The Bottom Line: Marketing and Firm Performance*

- ▶ Improves stock price and reduces cash flow needs
- ▶ Customer satisfaction drives stock price (high vs. low, 3x higher stock price in 10 years), but customer complaints matter more
- ▶ Marketing capabilities larger impact than R&D or operational capabilities since “less vulnerable to competitive threat”
- ▶ Brands, innovation, and relationships all drive financial performance
- ▶ Marketing is especially key for IPO success

## ▶ *The New Intelligent Enterprise* (executives from 3000 leading firms, not marketers)

- ▶ Top 5 issues: innovating, growing revenue, reducing costs, profitably acquiring and retaining customers, faster and more adaptable
- ▶ High performers 3x more likely to use “big data” and analytics
- ▶ Shortage in managers that use data and analysis to solve business problems
- ▶ High performers store data centrally but distributes use and analysis

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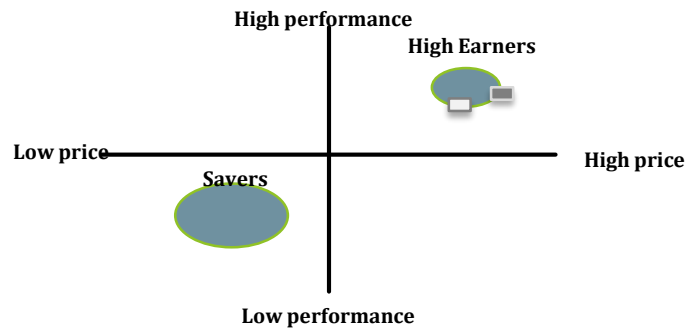
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# Markstrat Simulation

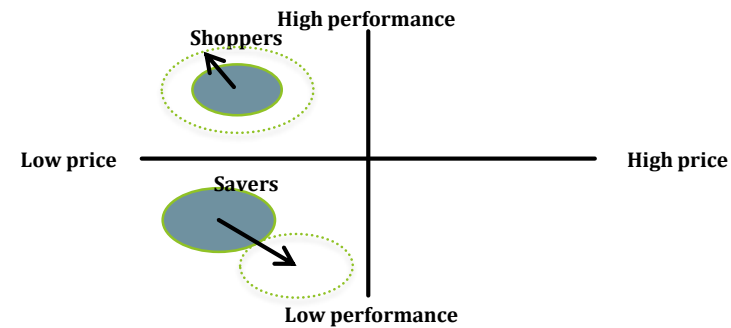
- ▶ Markstrat simulation software is an interactive learning tool that requires real-time decisions
- ▶ It can be used to understand the four First Principles of marketing strategy and how they fit together
- ▶ The decisions that each team makes map onto the four First Principles of marketing strategy, related to many of the tools and analyses described herein
- ▶ In addition to participating in a simulated environment that encompasses many aspects of the four First Principles of marketing strategy, the software offers a range of reports and analysis tools
  - ▶ Conjoint
  - ▶ Surveys
  - ▶ Experiments

# Markstrat: A Tool for Practicing the First Principle Approach to Marketing Strategy

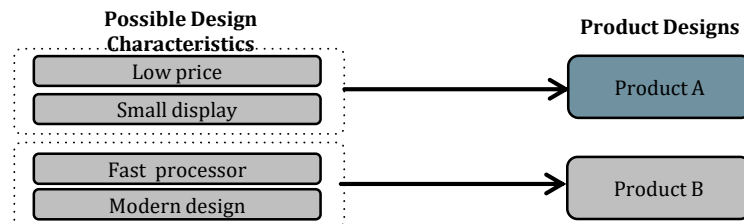
**MP#1:** Target products to meet the needs of different customer segments and manage customer heterogeneity.



**MP#2:** Adjust strategies over time to adapt to changing customer needs.



**MP#3:** Introduce new products to create a sustainable competitive advantage (SCA) as a barrier to other teams attacking your position.



**MP#4:** Manage limited resources by making resource trade-offs among marketing mix categories and brands.



# MarkStrat Success Depends on Applying First Principles of Marketing

- ▶ Managing customer heterogeneity (STP)
  - ▶ Segmentation is done in Sonites, while Vodites is just developing
  - ▶ You must pick target segment(s)
  - ▶ You must position products (advertising, channels, and R&D)
- ▶ Managing customers dynamics
  - ▶ Customer segment “needs” change every week (year)
- ▶ Managing sustainable competitive advantage (BOR)
  - ▶ You see competitors’ actions and they will react to your actions
  - ▶ Build SCA with brands, product innovation, and salespeople/channels (targeting and positioning)
- ▶ Managing resources
  - ▶ You must make tradeoffs across segments and products
  - ▶ You must make spending tradeoffs across marketing mix

# Each Firm Can Compete in Two Product Categories

- ▶ You can market up to 5 brands in each category at a given time



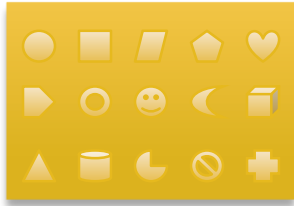


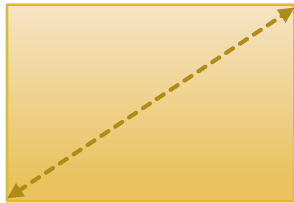


**SONITES**

- Independent
- Not substitutes
- Not complements

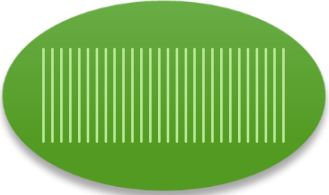


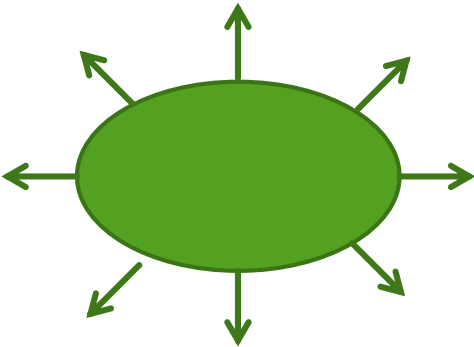
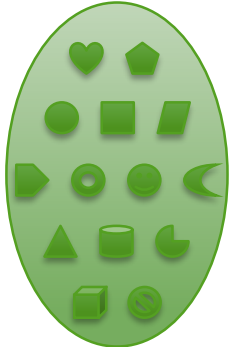



**VODITES**

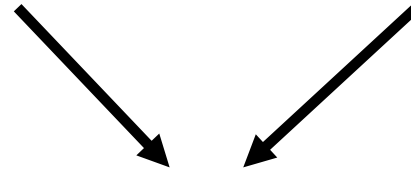
# Sonites Are Already Being Marketed, Each is Characterized by 6 Attributes

<b>Number of Features</b> 10 – 20	<b>Design</b> Index 3 – 10	<b>Battery Life</b> 24 – 96 Hours (H)
		
<b>Display Size</b> 4 – 40 Inches (“)	<b>Processing Power</b> 5 – 100 Gigaflops (Gflops)	<b>Base Cost</b> Minimum \$10
		

# Vodites Are in a New Market and Have No Sales

<b>Resolution</b> 20 – 100 lines/mm	<b>Energy Efficiency</b> 10 – 100 bio computations/Wh	<b>Carbon Footprint</b> 5 – 50 Kg
		
<b>Connectivity</b> Index 3 – 10	<b>Number of Apps</b> 5 – 100	<b>Base Cost</b> Minimum \$10
		

# Brand Name Convention



Company marketing the brand:  
L, M, N,  
R, S, T

Product Category:  
O = Sonite  
E = Vodite

Freely chosen letters or numbers

# Sonites Have 5 Segments

## EXPLORERS (Ex)

- Highly interested in Sonite product
- Demand high performance products
- Quite price sensitive

## PROFESSIONALS (Pr)

- Personal and professional usage
- Look for high quality, high-performance and easy-to-use products
- Can afford expensive products

## SHOPPERS (Sh)

- Good product knowledge through extensive product comparison
- Demand high quality-price ratio
- Quite price-sensitive

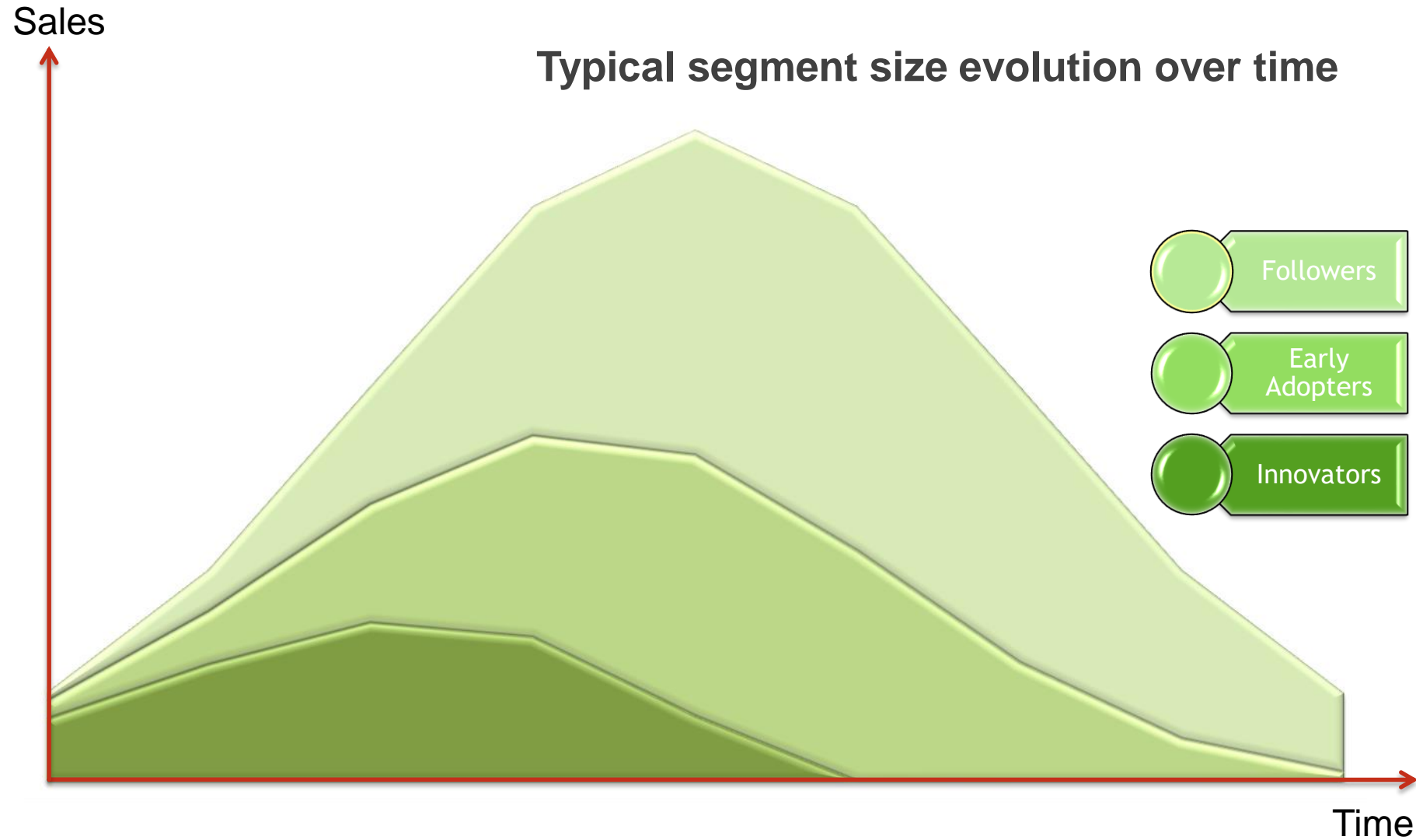
## HIGH EARNERS (Hi)

- High income level
- Demand performance and convenience
- Purchase expensive products

## SAVERS (Sa)

- Cautious in the way they spend their money
- Demand cheap, low-performance, average convenience products
- Future growth rate could exceed forecasts

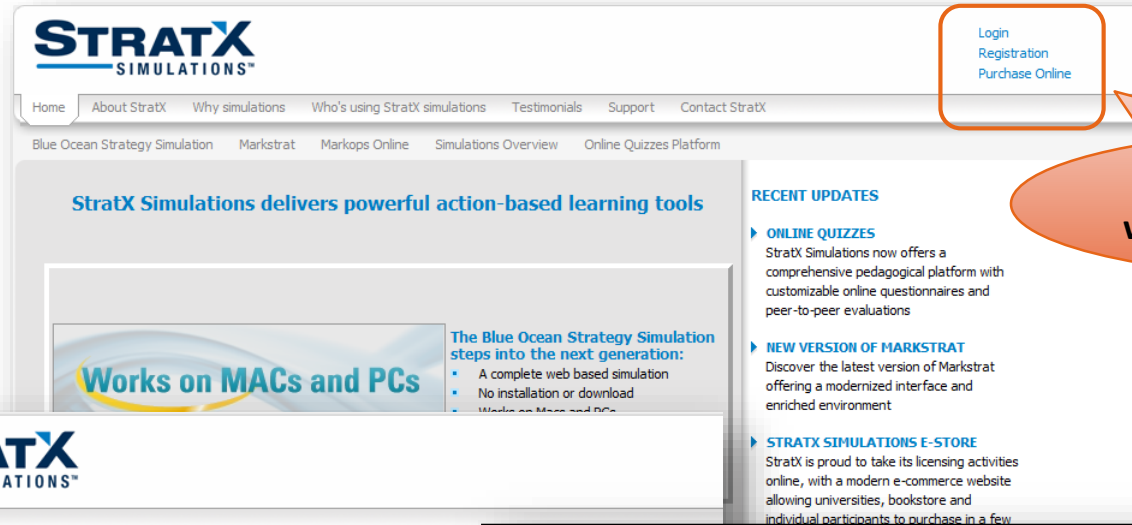
# Vodites Market Segments Follow a “Traditional” Development Pattern



# Your Objective

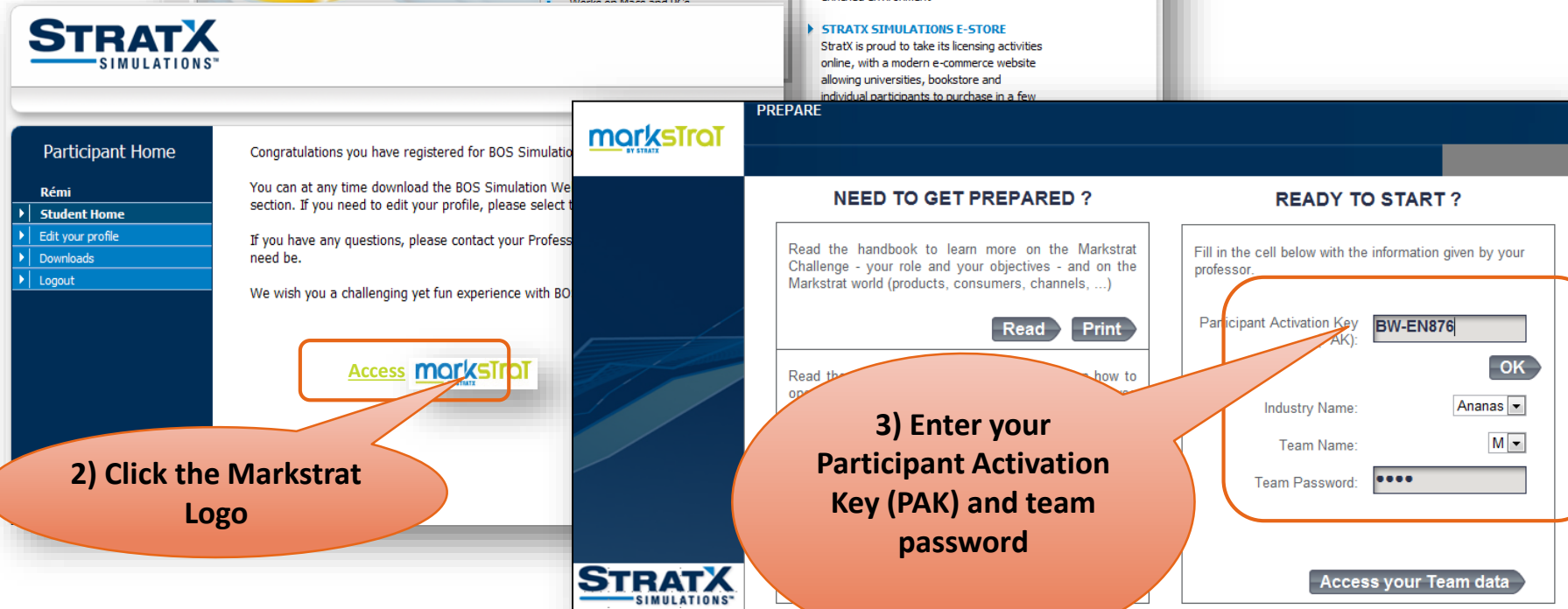
- ▶ Maximize your Stock Price Index (SPI)
- ▶ You will have to optimize as all drive stock price:
  - ▶ Market share
  - ▶ Sales growth
  - ▶ Net contribution
  - ▶ Cumulative net contribution
  - ▶ R & D investments
- ▶ Use what we learn in class by doing it
- ▶ Learn, grades, and prizes!

# To Start Log Onto [www.stratxsimulations.com](http://www.stratxsimulations.com)



Login  
Registration  
Purchase Online

1) Log in  
[www.stratxsimulations.com](http://www.stratxsimulations.com)



Access marksTrot

2) Click the Markstrat  
Logo

3) Enter your  
Participant Activation  
Key (PAK) and team  
password

Access your Team data

# Use the ANALYZE Menu to Find Reports

The screenshot displays the STRATX SIMULATIONS software interface. At the top, a navigation bar includes 'PREPARE', 'ANALYZE', and 'DECIDE'. The 'ANALYZE' menu is selected, leading to 'ANALYZE > COMPANY RESULTS'. A callout bubble points to the 'ANALYZE' menu with the text 'Start from here'. On the right, a dropdown menu shows 'Period 7'. The main content area features a grid of report thumbnails: 'COMPANY DASHBOARD', 'FINANCIAL REPORT', 'PRODUCTION REPORT', 'R&D REPORT', and 'DECISION REVIEW'. A second callout bubble points to the 'FINANCIAL REPORT' thumbnail with the text 'Click one of these images to open the corresponding report or study'. The left sidebar contains course information (COURSE: A29908, INDUSTRY: Ananas, TEAM: M), navigation icons (LOGOUT, TEAM INFO, MANUAL, FAQ, PRINT), and decision status (DECISION ROUND: 8, 0 errors, 0 warnings, Budget Deviation: 5646 k\$). The STRATX SIMULATIONS logo is at the bottom left.

**marksTraT**  
BY STRATX

PREPARE ANALYZE DECIDE

ANALYZE > COMPANY RESULTS

Period 7

COURSE: A29908  
INDUSTRY: Ananas  
TEAM: M

LOGOUT TEAM INFO  
MANUAL FAQ PRINT

DECISION ROUND: 8  
0 errors  
0 warnings  
Budget Deviation: 5646 k\$

**STRATX**  
SIMULATIONS™

Home

**COMPANY DASHBOARD**

**FINANCIAL REPORT**

**PRODUCTION REPORT**

**R&D REPORT**

**DECISION REVIEW**

Start from here

Click one of these images to open the corresponding report or study

# You Can Access All Decisions on the DECIDE Home

markStrat  
BY STRATX

PREPARE ANALYZE DECIDE

DECIDE > HOME

Start from here

DECISION HOME

RESEARCH & DEVELOPMENT

BRAND PORTFOLIO

MARKETING MIX

COMMERCIAL TEAM

MARKET RESEARCH STUDIES

MARKETING PLAN

COURSE: A29908  
INDUSTRY: Ananas  
TEAM: M

LOGOUT TEAM INFO

MANUAL FAQ PRINT

DECISION ROUND: 8

0 errors

0 warnings

Budget Deviation:  
5646 k\$

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# Develop Your Strategy and Make Decisions

- ▶ You will need to do a certain amount of analysis before setting a strategic direction for your firm
- ▶ Make three types of decisions in the first session



## Marketing Mix

- Production planning
- Pricing
- Advertising & segmentation strategy



## Commercial Team (Sales force)

- Size of commercial team
- Allocation across distribution channels
- Allocation across marketed brands



## Market Research

- Ordering industry-wide market studies
- Ordering market-specific market studies

# Enter Market Mix Decisions for Each Brand

**MARKETING MIX DECISIONS – MOVE** Learn more about Marketing Mix decisions ?

Brand MOVE was launched in the Sonites market before Period 0. MOVE will be based on R&D project POM07 in Period 8.

**Production** Enter here your production plan in units for MOVE.  
535334 units of MOVE were sold during Period 7.  
There are 666 units of brand MOVE available in your inventory.

Units

**Price** Specify the recommended retail price in \$ at which you wish to sell brand MOVE.  
This is the list price for consumers.  
This price was \$264 in Period 7.

\$

**Advertising** Enter below your advertising media and research budgets for brand MOVE, in thousands of \$.  
The advertising budget of brand MOVE in Period 7 was \$1 090k.

Media	Research	Total
<input type="text" value="1050"/>	<input type="text" value="40"/>	<input type="text" value="1090"/>

Indicate also how you want to allocate these budgets across consumer segments.

Explorers	Shoppers	Profs	High Earners	Savers	Total
<input type="text" value="0"/>	<input type="text" value="100"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="100"/>

**Perceptual Objectives** Enter below what your desired perceptual objectives are for brand MOVE.  
If your intent is just to raise awareness, simply check "No objectives".  
Otherwise, you may specify your objectives in term of semantic scales or multidimensional ones.

No Objectives     Semantic Scales     Multidimensional Scaling

[Decisions Home](#)    [Marketing Mix Home](#)    [Marketing Mix Expenditures](#)

# Sample Production Planning Decisions (Adjusts +/- 20%)

		Ideal Case	Pessimistic Case	Optimistic Case
Market Demand	Potential sales	154,000	154,000	154,000
Initial Situation	Beginning inventory	20,000	20,000	20,000
Your Decision	Production plan	150,000	100,000	200,000
Production Action	Actual production	Reduced to 134,000	Increased to 120,000	Reduced to 160,000
	Actual sales	154,000	140,000	154,000
Final Situation	Lost sales	0	14,000	0
	Ending inventory	0	0	26,000

# Allocate Salesforce Across Distribution Channels and Brands

## COMMERCIAL TEAM DECISIONS

Learn more about Commercial Team Decisions ?

Enter in the table below the number of full-time equivalent commercial people that you want to allocate to each brand in each channel.

	Specialty Stores	Mass Merchandisers	Online Stores	Total
MEGA	14	5	5	24
MOOD	8	6	6	20
MOST	3	13	4	20
MOVE	10	11	6	27
TOTAL	35	35	21	91

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[Commercial Team Budget](#)

[Commercial Team Allocation](#)

# Buy Research Reports as Needed

## MARKET RESEARCH DECISIONS

Learn more about Market Research decisions ?

Indicate below which market research studies you want to purchase by checking the appropriate boxes. General studies apply to all markets while market-specific ones apply only to brands in this market.

### General Studies

<input checked="" type="checkbox"/>	Benchmark	\$38 000
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### Sonites Market

<input checked="" type="checkbox"/>	Consumer Survey	\$76 000
<input checked="" type="checkbox"/>	Consumer Panel	\$126 750
<input checked="" type="checkbox"/>	Distribution Panel	\$76 000
<input checked="" type="checkbox"/>	Semantic Scales	\$12 750
<input checked="" type="checkbox"/>	Multidimensional Scaling	\$44 250
<input checked="" type="checkbox"/>	Market Forecast	\$25 250
<input checked="" type="checkbox"/>	Competitive Advertising	\$38 000
<input checked="" type="checkbox"/>	Competitive Commercial Team	\$19 000
<input checked="" type="checkbox"/>	Advertising Experiment	\$31 750
<input checked="" type="checkbox"/>	Commercial Team Experiment	\$44 250
<input checked="" type="checkbox"/>	Conjoint Analysis	\$44 250

### Vodites Market

<input type="checkbox"/>	Consumer Survey	\$50 750
<input type="checkbox"/>	Consumer Panel	\$88 750
<input type="checkbox"/>	Distribution Panel	\$63 250
<input checked="" type="checkbox"/>	Semantic Scales	\$12 750
<input type="checkbox"/>	Multidimensional Scaling	\$44 250
<input checked="" type="checkbox"/>	Market Forecast	\$25 250
<input type="checkbox"/>	Competitive Advertising	\$38 000
<input type="checkbox"/>	Competitive Commercial Team	\$19 000
<input type="checkbox"/>	Advertising Experiment	\$31 750
<input type="checkbox"/>	Commercial Team Experiment	\$44 250
<input type="checkbox"/>	Conjoint Analysis	\$44 250

The cost of each study is given here

Order all studies


Order no studies

Order all studies

Order no studies

[Home](#) Decisions


# Must Stay Within Your Budget



COURSE: A29908  
INDUSTRY: Ananas  
TEAM: M

LOGOUT TEAM INFO  
MANUAL FAQ PRINT

DECISION ROUND: 8  
✗ 2 errors  
△ 0 warnings  
\$ Budget Deviation: 6678 k\$




### Marketing Budget Overview

The charts and graphs below provide a financial recapitulation of all your decisions. All numbers are given in thousands of dollars.

#### Budget, Expenditures & Deviation

Authorized Budget	\$22 500k
Capital borrowed from bank	0k
Budget increase (+) or decrease (-)	0k
<b>Available budget</b>	<b>\$22 500k</b>
Advertising expenditures	(\$11 800k)
commercial team expenditures	(\$2 306k)
Research & Development	(\$1 710k)
Market research studies	(\$ 614k)
<b>Total expenditures</b>	<b>(\$16 430k)</b>
Deviation from available budget	\$6 070k


#### Breakdown of main expenditures by market





Market	Advertising	commercial team	RnD
Sonites	10 085	1 697	670
Vodites	1 715	608	1 040




Click here to check your budget

# Don't Submit Decisions With Any Errors or Warnings





COURSE: A29908  
INDUSTRY: Ananas  
TEAM: M


   
LOGOUT TEAM INFO

    
MANUAL FAQ PRINT

DECISION ROUND: 8

 2 errors  
 0 warnings



\$ Budget Deviation:  
6678 k\$



## DECISION ERRORS & WARNINGS – PERIOD 8

[Learn more about Errors & Warnings](#) ?

The list of messages below has been generated by the simulation upon analysis of your decisions. Errors indicate corrections that should be made because of inconsistent decisions, while warnings draw attention to possible problems. Other messages highlight some of your key decisions, such as new brand launch. Check your decisions carefully to make sure that all entries are correct.

 <b>Brand MEGA : no allocated commercial team</b> <i>From: Sales Department</i>	<b>Brand MEGA : no allocated commercial team</b> <i>From: Sales Department</i> <i>To: M</i> <i>Sent on: Period 8</i>
 <b>Brand MOVE : drastic price increase</b> <i>From: Management Board</i>	
	----- You have allocated no commercial people to brand MEGA. This will result in a very weak distribution coverage for this brand across all channels.

Click here to check  
your messages

# Ready to Start First Decision Round

- ▶ Read handbook; need to invest some upfront time
- ▶ Look at practice data
- ▶ Decide how to divide tasks and make decisions
  - ▶ Whoever talks the loudest (my favorite)
  - ▶ Sonite and Vodite product managers
  - ▶ Recommend using an R&D manager(s)
  - ▶ Competitive tracking
- ▶ Decision are constrained in first round
  - ▶ No perceptual objective in advertising
  - ▶ No R&D projects
- ▶ At end of class you will need to debrief your strategy so keep track of your decisions and why

# Agenda

- ▶ Overview
  - ▶ Course Overview
  - ▶ Marketing Strategy Overview
- ▶ First Principles of Marketing Strategy
  - ▶ MP#1: All Customers Differ → Managing Customer Heterogeneity
  - ▶ MP#2: All Customers Change → Managing Customer Dynamics
  - ▶ MP#3: All Competitors React → Managing Sustainable Competitive Advantage
  - ▶ MP#4: All Resources Are Limited → Managing Resource Trade-Offs
- ▶ Integrating the Four First Principles of Marketing Strategy
- ▶ Markstrat
- ▶ **Takeaways**

# Takeaways

- ▶ Marketing strategy is the set of decisions and actions focused on building a sustainable differential advantage, relative to competitors, in the minds of customers, to create value for stakeholders.
- ▶ This book takes a simplifying approach to marketing strategy, arguing that marketing decisions should focus on solving the four underlying problems or complexities that all entities face when designing and implementing a marketing strategy.
- ▶ The first and most basic issue facing managers in their marketing mix decisions (pricing, product, promotion, place) for the firm is that *all customers differ*. Customer heterogeneity is a fundamental problem that all firms must address when developing an effective marketing strategy (MP#1).

# Takeaways

- ▶ The input-output framework for managing customer heterogeneity captures the approaches, processes, and analyses that can aid managerial decision making. The inputs include customers, the company, and competitors, which together constitute the contextual background in which a firm's strategy must operate. The output identifies key industry segments, the firm's target segment(s), and positioning statements, which reveal the relative advantage of the firm's offering for the target segment.
- ▶ A second underlying complexity for both short- and long-term marketing decisions is that *all customers change*. Therefore, with a focus on the *firm's own customers*, MP#2 challenges firms to understand how their existing customers change over time.
- ▶ The input-output framework for managing this customer dynamism emphasizes the firm's existing customer portfolio and data that link past customer responses to specific marketing programs as inputs. The outputs are AER positioning statements and strategies, which help the firm effectively manage dynamics.

# Takeaways

- ▶ The idea that *all competitors react* is the third principle that marketing managers must address, by building and maintaining barriers to these competitive attacks and thereby ensuring a sustainable competitive advantage (MP#3).
- ▶ The input-output framework for managing competitive reactions cites three inputs: the outputs from MP#1, the outputs from MP#2, and long-term environmental (e.g., technology, regulatory) trends. Its outputs are a firm's BOR strategies, which aggregate and reorganize the needs of each targeted customer and persona, as well as the most effective strategies over time, in terms of brands, offerings, and relationships.
- ▶ The fourth marketing principle holds that *all resources are limited*, so firms must develop resource trade-off strategies that are relevant for their current target segments (MP#1) and maintain their current AER strategy (MP#2) and stated SCA (MP#3), which together constitute MP#4.

# Takeaways

- ▶ In the input-output framework for managing resource trade-offs, the inputs include the outputs from the first, second, and third marketing principles; the outputs are the metrics that firms need to manage their resource allocation activities, as well as the *specific resource allocation decision* that managers make for that period.
- ▶ To integrate these four principles into their day-to-day practices, managers should acknowledge that the framework is hierarchical, requires a static and dynamic perspective, and demands an iterative solution approach.

# Readings

- ▶ MarkStrat background: ***MarkStrat Online Student Handbook***
- ▶ ***Rethinking Marketing*** (very good summary of many of the First Principles, customer centricity, and changing role of marketing)
- ▶ Insight into the effect of marketing on firm performance
  - ▶ ***The Bottom Line: Marketing and Firm Performance*** (summary of research on empirical linkages)
  - ▶ ***10 Insights: The New Intelligent Enterprise Winning with Data*** (survey of business managers, especially shows importance of using data and analytics)

# Reference and source

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4. 77 BUILDING BLOCKS OF DIGITAL TRANSFORMATION: THE DIGITAL CAPABILITY MODEL by Jace An | Aug 28, 2018
5. From Social Media to Social Ministry: A Guide to Digital Discipleship by Nona Jones | Aug 4, 2020
6. Think in Systems: The Art of Strategic Planning, Effective Problem Solving, And Lasting Results by Zoe McKey | Nov 21, 2019
7. Agile Strategy Management in the Digital Age: How Dynamic Balanced Scorecards Transform Decision Making, Speed and Effectiveness by David Wiraeus and James Creelman | Aug 11, 2018