ENTRE / MKGT 555: Entrepreneurial Marketing

Winter 2016

Class location: PACCAR 395
Class time: Tuesday/Thursday 10:30am to 12:20 am
Professor: Jonathan (Zaozao) Zhang
Office: PACCAR 547
Office Hours: Friday 3 to 5pm or by appointment scheduled via e-mail.
e-mail: zaozao@uw.edu
TA: Alex Keeney Stewart
e-mail: akstew@uw.edu

COURSE DESCRIPTION

This course focuses on the unique challenges of marketing in start-up organizations, and provides insights into the strategy and processes related to the launchings and promotion of new business ventures.

The process of building something new can radically enhance your career and bring meaning and freedom to what you do. In contrast with established companies, entrepreneurship often begins with innovative product and services that are disruptive to the existing market ecosystems. As such, the entrepreneur’s marketing challenge is focused on developing strategy and marketing mix to convince customers and channel partners to “change their habits” and adopt such innovations, with limited time and resources.

While students enrolling in this course are expected to understand the basic theories and principles of marketing as taught in MKT501, we do touch on them throughout the course in a condensed format, as they are a set of guiding principles for interfacing with customers, competitors, collaborators, and the environment, as supported by quantitative analysis.

The first half of the course focuses on marketing strategy. In order to make effective strategic decisions, entrepreneurs must identify and measure consumers’ needs and wants, assess the competitive environment, select the most appropriate customer targets and then develop marketing programs that satisfy consumers’ needs better than the status quo and competition.

The second part of the course focuses on the decisions that entrepreneurs make and the tools that they use to implement an effective marketing strategy. The attraction and retention of profitable customers must involve consideration of the innovation being offered, the way in which the innovation is distributed, how pricing is set and structured, and how the value of the offering is communicated.

With the framework in mind, the course goes beyond and explores the complex ecosystems of values and incentives to customers and supplier/partners, to facilitate the adoption of innovation.

Jonathan Z. Zhang
Course Organization

The course is taught primarily through case discussions on early stage companies, supplemented with lectures and quantitative exercises, and we draw materials from variety of industries including platforms, services, consumer, and high-tech.

A key component of this course is the team development and presentation of marketing recommendations for local start-ups in various early stages (I will randomly assign the teams to the company). Companies are recruited by me in advance of the quarter.

The course will also have 2 panel discussion sessions – an angel-session and a VC session that would show the progression of market challenges that entrepreneurial firms face as they evolve from early stage to later stage.

Throughout the course, I will also be bringing in entrepreneurs and subject matter experts, where they will share their perspectives on how marketing is evolving in the new media landscape.

Through class projects, hands-on exercises, case studies, and class discussions we will explore marketing strategy and its implementation through what is traditionally called the "marketing mix." As we progress, it will become apparent that each of these decisions affects the others and that they must all be framed as part of an integrated marketing strategy.

Course Objectives

The main objectives of this course are to improve your ability to:

1. Identify and describe the challenges and opportunities of marketing for entrepreneurial organization.
2. Assess market opportunities by analyzing customers, competitors, collaborators, context, and the strengths and weaknesses of a company.
3. Design effective marketing strategies to maximize a company’s chance of winning in these markets.
4. Learn the tools necessary to implement marketing strategy and improve performance.
5. Communicate and defend your own marketing recommendations and critically examine and build upon the recommendations of others.

This course differs in an important way from most other courses by emphasizing both quantitative and qualitative analyses. Qualitative analysis is important for entrepreneurial firms due to 1) the lack of data, and 2) the fact marketing is, in the end, concerned with behavior of people – consumers, competitors, partners such as salespeople and distributors – that is often difficult to capture in quantitative terms. At the same time, quantitative analysis is invaluable for estimating the expected impact of marketing decisions on customers and firm performance and is critical for communicating with those outside marketing.
This dual nature of marketing makes it complicated as it involves many sources of uncertainty and judgment. You will need to balance both types of analyses when you justify your decisions in class discussion and assignments.

**COURSE MATERIALS**

**Required Readings**

You will find it essential to read about each session in the syllabus before beginning to prepare for that session. It will provide you with a framework and will help focus on the key concepts for each class. The key resources for the course are:

1. Readings and Cases Packet
3. Lecture notes will be distributed in the class and will be available on course website.

**(Highly) Recommended Readings**

If you are interested in additional background readings, I suggest two popular books. The first one talks about the general classifications of entrepreneurs, their interactions with VCs, as well as the motivation behind entrepreneurship - something to help you stay on course for the long road ahead.


The second, often praised as “the Bible for marketing high-tech products to larger markets”, emphasizes on the adoption of disruption innovation. We will refer to the core principle of this book throughout the class when we discuss innovation adoption.


**STUDENT PERFORMANCE EVALUATION**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Weightage</th>
<th>Grade Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Participation (15%) / Short Written Case Preparations (2-page max). (15%)</td>
<td>30%</td>
<td>Individual</td>
</tr>
<tr>
<td>HW Exercises</td>
<td>10%</td>
<td>Individual</td>
</tr>
<tr>
<td>Group Case Analysis Write-Up: American Well Sonance</td>
<td>20%</td>
<td>Group</td>
</tr>
<tr>
<td>Marketing Recommendation for Start-ups</td>
<td>40%</td>
<td>Group</td>
</tr>
</tbody>
</table>

**(1A) Class Participation**
Almost all of our class time will be devoted to discussion of assigned cases. To get the most out of class you must prepare conscientiously and participate actively in study group and class discussions. Failure to participate robs others of your perspective and increases the chances that the discussion will not be relevant to your interests and abilities. Please participate actively.

So what is conscientious case preparation? Read the case thoroughly; identify principle issues to be addressed in the case; attempt to analyze these issues using your common sense and any appropriate tools or techniques, and note any action recommendations implied by your analysis. Alternatively, if you find yourself hitting a roadblock, try to articulate what your problem is. Oftentimes, identifying roadblocks is as valuable as a complete analysis. You should expect to spend between two and three hours preparing each case.

For each case assigned you will note below that I have posed one or more preparation questions. The questions play several roles depending on the case. Usually the questions are simply guidelines to help you get started on your analysis. In some instances, I may give you additional information in the questions, or when the case is a mechanical one, I may ask you to perform specific calculations. You should not assume that answering all of the preparation questions necessarily constitutes a complete analysis. My general advice is always to read the preparation questions, but do not feel overly constrained by them.

Do not be surprised if after conscientious preparation you still feel there are some loose ends in the case you are not certain about. Your test of whether you are learning the material and progressing adequately should be how you feel after the class discussion, not before. You are doing fine if after a class discussion you believe you could adequately handle a similar situation in the future.

I will alternate between asking for volunteers and calling on individuals. If you are not prepared, please notify me before class, and we can both avoid the embarrassment. If you have spent appropriate time on the case but still feel unsure of your opinions, consider yourself prepared.

Several criteria will be considered when evaluating your class participation.

- Quality of the class participation is most important. Sheer quantity is neither sufficient nor necessarily desirable.
- High quality class participation is thoughtful and includes comments that add to our understanding of a situation and help move class discussion forward. It goes beyond mere repetition of case facts or simple truisms.
- High quality class participation is supported with qualitative and/or quantitative analyses.
- Your comments should take into account and build on the comments and analyses of your classmates and be relevant to the topic under discussion.
- You need to be present in class in order to receive a strong class participation score. Tardiness is a hindrance to class discussion and a distraction for your colleagues. Please be on time.

(1B) 2-page Written Case Preparation (Individual)
To help everybody prepare the case carefully and to ensure productive case discussions, I ask that each person turn in an up to two-page case write up that covers the discussion questions listed in the syllabus. This will be count towards participation grade.

This requirement applies to all the cases, except for Sonance and American Well, which are formal group write-ups.

You have to work on these assignments individually, but you can consult with your classmates on the general solution approaches. Exercises are to be completed and submitted individually in .pdf format via the course website the day before the corresponding case discussion.

As these are not in-depth analysis. I will grade them based on completion and general effort on a simple 3-tier scale: check (satisfactory quality), check-plus (exemplary quality with original though-provoking recommendations) or check-minus (quality that needs improvement, or late assignment).

(2) Quantitative Exercises (Individual)

Back-of-the-envelope, quantitative exercises are extremely useful in guiding decisions with limited data. In this course, I want to reinforce the quantitative skills. You are required to submit the following homework assignments.

<table>
<thead>
<tr>
<th>Exercise</th>
<th>Grade</th>
<th>Due on the following date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Break-even analysis</td>
<td>5%</td>
<td>January 11\textsuperscript{th} midnight</td>
</tr>
<tr>
<td>2. EVC and LTV of customers</td>
<td>5%</td>
<td>January 18\textsuperscript{th} midnight</td>
</tr>
</tbody>
</table>

The exercises are included in the course pack and are posted on the course website. You have to work on these assignments individually, but you can consult with your classmates on the general solution approaches. Exercises are to be completed and submitted individually in .pdf format via the course website on the due date. Please clearly state your assumptions if you need to make any assumptions. For full credit (to avoid any confusion), please show all your work and solution logic. The clarity of your presentation, reasoning, and solution are important for receiving full credit for your work.

(3) Group Case Analysis Write-up (Group)

You are required to submit the following case analysis:

<table>
<thead>
<tr>
<th>Case</th>
<th>Grade</th>
<th>Due Date and Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Well</td>
<td>10%</td>
<td>February 1\textsuperscript{st} midnight</td>
</tr>
<tr>
<td>Sonance</td>
<td>10%</td>
<td>February 24\textsuperscript{th} midnight</td>
</tr>
</tbody>
</table>

This assignment is to be done with your study group. All assignments should be submitted via course website in .pdf format using Times New Roman 12-point font, double-spaced, with one-
inch margins on all sides, and should not exceed 4 pages of text plus 3 additional pages of exhibits (there are no font restrictions for exhibits).

**Suggested formats of the cases (Short individual write-ups, group write-ups)**

You can do the case-write up in either an executive summary essay format (please see the suggested format in the Appendix), or a bullet-point, question and answer format. Both formats are acceptable, as long as all the discussion questions listed in the syllabus are answered explicitly. However, I find that the question and answer format is often preferred by students as it conveys clarity and conciseness.

**(5) Marketing Consulting Final Project (Group)**

A key component of this course is the team development and presentation of marketing recommendations for local start-ups in various early stages. This allows students to experience first-hand the challenges start-ups face both in marketing issues as well as in organizational dynamics. (e.g. very early stage companies might have go-to-market launch issues, whereas more advanced companies might have market expansion issues)

While the marketing processes vary across industries and firms, developing a strategic marketing plan involves three main activities: 1) analysis of market situation; 2) marketing strategy formulation, and 3) implementing strategy through marketing mix. The course will cover all three areas and will equip you with the necessary concepts and skills.

Within the first week of class, I will randomly assign the teams of 4-5 students to each start-up company. Depending on the number of companies recruited, more than one team may be assigned to the same company, although the teams will be working on different problems.

To make sure everybody has the level playing field, students may not choose to work on projects in their own start-ups.

Depending on scheduling, some of the companies will present during the Angel panel discussion.

The student team will set up meetings offline with the company, and can work out the meeting schedules as they see fit (e.g. weekly skype conference, every 2 weeks). I recommend the following protocol for major meetings (at least two meetings), to get the most out of the ten-week class duration.

- Within the first 2 weeks of the class, schedule the first meeting with the company founder and/or key staff as a discovery meeting to:
  - Interview of the company to gain a deeper understanding of the company and the market environment.
  - Identify the most pressing market/marketing issue, define the scope of the project
  - Develop a plan to conduct research to tackle the issue
• After five weeks of working, set up a second meeting with the company to:
  o Assess progress and discuss preliminary findings
  o Assess whether the project is on track and ask additional questions
  o Possibly narrow down or redefine the scope

Throughout the process, the team should email the company contact for questions. It will be beneficial to designate one contact person per group and consolidate all the questions, so the company contact person is not bombarded with the same questions from different team members.

**Final Deliverable on March 8th and March 10th, 2016 in class. The deliverable will be a Power Point file due before class.**

Time for each presentation will depend, in part, on the total number of projects, but will be no more than 15 minutes plus 5 minutes Q&A. Effective verbal presentation that follows a logical flow is key in communicating your ideas and recommendation to team members, clients and investors.

**Evaluation:**

You will be evaluated based on the project content (70%) as well as the presentation (30%).

The plans will be evaluated according to the following criteria:

**Project Content (70%)**
- Is the scope well defined? Are the deliverables measurable and achievable within the budget, time frame, and objective of the entrepreneur? (10%)
- Utilization of frameworks covered in class (e.g. 5C, STP, 4P). (20%)
- Did the team make the best use of existing data or gather new data? Are the recommendations evidence based, guided by quantitative reasoning? (30%)
- Overall quality and depth of the recommendation. Is this something that offers useful perspective to the management? (10%)

**Presentation (30%)**
- Logical and clear flow (e.g. overview -> stating the problem -> process -> recommendation) (20%)
- Ability to defend the recommendation during Q&A (10%)
LATE SUBMISSION POLICY:

All assignments are due on Canvas based on the Pacific Standard Time

Late submissions are strongly discouraged, as failure to complete the cases in a timely fashion detracts the class-room discussion experience. However, under extenuating circumstances, late assignments will be accepted with the following grade penalty:

- 20% grade deduction for 1-12 hours past the deadline
- 40% grade deduction for 13-24 hours past the deadline
- 60% grade deduction for 25-36 hours past the deadline
- 80% grade deduction for 37-48 hours past the deadline

2-page write-ups that are turned in late will receive a check-minus.

No assignment will be accepted after 48 hours. There is no late submission for the final project.

FINAL GRADES:

All grades will be curved at the very end the quarter. If you struggled with an assignment but did not do well on it, don’t worry too much. Come and see me and figure out what you did wrong, as my goal is for you to fully grasp the materials.

TECHNOLOGY POLICY:

I encourage the use of laptops in class for class-related purposes such as note taking and accessing your financial models. Learning how to prepare financial models in Excel is an important objective of the class. However, I support the School’s policy against accessing email, surfing the Internet, etc. during class. Please constrain the use of your laptop during class to class-related purposes.

MBA HONOR CODE:

I employ the policies and procedures espoused by the Foster School of Business Honor Code to maintain academic integrity in the course.
# CLASS SCHEDULE

## A. Scanning the Market and Developing Strategy

<table>
<thead>
<tr>
<th>Session Date</th>
<th>Topic</th>
<th>Case/Readings</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1/5</td>
<td>Introduction to Entrepreneurial Marketing</td>
<td>Read: “Note on Marketing Strategy”&lt;br&gt;Read: “Basic Quantitative Analysis for Marketing”&lt;br&gt;Read: “Analyzing Marketing Problems and Cases”</td>
<td></td>
</tr>
<tr>
<td>2. 1/7</td>
<td>Customer Analysis I &amp; II: Value to the Customer and Customer Lifetime Value</td>
<td>Read: “Economic Benefits and Value Creation”&lt;br&gt;Read: “Zero Defections: Quality Comes to Services”&lt;br&gt;Read: “Customers As Assets”&lt;br&gt;Read: “Reconciling CLV formulas”&lt;br&gt;Skim: Chapter 16 “Managing Customers”</td>
<td></td>
</tr>
<tr>
<td>3. 1/12</td>
<td>Marketing Challenges for early-stage companies</td>
<td>Discussion with angel investors&lt;br&gt;Russ Garrison&lt;br&gt;Catherine Kennedy</td>
<td>HW #1 due on 1/11 midnight</td>
</tr>
<tr>
<td>4. 1/14</td>
<td>Company Analysis</td>
<td>Case: Clocky&lt;br&gt;Skim: Chapters 2 &amp; 5 “Framework for MM” and “Managing Company Value”</td>
<td>Individual case write-up due 1/13 midnight</td>
</tr>
<tr>
<td>5. 1/19</td>
<td>Source of Volume&lt;br&gt;Segmentation, Targeting and Positioning</td>
<td>Read: “How to manage an aggressive competitor”&lt;br&gt;Skim: Chapter 3 “Identifying Target Customers”&lt;br&gt;Skim: Chapter 4 “Value Proposition and Positioning”&lt;br&gt;Skim: Chapter 7 “Managing the Competition”&lt;br&gt;Skim: Chapter 14 “Gain and Defending Market Positions”</td>
<td>HW #2 due on 1/18 midnight</td>
</tr>
<tr>
<td>6. 1/21</td>
<td>Case: HubSpot (Quantitative Based Targeting, SaaS)</td>
<td></td>
<td>Individual case write-up due 1/20 midnight</td>
</tr>
<tr>
<td>7. 1/26</td>
<td>Customer Analysis III: BDT</td>
<td>Read: “To Understand Your Customers, You Have to Know How they Think”&lt;br&gt;Read: “A Nobel That Bridges Economics and Psychology”</td>
<td></td>
</tr>
<tr>
<td>8. 1/28</td>
<td>On Crossing the Chasm, and Leveraging References</td>
<td>Lessons for entrepreneurs from VC’s perspectives&lt;br&gt;Kristina Bergman – Principal at Ignition Partners&lt;br&gt;Nikhil Hasija – CEO of Azuqua</td>
<td></td>
</tr>
</tbody>
</table>
## B. Implementing Marketing Programs

<table>
<thead>
<tr>
<th>Session Date</th>
<th>Topic</th>
<th>Case/Readings</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. 2/2</td>
<td></td>
<td><strong>Case: American Well</strong> (Understanding Barriers to Adoption)</td>
<td>Group case write up due on 2/1 midnight</td>
</tr>
</tbody>
</table>
| 10. 2/4      | Pricing | Read: “Who Benefits from Price Promotion?”  
Read: “Pricing Opportunities”  
Read: “Ethical Issues in Pricing”  
Skim: Chapter 10 “Managing Price” | |
| 11. 2/9      | Branding | Read: “How do Brands Create Value?”  
Skim: Chapter 9 “Managing Brands” | |
| 12. 2/11     | Social advertising and content strategy (Guest Lecture) | Zach Hunting – Founder – Crown Social  
Skim: Social Media Campaign Planning Guide | |
| 13. 2/16     |       | **Case: TheLadders** (Pricing Strategy in Two Sided Market) | Individual case write-up due 2/15 midnight |
Read: “First-Mover Disadvantage”  
Read: “An Entrepreneur’s New Product Development Journey”  
Skim: Chapter 8 “Managing Products and Services”  
Skim: Chapter 17 “Managing New Products” | |
| 15. 2/23     | SEO, Digital Citizenship and Strategies Consistent Online Relevance (Guest Lecture) | Danny Done – Founder and CEO – Marketeering Group  
Skim: Search Engine Optimization Starter Guide | Group case write-up due 2/24 midnight |
<p>| 16. 2/25     |       | <strong>Case: Sonance</strong> (Pricing and Distribution with Competition) | |
| 17. 3/1      | Competitive Benchmarking (Guest Lecture) | TA McCann – Founder and CEO – RivalIQ | |</p>
<table>
<thead>
<tr>
<th></th>
<th>Date</th>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>3/3</td>
<td>Case: Emotiv (Selecting Partners for “Crossing the Chasm”)</td>
<td>Individual case write-up due 3/2 midnight</td>
</tr>
</tbody>
</table>
| 19. | 3/8 | Marketing Recommendations | Read: “Building a Marketing Plan”  
Team Presentations (Group 1-4)  
Powerpoint Presentation Submitted on Canvas by 3/8 before class |
| 20. | 3/10 | Marketing Recommendations | Read: “Building a Marketing Plan”  
Team Presentations (Group 5-8)  
Powerpoint Presentation Submitted on Canvas by 3/10 before class |

* Class schedule as of January 3rd, 2016. Subject to change.
A. Scanning the Market and Developing Strategy

Session 1 -- Introduction to Entrepreneurial Marketing

Readings: Dolan, Robert J., “Basic Quantitative Analysis for Marketing”. This note reviews some of the key quantitative tools that we will use in case analysis. Please make sure that you understand and are comfortable with break-even analysis - it comes up in almost every case analysis. This is also relevant to your first problem set.

Dolan, Robert J., “Note on Marketing Strategy.” This note provides a good overview of marketing strategy.

Peter, J. Paul and James Donnelly, “Analyzing Marketing Problems and Cases” is a good guide to case preparation.

Session 2 -- Customer Analysis I: Economic Value to the Customer
Customer Analysis II: Lifetime Value of the Customer

In this session we will learn two important concepts (EVC and LTV), which you will find very useful for analyzing cases and real-life situations. We will discuss why customers decide to adopt, or not adopt, innovations as well as apply the concept of EVC (Economic Value to the Customer). Next, we will discuss customer acquisition and retention with special emphasis on the concept of Life-Time Value of customers. We will also discuss why firms should focus on lifetime value of customers and how it affects firm profits and long-term value.

Reading: Best, Roger J., “Economic Benefits and Value Creation” explains EVC construct.


Fader and Hardie, “Reconciling and Clarifying CLV formulas” (skim)

Chernev, Alexander, Chapter 16 “Managing Customers.” (skim)
Session 3 – Marketing challenges for early-stage companies: Panel discussion with angel investors (Russ Garrison, Catherine Kennedy)

Session 4 -- Company Analysis

In this session, we use the Clocky case to examine the all the decision challenges faced by entrepreneurs, and introduce framework for approaching marketing problems and to convey the importance of both conceptual and quantitative analyses in the development of a marketing strategy.

Case: Clocky

Beset by media attention and consumer interest but still at least a year away from the ability to debut Clocky, Gauri Nanda must navigate a series of challenges and difficult decisions in order to effectively bring her product to market. These include a positioning strategy, choosing the proper channel, pricing, potential partnerships, manufacturing issues, market analysis, and PR management.

Discussion Questions:

1. What are the key marketing challenges facing Gauri Nanda? How would you prioritize them?
2. Nanda has several options for positioning Clocky. How would you segment the potential market for Clocky and which target segment should Nanda focus? Outline the value proposition appropriate for each target market segment.
3. Which of the positioning options are most feasible given the product development of Clocky to date and Nanda’s goals, resources and capabilities? Do you see the positioning of Clocky changing over time?
4. Given your chosen positioning option, recommend the key components of a marketing launch plan for Clocky. Include recommendations on Clocky’s product design/features and manufacturing location, pricing, retail channels and distribution plan, and marketing communication. Be sure that your launch plan recognizes Nanda’s budgetary constraints.
5. What are the rewards and risks of the flurry of media attention surrounding Clocky one year prior to its launch?

Readings: Chernev, Alexander, Chapters 2 and 5 “Frameworks for MM” and “Managing Company Value” is an overview of company analysis and relevant frameworks and constructs. (skim)
Session 5 -- Segmentation, Targeting, and Product Positioning

Consumers have different preferences. This simple idea has led to a powerful concept of market segmentation. Recent advances in technology are pushing this concept to a “segment of one” or “mass customization”. In this session we will discuss these concepts and illustrate them with examples. We will then discuss how to position a firm’s offering to its customers.

Reading: Chernev, Alexander, Chapter 3 “Identifying Target Customers” discusses segmentation and target market selection. (skim)

Chernev, Alexander, Chapter 4 “Value Proposition and Positioning” reviews positioning strategies. (skim)

Chernev, Alexander, Chapter 7 “Competitive Dynamics” (skim)

Chernev, Alexander, Chapter 14 “Gain and Defend Mkt Positions.” This is an overview of competitive analysis and relevant frameworks and constructs. (skim)

-- Source of Volume

Where do customers come from in a competitive world? In this session we talk about the various positioning strategies for gaining customers.


Session 6 -- Quantitative Based Targeting and Growth Strategy. Software-as-a-Service

In this class we examine the challenges facing start-ups as they strive to escalate the growth once they have passed the introductory stage of development, and decide which customers to target. Secondary goal is to understand how to configure pricing strategies and explore the long-term viability of SaaS pricing models.

Case: HubSpot Inbound Marketing and Web2.0

HubSpot, in its quest for growth, faces significant challenges which are associated with the inbound marketing software-as-a s-service to B2B customers. These include 1) developing market segmentation and targeting strategies after customer have initiated contact with the company to decide which customers to serve and which to turn away, 2) configuring pricing strategies to align with the value
delivery stream customers experience and 3) determine whether inbound marketing communicates programs can generate enough scale.

Discussion Questions:

1. Do you agree with HubSpot that the “rules of marketing” have changed? If so, how? Is inbound marketing the answer? Why or why not?
2. Is HubSpot finding and serving the right set of customers? Should it widen its focus? Or narrow their target by focusing exclusively on either Owner Ollies or Marketer Marys? Or by focusing on either B2B or B2C customers?
3. How should HubSpot differentiate its products? Should its pricing strategy change too? Does the software-as-a-service (SaaS) pricing model work for both Marketer Marys and Owner Ollies?
4. Are Halligan and Shah being too stubborn by not doing any outbound marketing? Or should they continue to practice what they preach by focusing on inbound marketing alone?
5. Halligan and Shah want HubSpot to be to marketing, what salesforce.com is to sales. What would your plan of action be to make this happen? Why would you take these actions? What keeps you up at night about your plan?

Session 7 -- Customer Analysis III: The Economics and Psychology of Consumer Behavior

In this class we examine how customers think about products. We describe three fundamental ways in which a firm can provide value to a customer - economic value to customers (EVC), functional value and psychological value. We also provide a systematic description of how customers depart, on occasion, from the behavior assumed in standard economic analysis.

Readings: Belsky, Gary, “To Understand Your Customers, You Have to Know How They Think.” In this excerpt from a popular book, Belsky enumerates many ways in which peoples’ behavior differs from what you might expect based on rational economic thinking. While he focuses on banking, the lessons apply to most contexts. As you read the article, you might ask yourself how they apply in industries that interest you.

Altman, Daniel, “A Nobel That Bridges Economics and Psychology”
Session 8 -- On Crossing the Chasm, and Leveraging References. Lessons for Entrepreneurs From Venture Capitalists.

Kristina Bergman – Principal at Ignition Partners

Nikhil Hasija – CEO of Azuqua
B. Implementing Marketing Programs

Session 9 -- Understanding the Barriers to Adoption

The case examines the different incentives of the player in the marketing environment (5C). We will examine the barrier to adoption from the standpoint of all players in the value chain and conceive ways to overcome them to align the parties. Further, we explore the positioning of an innovation as a complement vs. substitute to the status quo.

The case assignment is to be done in groups. All assignments should be typewritten in 12-point font, double-spaced, with one-inch margins, and should not exceed 4 pages of text plus 3 additional pages of exhibits (i.e., total max of 7 pages). Please make sure all discussion questions are covered.

Case: American Well: The Doctor Will E-See You Now

Using American Well’s online platform, patients can initiate communication with physicians and other healthcare providers via the internet or by phone and received advice or even a diagnosis in real-time without having to visit the physician’s office. The co-founders Ido Schoenberg and Roy Schoenberg, believe this platform will create great value for all players in the healthcare chain.

Discussion Questions:

1. Do you share the assessment of the founders regarding the potential of Online Care to revolutionize healthcare delivery?
2. What’s American Well’s business model for connecting players in OC? Please be specific and outline the payment flows. Do you agree with this model and the payment structure? Why and why not?
3. What are the specific values of OC
   a. To patients? (who will they use it, and how will they use it?)
   b. To physicians?
   c. To Health Insurance Companies (HIC?)
   d. What’s the barrier to adoption for each party and how would you overcome them?
4. What value do you see “Team Edition” creating? What barriers to its adoption do you foresee?
5. Which of the new market opportunities did you see as most promising?
6. If you were in the shoes of American Well management, would you pursue any of the next generation options (products or markets) in 2010, or would you just focus on the core platform with the core target market?
Session 10 - Pricing Strategies

Readings:
Ortmeyer, Gwendolyn K. “Ethical Issues in Pricing,” Chapter 5.1
Chernev, Alexander, Chapter 10 “Managing Price.” (skim)

Session 11 - Branding

In this class we discuss the topic of brands and how they facilitate or impede sales and marketing strategy.

Readings:
Keller, Kevin L. and Donald R. Lehmann, “How do Brands Create Value.” A framework for understanding the development and impact of brand equity.
Chernev, Alexander, Chapter 9 “Managing Brands.” (skim)

Session 12 - Social Advertising and Content Strategy

Zach Hunting – Founder – Crown Social

Readings: Skim: Social Media Campaign Planning Guide

Session 13 - Pricing in a 2-sided Market

As many startups are platform intermediaries (think eBay, Uber), the goal of the class is to build an understanding of revenue sources for platform intermediaries – especially the challenge of which side to charge and how to structure fees. More generally, the case aims to provide insight into the general challenges of maintaining a healthy ecosystem within a two-sided marketplace.

Case: TheLadders

The case examines TheLadder’s strategic decision of whether to charge recruiters – and, if so, how. Charging recruiters would be a strategic shift with profound implications for revenue, and for the makeup and structure of TheLadder’s market ecosystem.
Discussion Questions:

1. Evaluate TheLadders business model. Why does it make sense to charge executive job seekers? Is there any other segment of the job search market where TheLadders’ approach would work?
2. Why is TheLadders underused by the human resources staff within large corporations? What should TheLadders do to boost engagement within this segment?
3. Should the Ladders charge recruiters to use its site? If so, how much, and for what activities?

Readings: Eisenmann, T et al. “Strategies for Two-Sided Markets”

Session 14 -- Product and Distribution

It is unfortunate that most innovations end in failure. Developing new products involves a synthesis of creativity and customer insight. But just how is this done? In this class we discuss the topic of new product development and product portfolio management. We will discuss how firms make product decisions and discuss the tools used to assess the value that consumers place on particular product attributes.

Purohit, Debu, “Aligning Incentives in Marketing Channels”
Chernev, Alexander, Chapter 6 “Collaboration” (skim)
Chernev, Alexander, Chapter 8 “Products and Services” (skim)
Chernev, Alexander, Chapter 11 “Incentives” (skim)
Chernev, Alexander, Chapter 13 “Managing Distribution” (skim)
Chernev, Alexander, Chapter 17 “Managing New Products” (skim)

Session 15 – SEO, Digital Citizenship, and Strategies for Consistent Online Relevance

Danny Done – Founder and CEO – Marketeering Group.

Readings: Search Engine Optimization Starter Guide (skim)
Session 16 – Pricing and Distribution in the Presence of Competition

The case assignment is to be done in groups. All assignments should be typewritten in 12-point font, double-spaced, with one-inch margins, and should not exceed 4 pages of text plus 3 additional pages of exhibits (i.e., total max of 7 pages). Please make sure all discussion questions are covered.

Case: Sonance (A)

In 2005, the founders, Scott Struthers and Geoff Spencer, return from retirement to Sonance, the high-end audio company they founded in 1982, to wrestle with a number of important strategic decisions. After several years under the leadership of an outside CEO Sonance seems to have lost its strategic focus. A freshly minted MBA, Ari Supran, joins Sonance as Chief Sales and Marketing Officer to work with the founders and a new CEO, Shawn Sugarman, to plot a new course of action for the ailing company.

Discussion Questions:

1. Evaluate current strategic position and the options available to Sonance.
2. Which option should Sonance pursue: develop and promote the ultra-luxury Architectural Series, and at what price point? Focus on basic in-wall speakers for production home developers and sell directly to the builders? Continue to pursue growth through the direct-to-consumer retail strategy? What about iPort?
3. What should Ari Supran do to generate profitable and sustainable growth for the company and sales momentum for Sonance’s products? Should he change Sonance’s marketing strategy to target consumers directly? target the developers of production home developments? target architects and interior designers designing custom homes? try to win back the high-end custom installers Sonance had lost under the previous management?
4. How does your proposal position Sonance for the best short-and long-term success in the presence of competitors? Any other ideas for future expansions?

When answering the questions above. Please keep in mind the resources and capability of the company, the nature of the industry, the behaviors of the customers and the presence of the competition.

Hint: This case requires significant amount of quantitative analysis to guide your decisions Please refer to the tools covered in class.

Session 17 - Competitive Benchmarking

TA McCann – Founder and CEO – RivalIQ
Session 18 – Forecasting Adoption and Diffusion of Innovations

Using the case Emotiv, we analyze the launch strategy of a novel technology including 1) selection of target application and target market; 2) use of analogous products to forecast demand and sales; and 3) the wisdom of taking a B2C rather than B2B approach. We further examine the importance of platforms and partners for consumer adoption, and assess what starting point (in terms of target market and target application) is most likely to lead to rapid adoption among mainstream consumers.

Case: Emotiv Systems Inc.

In October 2007, Emotiv Co-founders Tan Le and Nam Do were wrestling with whether to launch the EPOC headset on the PC platform only, or to continue trying to convince one of the “big three” console makers – Microsoft (Xbox 360), Sony (PS 3), and Nintendo (Wii) to integrate the EPOC on their platforms. They also had to reflect on the type of marketing activity that would facilitate adoption in each case…

Discussion Questions:

1. Should Emotiv keep trying to convince major console makers to endorse its technology as part of their platform or is just being PC enabled sufficient for the launch?
2. If Emotive manages to convince one of the console makers in time for a fall 2008 debut, what marketing strategy (in terms of price, channel, consumer promotions, etc.) would best facilitate rapid adoption? How about if EPOC is only PC enabled?
3. What kind of demand could materialize for the EPOC if it is console enabled? How relevant is the Guitar Hero analogy in answering this question?
4. Do any of the non-gaming applications for Emotiv’s technology seem like better alternatives to gaming? What do you think about Le and Do’s long-term vision for BCI technology?

Session 19 & 20 -- Team Project Presentations – Marketing Recommendation to the Start-up

This session will be used to for team presentations of their marketing recommendation for the start-up. The objective of this exercise is to provide a forum for you to demonstrate all the lessons learned throughout the course.


Lehmann, Don and Russ Winer “Marketing Plan Outline”
Marketing HW Exercise 1
This HW exercise is due via Canvas

Please read “Basic Quantitative Analysis for Marketing” in your course pack to complete this assignment.

Problem 1: After a product recall triggered by salmonella contamination and repeated violation citations by the health department, Mc Burger Inc. is considering introduction of its first brand of soy-based gourmet burgers, Healthylicious-n-Safe. Each box of Healthylicious-n-Safe contains 8 burgers (similar to other meatless burger brands). An extensive marketing research undertaken by the firm indicated that there is a growing demand in the meatless burger market, with annual projected sales of 1,250,000 boxes (Note that this is the demand in the total meatless burger market and not the demand for the Healthylicious-n-Safe brand).

Mc Burger estimates that it will incur a fixed cost of $35,000/month. The variable cost of making one burger is estimated to be $0.875. Mc Burger plans to run a promotional campaign in the first 12 months of product introduction, which is estimated to cost a total of $275,000. Based on its marketing research Mc Burger expects an average customer to pay $9.00 for a box of Healthylicious-n-Safe.

a. Do you think Mc Burger should launch this new product? Is Mc Burger likely to break-even in 12 months? Is Mc Burger likely to break-even in 18 months?

b. Research undertaken by an independent marketing research firm indicates that the maximum price the market can bear is $7.75 for a box of Healthylicious-n-Safe. Should Mc Burger go ahead with the launch under this scenario? Will it be able to break-even in 12 months? Will it be able to break-even in 18 months?

Problem 2: Billy Doors, Vice President of Marketing for Qapmoc Computer, Inc., must decide whether to introduce a mid-priced version of the firm’s CP2010 minicomputer product line—the CP2010-X minicomputer. The CP2010-X would sell for $2,500, with unit variable costs of $1,450. Projections made by an independent marketing research firm indicate that the CP2010-X would achieve a sales volume of 480,000 units next year, in its first year of commercialization. 30 percent of the first year’s volume would come from competitors’ minicomputers and market growth. However, a consumer research study indicates that 40 percent of the CP2010-X sales volume would come from the higher-priced CP2010-Deluxe minicomputer, which sells for $6,450 (with unit variable costs of $2,350). Another 30 percent of the CP2010-X sales volume would come from the economy-priced CP2010-Millenium minicomputer, priced at $1,500 (with unit variable costs of $800). The CP2010-Deluxe unit volume is expected at 350,000 units next year, and the CP2010-Millenium is expected to achieve a 500,000 unit sales level. The fixed costs of launching the CP2010-X have been forecast at $2.5 million during its first year on the market. Should Mr. Doors add the CP2010-X model to the line of minicomputers?

For full credit, please clearly show all your work and clearly state all assumptions you make.
Please pre-view your .pdf for layout and printing quality before submitting the HW.

**Marketing HW Exercise 2**  
*This HW exercise is due via Canvas*

**Problem 1:** One of the few surviving on-line grocers, Fresh Direct uses 150 trucks to generate delivery within 2 hours. Currently Fresh Direct sells $200 million worth of food per year representing 2 million orders and comprising 60 million items. A major part of the operation depends on how well workers in the warehouse assemble orders. An error caught before a shipment leaves the warehouse costs $0.50 per item, while every error found after shipping costs $6.00 per item.

1. After years of effort, Fresh Direct achieved a level of accuracy in assembly so that 99.6% of its items were correctly filled and shipped (that is, only 0.4% items were not shipped correctly). Recently a software firm offered Fresh Direct a RFID product that would check the items in an order after it was assembled and before it left the warehouse and would catch 75% of the incorrect items, thus improving overall order accuracy to 99.9%. What is the maximum that Fresh Direct should be willing to pay to purchase the new system if it wants to recoup the new system costs within a year?

2. A second option that Fresh Direct is examining is implementing a system to lower the cost of shipping an incorrect item by 45% (i.e., to $3.3 per incorrectly shipped item). Would this system provide more value to Fresh Direct than the system described in part 1?

3. How much of a decrease in error cost is needed under the option described in (2) to produce cost savings equivalent to the software product described in (1)?

**Problem 2:** Predatory Lending Inc. sells financial services (high interest micro loans) through independent agents. Good agents generate $2,000 in net revenue in the first year, a figure that grows at 5% annually. Poor agents, on the other hand, produce $1,000 in year one and 20% less revenue each successive year. There is no way to tell in advance whether an agent will be good or bad. In the past, about 40% of new agents have turned out to be good and 60% poor. Of the good agents, 50% are loyal, they tend to like the work and remain with the company with a 90% probability year to year, and 50% are not loyal, they leave Predatory Lending and go to work for a competitor after the first year. Similarly, 80% of the poor agents are loyal (i.e., the competition wouldn’t hire them) and have a 90% probability of staying with the firm year to year and 20% drop out after the first year and go back to school.

Please assume:

1) The net revenues are earned at the of each year
2) The company hires agent today (year 0), and the agents can leave during the first year of employment. Hence the first year net revenue is not guaranteed.
3) For simplicity, assume that revenues from agents that drop out in year one are not discounted

Given that recruiting and training costs are $5,000 per new agent:

a) What is the LTV of each of the 4 possible types of agents (good loyal/ non-loyal and bad loyal / non-loyal? (Assume a 10% discount rate)

b) Can Predatory Lending Inc. remain in business given it current operating situation?
Hint: Please do this problem after you’ve read “Customer As Assets” by Sunil Gupta and Donald Lehmann. Note in this problem, there is a margin growth rate “g”, so please use the appropriate formula.

For full credit, please clearly show all your work and clearly state all assumptions you make.
Please pre-view your .pdf for layout and printing quality before submitting the HW.
APPENDIX

CASE WRITE-UP: SHORT MEMO FORMAT

Below is the suggested format for writing-up a brief case analysis. You may also use bullet-points format to present your arguments.

1. EXECUTIVE SUMMARY
   This very short paragraph states the problem you are facing, your objectives, and your recommendation.
   - State the problem you need to solve.
   - State your objective (e.g., growth, profitability, developing strategy in response to competitive moves or changing tech/ consumer environment, etc.)
   - Briefly state your recommendation (WHAT and main reason WHY, but not HOW)
   Checklist
   - Is the situation/ problem clear?
   - Is there a clearly stated purpose/objective?
   - Is the recommendation clear and consistent with the objective and situation?

2. SITUATION ANALYSIS
   - This paragraph explains why we are talking about this today and what we are dealing with.
   - Highlight what brought us to this moment, why we are in this position, what brought about the need to make this decision.
   - Discuss the most important factors affecting your decision and relevant constraints imposed by the environment: Company (budget, capabilities, technology, people, etc.), Customers (segmentation, decision making process, tastes, etc.), Competition (capabilities, resources, objectives, strategy, etc.), Collaborators, and Context.
   - This section is both brief and factual.
   Checklist
   - Is the situation clear, concise, and easy to understand?
   - Does it explain why action is needed now?
   - Does the appropriate sense of urgency come across?

3. RECOMMENDATION
   Here, you detail what to do, and what not to do.
   - First, state your options.
   - Then, state your recommendation and the details of “what”, “when”, and “how.” Provide top reasons for WHY your recommendation is the best option (reference your exhibits).
     - This section should be very specific. The reader should be able to read this and know how to carry out this recommendation.
     - Analysis should address relevant quantitative issues such as NPV, LTV, EVC, B-E cannibalization, sensitivity analysis, etc.; as well as qualitative issues such as reasons why consumers buy the brand, impact on other brands of the firm, impact on retail relationships, competitive reactions, etc.
• Last, list the rejected options and main reasons for rejecting them.

**Checklist**

- Is the recommendation clear and actionable? Could someone else implement it?
- Does it show how the recommendation will put the firm at a competitive advantage?
- Does the basis for recommendation appropriately consider:
  1. Consistency with core competencies and mission/resources of the company?
  2. Financial Attractiveness (e.g., NPV, ROI, break-even, payback)?
  3. Market size and structure (segmentation), category trends?
  4. Consumers (builds on important insights)? Competitors? Collaborators?
  5. Are all assumptions explicitly stated (e.g., growth rates, market size)? These could be stated in exhibits/attachments.
- Is the analysis thorough with key alternatives fairly considered?
- Risks associated with recommendation are properly addressed? In other words, don’t just state the risks but try and address them through your recommendation(s).

6. **NEXT STEPS**

- Specify date and action needed (what will be done, by whom, and by when)
- Contingency plans if needed.
- Long-term vision for the firm.

**Checklist**

- Are the next steps clear?
- If appropriate, lay out timeline with key milestones to implement recommendation.
- If appropriate, lay out other issues that need to be considered/addressed in the future.

7. **EXHIBITS**

An Exhibit can be a graph, grid, or simple table.

- Exhibits need to be self-explanatory: Label your exhibits, List assumptions used in calculations (do not assume that the reader can read between the lines, state every assumption explicitly). The point of the Exhibit should be instantly clear.
- Exhibits should be cited in the text of your write-up.
- You can use exhibits to simplify presentation of pro- and con- arguments for the various options by summarizing key benefits/disadvantages along the 5Cs framework, presenting LTV or EVC to various segments, etc.

**Checklist**

- Is the analysis precise, accurate, and data-based?
- Are the exhibits clearly laid out, titled, and referenced in the write-up?
- Is every assumption explicitly listed?

**NOTE:** Every case may not include every element described above. The specific case will dictate what must be included. Focus on the most important arguments and analyses.