

Teaching Marketing Strategy

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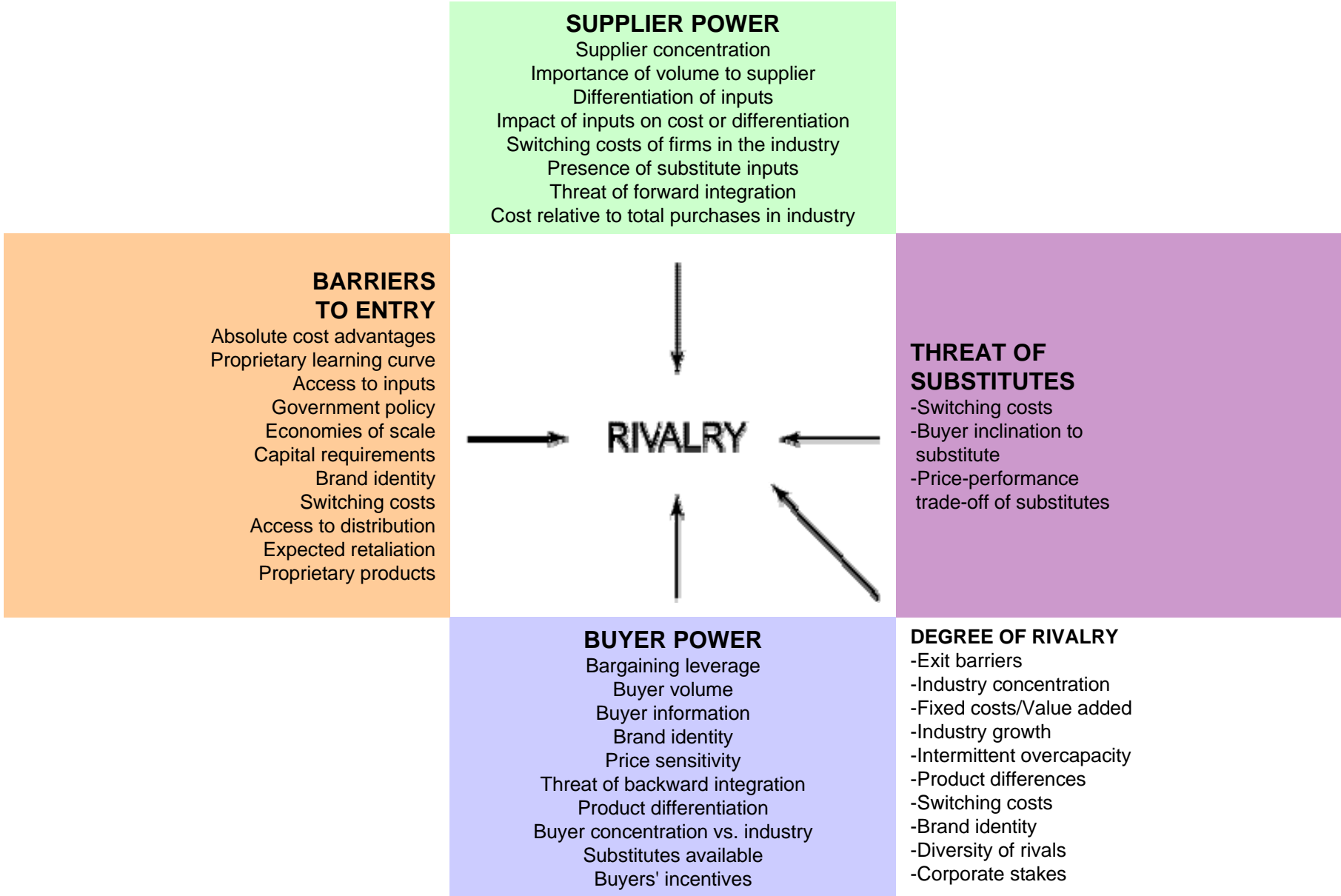
Marketing Strategy

- Marketing
 - Sits at the interface between the company and the customer
 - Objective: satisfy customers and do so better than other choices (competitors) they face, while making a profit
- Strategy
 - Long term perspective
 - Guide for the tactics

Different paradigms of marketing strategy

- Porter's five forces
- Competitive advantage
 - Cost or differential
- Superior performance
- Value leadership

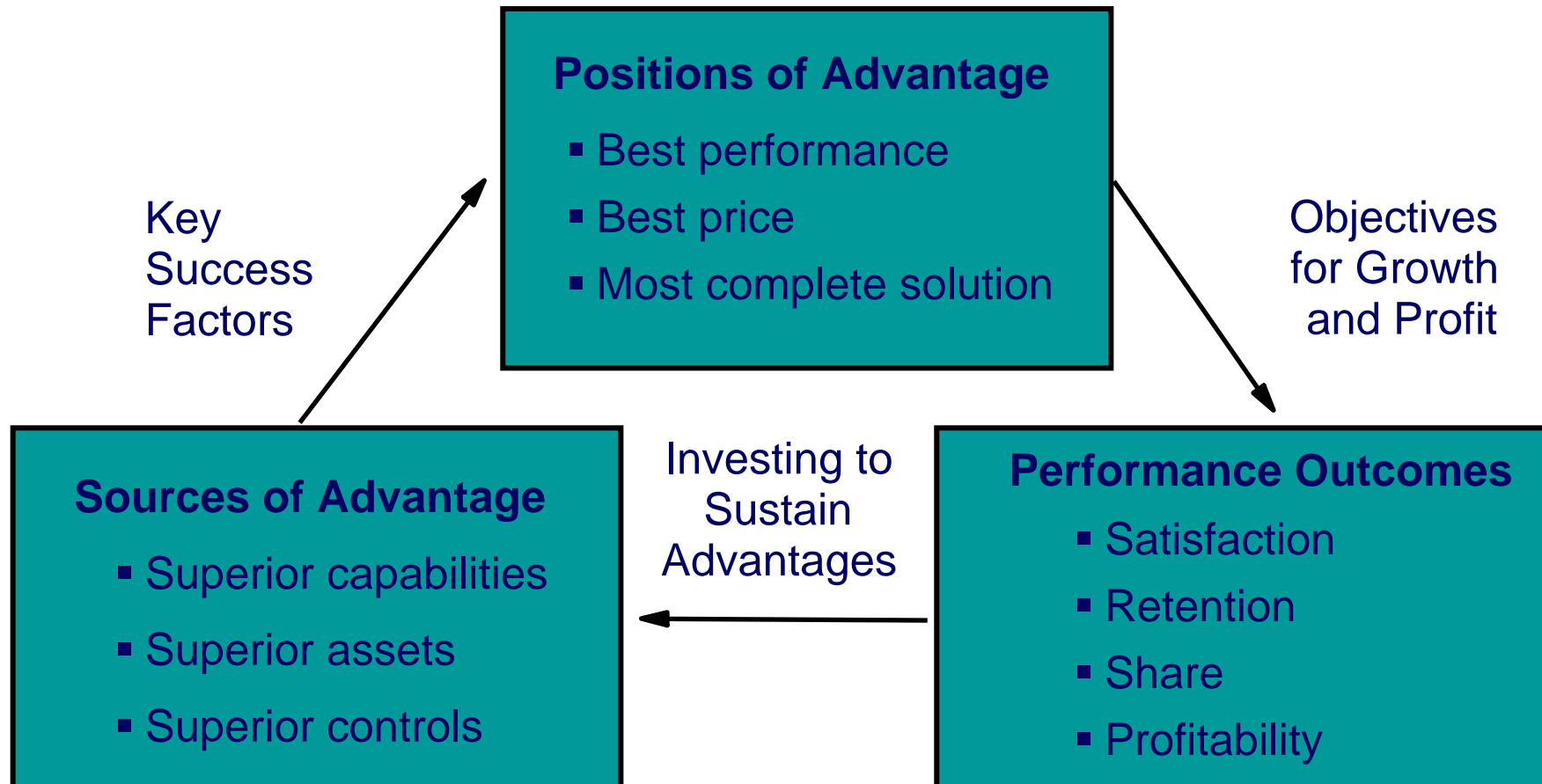
Diagram of Porter's 5 Forces



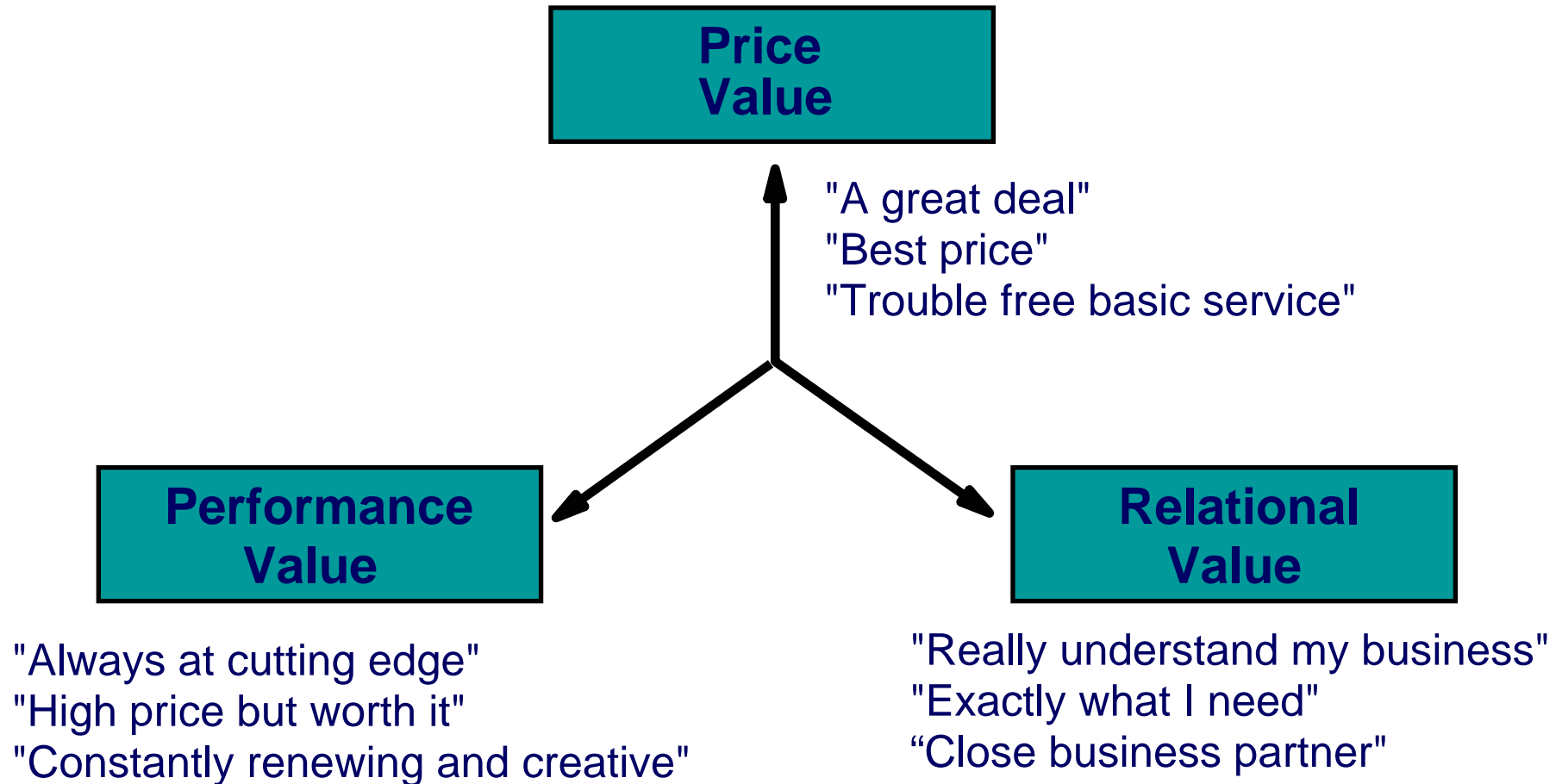
Competitive advantage

- Can be gained through
 - Lower costs enabling lower *price*
 - Superior *product* (service) which can be protected through IP
 - Recognizable and preferred brand (*advertising*)
 - *Distribution* and dominating the best resellers, shelf space, store location
 - Owning customers
 - Loyalty programs
 - Customer familiarity/intimacy/data

Achieving Superior Performance



Customer's Views of Value Leaders



Process for teaching

- Lecture
- Cases (real life situations)
- Simulation

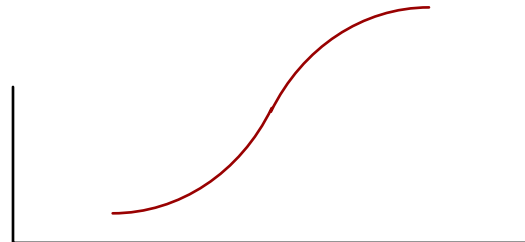


In all instances asking, how can the company improve its position with its customers.

Improve position=increase sales, market share, profitability, customer satisfaction, loyalty,...

Simulation: Industry Dynamics

Market growth



Korex



Lomex

Competition

No new competitors
Introduction of Lomex
Collaboration for licensing and jv's

Technology

No further scientific innovation expected
Four Korex technologies
One Lomex technology

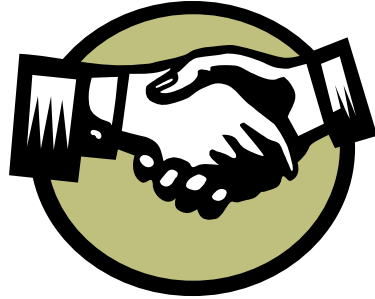
Economic environment

Growing GNP
Inflation
Antitrust intervention

The "Competition"



Collaboration



- ★ **Negotiations** Only within approved periods
- ★ **Outcome** Licensing and/or joint research
- ★ **Terms** Royalties: historically 3%, but deregulated now
Negotiated annual minimum royalties
Other fund transfers
- ★ **Process** Written contract and approval (arbitration in case of violation)
- ★ **Implementation** Compatible decisions entered by both parties
- ★ **Risk** Government invalidates contract in case of antitrust action

Focus on

- **Acquiring customers**, either from
 - Non-users to users
 - Competitors' customers
- **Retaining customers**, via
 - Customer satisfaction leading to loyalty
 - Continuous improvement
 - Outperforming competitive options
- General principle: retaining customers always more efficient than acquiring customers

Potential issues

- Local monopolies
- Competitive interaction
- Predatory pricing
- Collusion

Another principle—local monopolies are good

- Recognize not everyone wants the same thing
- Focus on a segment
- Satisfy that segment by focusing attention and resources
- e.g., toothpaste for smokers

Another principle—anticipate competitive response

- Before taking any move,
 - assess the moves that your competition will likely take
 - Assess the likely reactions to your move *before* you move
- Build the likely competitive actions and reactions into your strategy

Predatory pricing

- It may be illegal, the key is the word “predatory”
- It may be used as a temporary device for other purposes, i.e., to gain awareness, trial, or traffic, or to help sell other products (e.g., razors and blades; printers and toners)
- Beware of lowering price, as if you think you will gain an advantage by lowering price, you may only be instigating a competitive response

Collusion

- Unacceptable
 - You cannot collude on price
 - You cannot collude on who goes after which market

Goal

- Serve customers
- Build capabilities
- Deliver value to customers and shareholders