TUCK002: Principles of Marketing
Fall Term 2013
Professor Yaniv Dover

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Class Meetings: 10A - Tuesdays and Thursdays, 10:00-11:50AM
2A - Tuesdays and Thursdays, 2:00-3:50 PM

Teaching Assistants: TBA

Note: Due to the constrained schedule of the guest speakers, some of the topics’ timing in the later parts of the course may change. Please be attentive to notifications during classes and through the Blackboard system.

Objectives

Marketing is the business function that deals with customers' needs and wants. The role of marketing management is to help companies better understand customer preferences, link that knowledge to designing appropriate products and services for selected customers, and determine appropriate methods to communicate, to deliver, and to capture value. Successful firms are those that pursue objectives, deploy resources, and invest in the future of an organization, to consistently satisfy the needs of customers better than competitors. The basic principles of marketing apply to both for-profit and not-for-profit organizations.

The objectives of the course are:

1. To introduce you to the key elements in developing a marketing strategy and planning a marketing program.
2. To enhance your problem-solving skills in marketing by offering a set of analytical tools (i.e., frameworks, concepts, models, and techniques).
3. To provide you with examples of how companies organize their marketing efforts across a variety of business settings (e.g., consumer packaged goods, pharmaceutical, telecommunications, financial services, nonprofit organizations).
4. To give you an opportunity to (i) refine your oral and written communication skills and (ii) improve your ability to work effectively in a team, both of which are essential to a business career.
Required Materials


2. Course packet: syllabus, cases and supplementary readings.

3. The course Blackboard site: announcements, homework assignments, and lecture notes. Check it frequently for updates. I will also periodically post news articles, links or research papers pertinent to our class discussions on the "Supplementary Readings" section of Blackboard; these readings are not required but they can be very helpful in deepening your understanding of today's most prominent marketing issues.

Class Participation

Much of the learning in this course will occur in class as you share your experiences, questions, and analyses with each other. Therefore, you cannot make up for a missed class by simply reading my lecture notes later. So, **attendance is strictly required**. If you are unable to attend class due to illness or family emergency, you are expected to notify me by email in advance. Unexcused absences will negatively affect your grades.

**You are expected to be thoroughly prepared at each class meeting** (i.e., to have done the required readings and thought carefully about the discussion questions). To reinforce this expectation, I will often randomly select (i.e., cold call) a class member to comment on an issue or open a case.

Note that your class participation grade is not simply a function of the "air time" you take up; you will be evaluated on how effectively you contribute to the learning of the class and how thoughtfully you respond to questions.

The regular class sessions consist of (1) lectures/discussions, (2) case studies and (3) special guest speaker lectures. In lectures/discussions, we will focus on concepts, theories and examples. Although there will be some "lecturing" on my part, I intend these sessions to be a dynamic and collaborative learning experience, where you are encouraged to share your experiences and thoughts on the class topics. In case studies, we will apply the frameworks and concepts discussed in lectures and readings to real-world business problems. The case method is a highly effective means of sharpening your analytical skills, and is usually the staple of management education. The following paragraphs tell you how to prepare for case discussions.

Case Studies

For case discussions, I will assume that everyone has carefully studied the case and is ready to discuss. In preparing for a case discussion, you should read the case at least twice. The first reading should give you an impression of what the case is about and the types of data contained in the case. Be sure to pay attention to the exhibits, which often contain important data. Once you have a good idea of the fundamentals, you should read the case again with the goal of getting at the root causes of problems and gathering information from the case that will allow you to make specific action recommendations. After the second reading, you should prepare your answers to the assigned discussion questions individually, and then discuss these questions in your study groups. The study group is a useful and informal forum in which to test your ideas and to debate the pros and cons of each alternative.
Some discussion questions require arithmetic (spreadsheet) calculations; for such quantitative analysis, you should bring your Excel spreadsheet and be prepared to share it in class.

The case provides all the facts that you need. You should not find out what actually happened or bring in outside information about the company or the industry beyond what is described in the case. Such information is often irrelevant and counterproductive for your learning.

In class, my role is to facilitate discussion, while the direction and quality of the case analysis is the collective responsibility of the class. A typical request at the end of a case study is: "What is the right answer?" Keep in mind that, in many business situations, there may not be an "optimal" or "perfect" recommendation; however, there can be more than one "viable" action as well as several ill-considered actions. The goal of the case method is not to prescribe a solution to one specific problem but to thoroughly understand a complex issue from multiple angles, which then helps you construct a sound framework to tackle similar problems in the future.

**Guest Lectures**

Guest lectures are an integral part of class. These marketing executives are invited to speak about a course topic and to answer your questions based on their professional experience. Attendance is mandatory. Due to coordination between sections, the two guest lectures may be scheduled outside normal class times (see the course outline for details). If you have another class during these times, please notify me in advance explaining your absence. In this case, your participation grade will not be affected, but it is your responsibility to make up for the missed guest session with your study group.

**Seating Assignment and Name Cards**

From the second week on, please choose a seat where you will be comfortable for the rest of the term. I will provide name cards; please bring and use them in every class so I can learn your names. If you forget your name card, you may not be given proper credit for your class participation.

**Punctuality**

Lateness is disrespectful and disruptive. Chronic lateness will not be tolerated. Please be punctual for class and for your group meetings.

**Laptops, Tablet, and Cell Phones**

**Laptops and iPads are not permitted in class** (unless I make explicit exceptions for certain sessions). Please turn off (not just silence) your cell phones in class. If someone is seen operating their cell phones (or any other telecommunication devices) in class, they will be asked to leave the classroom.

**Group Case Write-up**

Your group can choose any one of four cases (Medicines Co., Charles Schwab, Natureview Farm, and Rohm and Haas) to complete a case write-up. Each write-up should address all of the discussion questions listed in the syllabus for that case and is restricted to 5 double-spaced pages. (Exhibits are not included in the page limit but should be used sparingly.) The case write-ups are due at the beginning of the class where the case is discussed.
General case write-up guidelines: Provide a coherent, well-organized analysis, not simply a list of arguments for or against a position. Be concise and do not spend time rehashing or paraphrasing the facts given in the case. Be as direct as you can in answering the discussion questions.

Final Exam

There will be a take-home exam. The exam will be made available at a pre-specified time (after Nov. 19) and due 3 days later (exact times will be notified later). The exam questions may be based on lectures, case discussions, required readings, and guest speaker presentations. The "Marketing Management Toolkit" note, which will be handed out towards the end of the class, will offer a study guide to all the essential topics you are responsible for in the final exam. No make-up exam will be offered and you will not be permitted to take the exam early.

The Marketing Project

In the final project, your group is expected to identify an interesting and relevant marketing challenge, and use your learning from the course, along with your creativity and problem-solving skills, to recommend a course of action to solve the problem.

The marketing problem can pertain to a company, a nonprofit organization, or an entrepreneurial idea arising from a new technology, a new product/service offering, or a social cause. Your project can either aim to develop an entire marketing strategy or to focus on a specific element in the marketing mix (such as pricing, communication, or distribution) that is of particular importance to the managers. The managerial problem defined should have an appropriate scope such that your group can deliver a meaningful, actionable recommendation by the end of the term - try to avoid a question either too broad/complex ("What should be Apple's new product strategy?") or too narrow/tactical ("How can the Dartmouth Bookstore increase its store traffic in the afternoon?"). If you are unsure whether you have identified a proper problem for the project, please have it run by me as early as possible.

The project will culminate in a written report (due on November 14) and a class presentation (on November 12 or 14). The written report should be 8-12 pages in length, double-spaced, with one-inch margins all around and a font size of 12. If you have other supplementary materials (such as tables, figures, screenshots), you can present them in appendices that are not included in the page limit, but their contribution to the report should be integrated within the main text.

While there is no rigid format for the report, the following recommended style contains four basic sections:

1. Problem Definition (brief). What problem are you trying to solve? Why is it an important challenge facing the management?

2. Situation Analysis (bulk). In this section, you analyze the context of the problem. You can apply either the 3Cs framework or the SWOT framework (see textbook pp. 48-50 for an illustration of SWOT). Note that the facts considered and analysis conducted here should be relevant to the managerial problem and your proposed solution.

3. Recommendations (bulk). Your recommendations can include both the marketing strategy (e.g., which customer segments should be targeted? How should this offering be positioned?) and the marketing tactics (e.g., what distribution channels should be adopted? How can the organization effectively communicate its message to the right audience?) that are required to address the managerial challenge.
4. Implementation (brief). If your project involves an implementation phase, how do you measure and evaluate the performance of your proposed actions? Did they achieve the initial objective or meet your expectations? What can you learn from the market feedback? If your proposed strategies or actions have not been implemented, do you foresee any problems in the implementation phase? (For instance, you could present your plan to the manager of the organization and see what their reactions and concerns are.) Can you mitigate these problems?

Besides these four components, your project should contain at least one marketing research method by which you collect the necessary information to solve the managerial problem (e.g., interviews, focus groups, observational research, survey questionnaires, controlled experiments). The note "Marketing Project Evaluation Guidelines" on Blackboard illustrates how the group projects are graded.

The PowerPoint presentation (10-12 minutes) shares the highlights of your group project with the rest of the class. Not every group member has to speak during the presentation (but anyone may be asked a question). Groups will be randomly chosen to present either on November 12 or 14. The sequence of presentations will be announced one week in advance. Note that these presentation sessions are mandatory and constitute a major learning module.

A brief progress report (1-2 pages) is due on October 24. The report should identify the topic of your project and explain why it is interesting, describe what sources of information and data are used for the project, and lay out the tasks you have completed and those you plan to complete in the next few weeks. This progress report is not graded but serves as a key check-point.

**Honor Code**

Sections meet in different times, so you should not share or discuss class materials with students in a different section until both sections have met. Do not use notes from earlier years' classes at any time. Do not redistribute class slides or notes to anyone not enrolled in this course without my prior permission.

The prevalence of group work is consistent with the principle that much of your education here will come from each other, and I encourage you to discuss all cases and other materials with your group prior to coverage in class. However, any individual work, including the individual exercise and the notes and spreadsheets prepared for case discussions, should be developed and modified on an individual basis.

Group work accounts for half of your final grade. If your name is on the final product (e.g., case write-up or project report), you must have put significant effort into the preparation process. Individuals will not receive credit for group work in which they have not participated, and may receive a lower grade if their contribution is clearly below expectations. Such procedure is initiated by the group members who, after unsuccessful and documented warnings to the individual, explain the issue to me in writing (email or letter, signed by a majority of group members). I will make the final decision after consulting all group members.

According to the Dartmouth College Academic Honor Principle, "Plagiarism is defined as the submission or presentation of work, in any form, that is not a student's own, without acknowledgement of the

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1 If you wish to learn more about marketing research design and analysis than what is covered in the textbook (note this is entirely optional), the following are good references:
Any form of plagiarism constitutes an affront to academic integrity and honesty and is therefore strictly prohibited. For a full description of Dartmouth's honor policies on examinations, unauthorized collaborations, and plagiarism, visit the Dartmouth College Academic Honor web page (http://www.dartmouth.edu/~reg/regulations/undergrad/acad-honor.html).

Every student is obligated to report to me or the TAs any suspected violation of the honor code that he or she has observed. If you wish not to reveal your identity, please drop a note in my mailbox at Tuck.

**Grading**

*Individual*

- Class Participation: 15%
- Super Bowl Ads/Political Ads Exercise: 10%
- Final Exam: 25%

*Group*

- Conjoint Group Assignment: 10%
- Group Case Write-up: 20%
- The Marketing Project: 20%

**Total**: 100%

If you feel that a calculation or judgment error has been made in the grading of an assignment or exam, please write a memo to your TA describing the error and give it to your TA with the original graded document. Also include documentation in support of your opinion (e.g., a photocopied page from the textbook with the relevant information highlighted). The TA will make the decision and I will review the TA's decision. Students have one week after an assignment has been returned to them to submit a grade rebuttal. After that date, no rebuttals will be accepted. If you are late picking up your assignment because you are not in class, you will not receive extra time to turn in a grade rebuttal.

**Likely grade distribution**

- A and A-: 30 - 40% of students
- B+: 45 - 55% of students
- B- and lower: 5 - 15% of students

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1 The numbers are only an estimation for the distribution and depend on the exact form of the distribution of the different grades accumulated during the term. If anything is unclear about the process, it will be advisable to contact me before the course begins.
### Overview of Course Schedule

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<td>Understanding Consumer Behavior (I)</td>
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<td>Thurs. Oct. 24</td>
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<td>Case: Natureview Farm (Marketing Channels)</td>
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<td><strong>Week 7</strong></td>
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<td>New Product Development</td>
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<td>Tues. Nov. 5</td>
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<tr>
<td>Thurs. Nov. 7</td>
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<td>Social Media and Social Networks Marketing</td>
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</table>
Week 9
Tue. Nov. 12
Marketing Project Presentations (I)

Thurs. Nov. 14
Marketing Project Presentations (II)
Final Project Reports Due

Week 10
Tue. Nov. 19
Course Wrap-up
Outline of Classes

1. Tues. 9/17  Introduction to Marketing Management

Readings:
- Syllabus
- Kotler & Keller, Chapter 1, pp. 1-19.

2. Thurs. 9/19  Understanding Consumer Behavior (I)

Readings:
- Kotler & Keller, Chapter 4, pp. 97-117.

Discussion questions:
After reading the Harrington and Tjan article, make a list of the various types of marketing research studies conducted by the Thomson Corporation. For each item on your list, consider the following:
(i) What research question did it address? Why is this question important to managers? (ii) In general, what are the pros and cons of this marketing research approach?

Assignment:
Conjoint individual exercise due: to complete this assignment, follow the instructions given in "Conjoint_Individual.doc" on BlackBoard.

3. Tues. 9/24  Understanding Consumer Behavior (II)

Readings:
- Kotler & Keller, Chapter 5, pp. 123-135.
- "A Note on Useful Marketing Metrics" (You may need to refer to this note repeatedly throughout the course.)

Discussion questions:
(1) Use the Customer Lifetime Value (CLV or LTV) formulas described in the "Useful Marketing Metrics" note to answer the following questions. (These formulas are slightly different from those on page 132 in the textbook; do not use the formulas in the textbook.)

Suppose that the average cost for AT&T to acquire a new customer is $370 (including handset subsidy, sales force commission, advertising and/or direct mails expenses). Once acquired, a customer pays about $60 a month. The average monthly cost to serve a customer is $35. The monthly churn rate is 1.22%. Assume a 1% monthly interest rate.

a. How long does it take AT&T to break-even on a new customer?
b. What is the customer lifetime value for an average AT&T customer? (You can use the infinite-time-horizon formula.)
c. Suppose AT&T plans to launch a customer satisfaction improvement program through better network coverage and complimentary services (such as free Wi-Fi in Barnes and Noble bookstores). Marketing research shows that the new program can reduce the monthly churn rate to 1.05%. How would the CLV change as a result of the new program?
(2) Why is CLV an important marketing metric? In what areas can it help a company make more informed decisions?

4. Thurs. 9/26  Segmentation, Targeting, and Positioning

Readings:
Kotler & Keller, Chapter 8, pp. 213-229.
Kotler & Keller, Chapter 10, pp. 275-289.

Assignment:
Conjoint group assignment due (To complete this assignment, follow the instructions given in "Conjoint_Group.doc").

5. Tues. 10/1  Case: Black & Decker

Readings:
Black & Decker Corp. (A): Power Tools Division

Discussion Questions:
1. Why is Black & Decker, the overall market leader, doing poorly in the Professional-Tradesman segment?
2. As Black & Decker weighs its strategic options, what are its strengths and weaknesses relative to competitors (especially Makita)?
3. Which of the three options should Black & Decker choose? Specifically:
   (a) Option 1 implies Black & Decker should not target the Tradesman segment. Do you agree? Why? (Hint: use the 3Cs framework in analyzing this targeting problem.)
   (b) If Black & Decker decides to remain competitive in the Tradesman segment, would you recommend Option 2 or 3? Furthermore, how would you like to position the brand? Explain. (Hint: you might find perceptual maps and the POPs vs. PODs framework helpful in addressing this positioning problem.)
   (c) What actions should Black & Decker take to achieve the positioning you recommend above?

6. Thurs. 10/3  Pricing

Readings:
Kotler & Keller, Chapter 14, pp. 382-403

7. Tues. 10/8  Guest Speaker

8. Thurs. 10/10  Case: Medicines Co.

Readings:
The Medicines Company (HBS 9-502-006)

Discussion Questions:
1. What is the Economic Value to Customer (EVC) per dose of Angiomax to a hospital, for "low-risk",
2. Draw a Value Thermometer based on various benchmarks relevant to the Angiomax price and identify any upward or downward pressure on it. What price would you recommend Medicines charge per dose of Angiomax? Why?

3. Based on your pricing recommendation, outline a promotion plan for Angiomax's launch. (You might find it helpful to approach this problem using the Consumer Decision-Making Unit analysis framework).

*** Note: The first question asks you to calculate the EVC of Angiomax for the 'Low Risk,' 'High Risk,' and 'Very High Risk' patients. We interpret these to be three distinct, non-overlapping groups. However, the numbers in Table B on page 8 apply to both High Risk and Very High Risk patients, i.e., the 2161 Angiomax patients in Table B contain the 369 Very High Risk patients in Table C. To produce separate calculations for (Moderately) High Risk patients, you will need to "back out" the risk rates for the 2161-369=1792 patients in Table B who are High Risk but not Very High Risk.

9. Tues. 10/15 Marketing Communications

Readings:
Kotler & Keller, Chapter 17, pp. 474-496

Assignment: Political Campaign ads and Super Bowl Ads
Individual Exercise due

Choose between watching Super bowl commercials or Historical Political ads from recent years.
Superbowl commercials can be found on Youtube (or through http://www.superbowl commercials.org). Historical Political ads can be found on http://www.hulu.com/historic-campaign-ads or http://www.washingtonpost.com/wp-srv/special/politics/track-presidential-campaign-ads-2012/).

1. Pick an ad that you consider highly effective and an ad that you consider highly ineffective and comment on each. In your evaluation, you should address the following: (i) Who is the target audience that the ad is trying to reach? Does it resonate with the target audience? (ii) Which stage(s) of the customer decision-making process (DMP) is the ad trying to influence? (iii) What is the key message communicated? What creative strategies are employed (p. 484) to deliver its intended message?

2. Super Bowl spots are notoriously expensive (a 30-second ad costs about $3 million). Suppose the Game was watched by 106.5 million viewers this year, what is the CPM of a Super Bowl ad? How is it compared with a 30-second primetime network TV spot during popular shows such as "CSI" or "Grey's Anatomy" with a CPM of $20-$24? (See the "Useful Marketing Metrics" note for a definition of CPM.)

Limit your write-up to 3 double-spaced pages maximum.

10. Thurs. 10/17 Guest Speaker

11. Tues. 10/22 Case: Charles Schwab
Readings:
Charles Schwab & Co., Inc.: The "Talk to Chuck" Advertising Campaign (HBS 9-507-005)

Discussion Questions:
1. Why was Charles Schwab not doing very well by 2004? (Hint: cover the 3Cs as well Charles Schwab's marketing strategy.)

2. How should Charles Schwab revise its STP strategy to rectify the current predicament? Specifically, among the four segments identified in Table B and Exhibit 6, which segment(s) should Schwab target? How should the brand be positioned for the chosen segment(s)?

3. What do you think of the "Talk to Chuck" test campaign? Using the 6Ms model to evaluate it. Please make sure you include the following issues in your assessment:
   a. Are the test ads primarily promotion-focused or prevention-focused? What do you think of this choice?
   b. Would a national campaign pay off financially? Calculate the Return on Marketing Investment (ROI or ROMI) of the campaign.*
   c. Are there certain aspects of the test campaign you would want to change or improve upon?

* Note: Exhibit 11 gives somewhat ambiguous information about the campaign's payoff. The following clarifies:
   · "Lift" in Exhibit 11 is the percentage change in the test cities from 2004 to 2005, controlling for the change in the control cities. For example, new accounts from new customers (households) increased 25% (125-100) in the test cities, controlling for change in the control cities.
   · In order to quantify the ROI, you need absolute numbers, not just percentages. Please utilize the information below in your ROI analysis:

<table>
<thead>
<tr>
<th>Net New Assets in the Test vs. Control Markets</th>
<th>Control Cities</th>
<th>Test Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>April-September 2004</td>
<td>$3.22 Billion</td>
<td>$3.15 Billion</td>
</tr>
<tr>
<td>April-September 2005</td>
<td>$3.41 Billion</td>
<td>$6.65 Billion</td>
</tr>
</tbody>
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12. Thurs. 10/24 Case: Natureview Farm (Marketing Channels)

Readings:
Natureview Farm

Discussion Questions:
1. How has Natureview been able to succeed up to February 2000? (Comment on both its marketing strategy and tactics.)

2. What are the financial implications of each proposed growth option? In particular, calculate the incremental sales and profits under each option for the next 1-5 years. To do this, you need to prepare a profit-and-lost statement under each scenario. (You can refer to Page 123 of the textbook for an example of the P&L statement. Also refer to the "Useful Marketing Metrics" memo for how to work with calculations involving channel margins.)

3. Which of the three growth options would you choose? What are the pros and cons of each?

4. For your chosen option, how would you minimize the risks associated with it?
Marketing Project progress report due

13. Tues. 10/29 New Product Development

Readings:
Kotler & Keller, Chapter 20, pp. 566-588.


Discussion questions:
In the Iridium case, which stage in the new product development process do you think was most accountable for the product's failure? What would you have done differently?

14. Thurs. 10/31 Case: Rohm & Haas

Readings:
Rohm & Haas (A): New Product Marketing Strategy (HBS 5-587-055)

Discussion Questions:
1. Prior to launch, what reasons did Joan Macey have to be optimistic about the prospects for Kathon MWX?

2. Why is Kathon MWX not selling?

3. What is the Economic Value to Customer (EVC) of MWX to the end-user (i.e., what price of MWX would leave the user indifferent between using MWX and not using any biocide)? Similarly, what would be the breakeven price for an industrial supply / machine tool distributor (i.e., what price would leave these intermediaries indifferent between selling MWX and not selling it)? Note that you do not have the data to calculate the breakeven in terms of profits for the intermediaries, but you can calculate it in terms of revenues. What does this tell you about MWX's current price?

4. What would you recommend to increase sales and get MWX on track? How feasible is each of your recommendation for Rohm & Haas?

5. Where in the New Product Development (NPD) Process did Rohm and Haas go wrong? What should they have done differently?

15. Tues. 11/5 Case: Hulu.com (Entertainment Marketing)

Reading:
Hulu: An Evil Plot to Destroy the World? (HBS 9-510-005)

Discussion Questions:
1. What motivated the NBC Universal and News Corp to jointly create Hulu.com? Why did this idea meet with initial skepticism and ridicule in the media industry?

2. Who are the customers for Hulu? What is Hulu's value proposition for each customer group?

3. What are the similarities and differences between Hulu.com and Youtube.com? What are the reasons that the former has generated a (gross) profit while the latter has not?

4. Why is Hulu able to command a premium CPM from advertisers? (Pay attention to the data given in
the case, including Exhibit 9a and 9b.)

5. What are the alternatives to Hulu's current revenue model (i.e. 100% advertising-supported)? What are the pros and cons of the current model and each alternative? Which model do you think Hulu should adopt going forward?

16. Thurs. 11/7 Social Media and Social Networks Marketing

Readings:
- The Buzz Starts Here: Finding the First Mouth for Word-of-Mouth Marketing (Knowledge@Wharton Mar. 2009)
- "Turning Social Capital into Economic Capital": Straight Talk about Word-of-mouth Marketing (Knowledge@Wharton Jul. 2010)
- Marketing Is Dead (Bill Lee, HBR August 2012)
- Facebook study reveals what makes someone a leader (Jacon Aron, New Scientist June 2012)

Assignment:
  TBA

17. Tues. 11/12 Marketing Project Presentations (I)

18. Thurs. 11/14 Marketing Project Presentations (II)

Assignment:
  Final Project reports due (ALL groups).

19. Tues. 11/19 Course Wrap-up

Assignment:
  Review the "Marketing Management Toolkit" either individually or collaboratively with your study group members.