

MARKETING CONCEPTS AND STRATEGIES - B01.2310.24
Prof. Eric Greenleaf
Spring 2003

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COURSE WEB SITE: courses.stern.nyu.edu
(This is a Prometheus site, so don't use a "www" prefix.)
For instructions on how to use Prometheus please go to:
<http://www.stern.nyu.edu/deans/edtech/prometheus/students/index.html>

Please read this syllabus carefully. It is your guide to the course and will help you learn more and do your best. It describes the course's objectives, how it is conducted, your responsibilities, and a synopsis of each session. There are also study questions for each case. A copy of this syllabus appears on the course web site. All handouts and assignments will be posted on the site as they become available.

COURSE OBJECTIVES

This course introduces you to the concepts and skills you need to create and critique effective marketing strategy. This course is designed for all Stern students, regardless of their majors. Businesspeople in all areas need a solid understanding of marketing strategy to succeed. Simply put -

Effective marketing strategy satisfies consumer needs and creates consumer value while allowing the firm to achieve its objectives.

Usually the firm's ultimate objective is profit, but not-for-profit and government organizations are also major economic forces. Firms need customers who believe the firm satisfies their needs better than competitors - otherwise it will go out of business and the rest of business strategy is pointless. For simplicity this syllabus refers to a firm's offering as a "product," but this can refer to a tangible product or a service.

Marketing strategy covers several kinds of activities, each of which affects the others. Firms must resist the temptation to focus on one of these at the expense of the others. This creates an ineffective, unbalanced marketing strategy. Firms need to create a *balanced, coordinated marketing mix*, where all elements of its marketing strategy work together. Marketing strategy also requires combining qualitative and quantitative analysis. This course will give you experience in coordinating the marketing mix and combining quantitative and qualitative analysis. The course uses a combination of lectures, class discussion, case studies, assignments, and exams, as follows:

1. CLASS PARTICIPATION

You will learn the most from this class if you and your classmates participate fully. You all have different experiences and insights, and a great deal of what you learn in class is from each other. You make no contribution with silence.

Your class participation earns 10% of your grade. Class participation means contributing to class discussion in a way that benefits your classmates and helps them learn. You don't have to speak very frequently or in every class to earn the highest possible class participation grade. I am aware that some of you may be shy about speaking out and respect this while at the same time encouraging you to participate. But you should expect to add to the class discussion on several occasions during the semester. Class participation is not graded by any "curve" - it is possible and desirable for everyone in the class to earn a high grade for class participation.

Class discussion should encourage the free and open exchange of ideas. If you want to challenge what I, or another student, have said, do so. *Constructive criticism is always welcome and is an important part of the Stern MBA experience.* Do not be upset if I challenge something you say - we learn most when we have to defend our positions. If you ever feel that my comments or the comments of any student are not constructive, please let me know.

Sometimes we will have to stop discussion and move on to the next topic before hearing from everyone - there is limited time in each session and we want to use it wisely. Please don't take it personally if there isn't time to call on you. Often we will try to hear first from class members who have not participated much before hearing from others who have spoken more often.

It is important for your classmates, and me, to know who you are. Marketing is not one of the block core courses, so many of you don't know each other. Please help out by using your desk name card during every class session. This helps your classmates, and me, learn and remember your name.

If you are not in class, you can't learn the material in the course nor contribute to the benefit of your classmates. I realize that occasionally you may be absent. Whenever you know in advance that you will be absent, please let me know in advance. If you miss class, be sure to obtain copies of notes from at least two of your classmates to insure that you do not miss any important material.

2. TEXTBOOK and PRESS ARTICLES

The textbook and course case packet are available at the New York University Professional Bookstore at 530 LaGuardia Place. The text for the course is *Marketing Management* by Russell S. Winer. The readings from the textbook set the foundation for that day's class.

In some classes we will discuss examples from articles that have appeared in the popular and business press, such as the *Wall Street Journal* or *New York Times*. These help create an interesting class discussion and show how marketing concepts affect current events. Whenever possible, I will show an image of these articles on the blackboard, and will post a complete reference on the course web site. The complete texts of these articles are available to you through the NYU Virtual Business Library, using index newspaper and periodical search engines such as Pro-Quest Direct or Lexis Nexis. To use these, go to <http://www.nyu.edu/library/bobst/vbl/> .

3. CASES

Cases describe interesting marketing problems encountered by real firms. We use them as good examples that illustrate and apply marketing concepts and skills in the course. Cases also give you an opportunity to make and justify marketing decisions. In cases we will focus on identifying the marketing problems, introducing marketing concepts and skills that can help solve these problems, and applying these concepts and skills to recommend a course of action for the firm. There is no "right" answer to a case, but usually some answers are better than others. The strength of your reasoning and analysis is as important as your recommendations. We are not most concerned with what a firm did, since the firm may not have made a good decision, but rather how to analyze and solve the firm's problem. Cases also give you a good opportunity to combine qualitative and quantitative analysis.

We will use cases to learn about elements of the strategic marketing mix, and about particular skills and techniques that create successful marketing strategy and tactics. This syllabus contains a set of study questions for each case. Please read them carefully before starting a case, as they will help you focus your effort on important case topics. In class we will discuss your answers to these study questions to help us better understand and organize the important issues in the case. Sometimes in the case discussion I will also introduce new frameworks and techniques that help address the marketing problems in the case. The study questions do not always cover every important case issue, however.

The amount you learn from a case depends on how carefully you read and analyze it. You are expected to read each case thoroughly and come to class ready to contribute to case discussions. In many cases some of the material is, by design, not particularly relevant to the problem at hand, while the case omits other data you would like to have, and would try to obtain using market research, if you were the decision-maker. This can be a pain, but it does reflect the real world of business. Some of our discussion may revolve around what "missing information" we would like to have.

Some of these cases describe fairly recent events, while others are older. We discuss these older cases because they are "classics" that do a great job illustrating marketing concepts and problems that are as important to firms today as when the cases were written. This is why I have kept some of these older cases even after reviewing dozens of newer cases - sometimes the older case is just better.

Analyzing a case:

While the case study questions are designed to help you focus on important case topics, you also should begin to establish your own, independent ability to analyze marketing situations. Analyzing cases is a good way to start developing this ability. A good case analysis should look at the following:

- 1) What are the important problems confronting this firm? This includes anticipating problems before they occur so the firm can take steps to prevent them, as well as identifying existing problems.
- 2) What information do you have that is useful for addressing these problems?
- 3) What are the different solutions to these problems? What are the strengths and weaknesses of each solution?
- 4) Which solution would you choose, and why is it better than the others?
- 5) How would you implement this solution?
- 6) If a firm faces several problems, what are the relationships between them and between the solutions you have chosen? This is especially important in marketing, where each part of marketing strategy, and each part of the marketing mix, affects the others. Remember, you need to choose an overall solution that keeps, or creates, a balanced and coordinated marketing mix.

4. WRITTEN ASSIGNMENTS

You will be completing three kinds of written assignments.

Written case analyses you hand in. You are responsible for completing and submitting three written case assignments. Each is an in-depth analysis of a case describing an actual business situation. These cases will give you experience at applying what you have learned in the course to solve specific marketing problems, and to combine different elements of the marketing mix to create marketing strategy and tactics, and make marketing decisions. They also give you experience at describing and justifying your decisions and the rationale for them in a clear and effective manner. This syllabus does not have study questions for these cases. The first two cases each earn 15% of your course grade, and the last, which is more comprehensive, earns 20%. Late assignments will not be accepted except in personal emergencies. These assignment cases are:

New Beetle - due March 4. Please complete this case in groups of three to five people. Doing this first case in groups is a good way to meet and work with other people in the class.

TiVo in 2002 – due April 1.

Mary Kay Cosmetics: Asian Market Entry - due April 24.

You have the option of doing *TiVo in 2002* and *Mary Kay* in groups of two to five, or individually.

Brief case recommendations you hand in. Hand in at the start of class a brief (less than one page, double-spaced) analysis that (i) describes what you think are the two or three major problems in the case, and (ii) makes a recommendation for each problem. You may choose any three of the eight cases that we discuss after Feb. 4 which are not used for written case assignments. Please don't wait until too late in the semester to start handing these in, because you may run out of cases.

The brief case recommendations will help you think in more depth about a case, and take a stand on the key issues, before class begins. Beginning with an opinion helps create a more interesting class case discussion, even if you change your opinion during class, which is fine. Each brief case recommendation will be graded Acceptable or Unacceptable, and will be handed back to you only if judged Unacceptable. It will be Acceptable as long as you do a reasonable job and the assignment is your own work. These brief case recommendations earn 10% of your grade.

Self-graded assignments in applying quantitative methods, which you do not hand in. We will study several quantitative marketing methods in the course. We will first discuss each of these thoroughly in class and go over some examples, often from cases. To give you additional experience in applying these quantitative methods, with new examples, you will also complete three written, self-graded assignments. These are required but you do not hand them in. You should complete these as soon as possible after we cover that material in class. Feel free to do them in a group if you want to help each other. You will need to use the quantitative tools in these assignments in written case assignments and in the final exam, so be sure to do them soon after they are posted so you do not fall behind. These assignments are:

i) Calculating the Value of a Pillsbury Flour Customer – after Session 9, Feb. 25.

ii) Forecasting Sales for a New Cloudy Bay Wine Using Results of A Full Scale Test Market – after Session 15, March 25.

iii) Value-Based Pricing: Is a Philips Compact Fluorescent Light Bulb Worth \$22.95? - after Session 18, April 3.

I will post each assignment on the course web site after that day's class. I will also post detailed answer guidelines so you can see how well you have done, and to help you understand any areas where you had problems. If you have any questions about these assignments after doing them, we can discuss them at the start of class, or you can ask Peter, Tad, or me.

When we do the *Calyx & Corolla* case at the start of the semester to introduce the entire marketing mix, you will also complete an assignment to apply some basic quantitative analysis in marketing to *Calyx*. We will go over the answers to this assignment on the days we discuss the *Calyx* case. This assignment will also give you practice at combining qualitative and quantitative analysis in marketing.

5. FINAL EXAM

The Final Exam is scheduled for May 9 from 9AM –11AM, and earns 30% of your grade. It is comprehensive, open-book and open-notes, and gives you the chance to apply concepts and skills you have learned in the class to marketing problems. Tips on how to study for the final will be posted on the course web site, and we will have a review session on the last day of class, so come to this class prepared with questions.

6. YOUR COURSE GRADE WILL BE DETERMINED BY:

Class participation	10%
Three brief case recommendations	10%
<i>New Beetle</i> case	15%
<i>New TiVo</i> case	15%
<i>Mary Kay</i> case	20%
Final Exam	30%

Students occasionally ask about my policy on regrading exams and assignments. At the request of many Stern students in past semesters, we will use the following policy:

If you wish an assignment to be regraded, please submit this request to me in writing, explaining carefully why you request the regrading, and include the original assignment. Remember, grading any assignment requires the grader to make many judgements on how well you have answered the question. Inevitably some of these go in your "favor" and some not, but taken together they usually assess fairly the abilities you displayed in the assignment. It is inappropriate for me only to consider issues where you question the grading judgement without also considering instances where you were given the benefit of a doubt. So if you want a grade to be reconsidered, especially on several points, it may be necessary to regrade the entire assignment. I have instituted this policy out of fairness to all students, many of who have requested me to use it. It is not intended to discourage people from questioning a grade, but rather to get them to think carefully when making these requests.

7. TEACHING FELLOWS

The Teaching Fellows for the course are Peter Diamond and Tad Miyoshi, second-year students who excelled in this course last year. Peter and Tad will hold office hours in the Stern Teaching Assistance Center. They will be very happy to help you with any questions.

Their office hours and contact information are:

Peter Diamond – pd424@stern.nyu.edu. 646-271-6706
Office Hours: T 4:30-6:00, TH 4:30-5:00

Tad Miyoshi tsm219@stern.nyu.edu. 718-721-0891
Office Hours: T 12:00-1, TH 4:50 –5:50

8. MY OFFICE HOURS

My office hours are Tuesday from 12:00-1:20. We can also set up an appointment if you can't make this time. In general, you are welcome to drop by spontaneously, and if I am not too busy I'll be happy to talk with you. Please note that my office door is often closed, but do not take this as a sign that you are unwelcome - it's just that I like to work with the window open, and closing the door prevents winds that scatter paper off the desk.

Marketing Concepts and Strategies, Spring 2003
B01.2310, Section 24
Prof. Eric Greenleaf

COURSE CALENDAR

Introduction to Marketing

1. Jan. 28 **What is Marketing? / Marketing in your career**
 Introduction to the course
Readings: Winer 1-21
2. Jan. 30 **Case to introduce marketing strategy and decision making**
Case: *Calyx & Corolla*
Readings: Handout on Quantitative Analysis in Marketing
Assignment: Quantitative Analysis Assignment for *Calyx & Corolla*
3. Feb. 4 **Case to introduce marketing strategy and decision making (cont'd)**
Case: Continue *Calyx & Corolla*

Consumer Behavior

4. Feb. 6 **The consumer decision making process**
Readings: Winer 127-137
5. Feb. 11 **Perceived risk, utility and choice behavior**
Readings: Winer 419 (for high-tech perceived risk), review 134
6. Feb. 13 **Organizational consumer behavior**
Case: *Mediquip*
Readings: Winer 141-45 (top), 153 (bottom) -162

Choosing Target Segments and Valuing Customers

7. Feb. 18 **Segmentation**
Readings: Winer 107-127, 145-153 (top), 378-381
 In-class segmentation exercise (receive at start of class)

The "VALS" typology is one approach to psychographic segmentation. Go to the VALS web site at <http://www.sric-bi.com/VALS/> and complete their on-line psychographic survey to see which psychographic segment you "belong" to (click on VALS Survey at top right). You may wish to use VALS in the New Beetle case assignment.

8. Feb. 20 **Positioning**
Readings: Winer 59-65 (top)

9. Feb. 25 **Customer value**
Case: *Calyx & Corolla*
Readings: Winer 357-363
Self-Graded Assignment 1: Estimating the Value of a Pillsbury Flour Customer

Getting to Know Your Consumers through Marketing Research

10. Feb. 27 **Overview of market research process, exploratory research**
Readings: Winer 75-91(middle)
11. March 4 **First written case assignment**
Case: *The New Beetle*
12. March 6 **Descriptive research and questionnaire design**
Readings: Winer 91 (bottom) – 94 (middle)
13. March 11 **Causal research and marketing experiments**
Readings: Winer 94-95 (bottom)

Managing New and Existing Products

14. March 13 **New product adoption**
Case: *TiVo*
Readings: Winer 65 (middle) - 69 (middle), 416-430 (for high-tech products)

Spring Break – Have a great vacation!

15. March 25 **Developing and market testing new products**
Readings: Winer 475-504
Self-Graded Assignment 2: Forecasting Sales for a New Cloudy Bay Wine
Using Results of A Full Scale Test Market
16. March 27 **Managing existing products and brand names**
Case: *Eastman Kodak Co.: Funtime Film*
Readings: Winer 69-72, 430 (middle)-433; review 65-69 on product life cycle
17. April 1 **Second written case assignment**
Case: *TiVo in 2002*

Pricing

18. April 3 **Cost-based and value-based pricing**
Case: *Cumberland Metal Industries: Engineered Products Division*
Readings: Winer 293-307 (middle)
Self-Graded Assignment 3: Value-Based Pricing: Is a Philips Compact Fluorescent
Light Bulb Worth \$22.95?

19. April 8 **Psychological issues in pricing**
Readings: Winer 311-313
- Choosing and Managing Marketing Partners
20. April 10 **Choosing partners: Salesforce and distribution strategy**
Case: *Z-Corporation*
Readings: Winer 233-256 (middle), 265-276, 283-286
21. April 15 **International marketing**
Readings: Winer 441-474
- Communicating with Consumers
22. April 17 **The communications message**
Readings: Winer 193-212 (top)
23. April 22 **Media selection and budget allocation**
Case: *Digital Angel*
Readings: Winer 216 (bottom) - 227 (middle)
24. April 24 **Third written case assignment**
Case: *Mary Kay Cosmetics: Asian Market Entry*
25. April 29 **Evaluating communications effectiveness**
Readings: Winer 208-9 (review), 213-216 (middle), 227 - 230
26. May 1 **Course summary and review**
- Final Exam – May 9, 9-11 AM

Case Study Questions

***Calyx & Corolla* – Jan. 30 and Feb. 4**

Since the elements of the marketing mix are interdependent, we want to get an early overview of all of the elements of marketing strategy before looking at each one in detail. *Calyx & Corolla* does a good job of illustrating all of these elements. It also gives you a chance to get early experience at marketing decision making. You will also get an assignment, which does not have to be handed in, which gives you practice at applying some basic quantitative analysis in marketing to *Calyx & Corolla*. We will go over this assignment as we analyze the case.

Think about the following questions – there are more than for the usual case, since they apply to all areas of the marketing mix from the syllabus. As you think about these questions, also think about how C&C's strategy in one area affects its strategy in others. Some of these questions relate to analysis you will do for the Quantitative Analysis Assignment for *Calyx & Corolla*.

Introduction to Marketing

What are the major marketing problems that Calyx & Corolla faces?
What are the different marketing functions at C&C?
How important is marketing to C&C?

Consumer Behavior

What are the consumer needs that C&C satisfies?
What advantages does C&C have over other firms that allow it to satisfy these consumer needs well?
How do the needs C&C satisfies compare with those satisfied by other flower sellers?
How do consumers make the decision to buy flowers from C&C, and how can C&C try to influence their decision making process?

Choosing Target Segments and Valuing Customers

How would you describe the target consumer segment for C&C flowers? Is this the most appropriate target segment?
Should C&C try to grow by expanding to reach other segments?
Which kinds of customers are most valuable to C&C? Least valuable?
What is the "product" that C&C sells, and how is it "positioned" (how does it compare to competing products and consumer needs)?

Getting to Know Your Consumers through Marketing Research

How could C&C use market research to improve its marketing strategy and tactics? What would it like to know?
What useful information can C&C obtain from the proposed Minneapolis/ St. Paul test market?
How can it use this information to improve its marketing strategy and tactics?

Managing New and Existing Products

Where are C&C's "products" in their life cycle?
Do you feel C&C needs a more aggressive new product development effort?
What do you think the brand name "Calyx & Corolla" means to consumers? Is it an effective brand name, or would you change it?

Pricing

How does C&C decide what price to charge consumers for its products?

How much of this price goes to C&C, and how is the rest divided among the distributors that C&C uses as partners?

Why might consumers be willing to pay a higher price for C&C flowers compared to FTD or flower shop flowers?

How sensitive is C&C profit to changes in costs for: a) flowers, b) shipping, c) catalogs?

Choosing and Managing Marketing Partners

How does C&C's distribution system differ from the system other flower sellers use, and why has C&C chosen this distribution system?

Why does C&C rely on flower sellers that it cannot completely control instead of growing its own?

How does C&C use personal selling in its marketing strategy?

Communicating with Consumers

What is C&C's apparent communications strategy? Do you feel it has to be expanded?

What message is FTD conveying in its communications strategy and what is the objective of this message?

What media is C&C using in its communications strategy, and do you feel this are the right media?

Visit Calyx & Corolla's web site, <http://www.calyxandcorolla.com> , and compare it with one of the competitors mentioned in the case, <http://www.1800flowers.com> .

Overall Recommendation

What changes do you recommend Calyx & Corolla should make to its marketing strategy to let it grow more quickly, but still make a profit soon?

What are the alternative solutions you considered, and what are the advantages and disadvantages of each of these?

Mediquip – Feb. 13

1) Who are the members of the buying center for the CT scanner at Lohmann University Hospital? How can Kurt Thaldorf determine who is a member? Will everyone at LUH help him obtain this information? Do you think it is possible for Thaldorf to know precisely who is in the buying center?

2) What are the different roles in a buying center? How can Thaldorf find out who occupies each of these roles at Lohmann University Hospital, and the formal and informal rules that govern this buying center?

3) What are the different interests and objectives of the different members of the Lohmann buying center? How might these conflict for different members, and where are the areas of greatest potential conflict? How can Thaldorf obtain this information? How can Thaldorf try to create a source of consumer value by helping to resolve this conflict?

4) What aspects of Mediquip's CT scanner should Thaldorf emphasize to each member of the buying center? Can he emphasize different aspects to different people without being duplicitous?

5) Is it Thaldorf's fault that LUH did not buy a CT scanner from Mediquip? Is there anything he should have done differently?

Calyx & Corolla – Feb. 25 (for estimating the value of a customer)

1) What do you think is the value of the average customer that C&C attracts, and how would you calculate this value? Try to develop an estimate of customer value and bring it to class.

As you do this, think about which factors determine the value of a customer to Calyx & Corolla, and how you can quantify these factors. Then think about how you can combine them to get an estimate of a customer's value.

2) Why is it important for C&C to think about the value of its customers? Why doesn't it want to attract all possible customers?

3) Should C&C try to attract lots of customers who have a moderate average value, or fewer customers with a higher average value?

TiVo – March 13

1) Which factors affect how quickly consumers are likely to adopt TiVo? Which of these work in TiVo's favor, and which against it? How does the competition compare on these factors?

2) What kinds of consumers are most likely to be Innovators and Early Adopters for TiVo, versus Early Majority? What can TiVo do to cross this "chasm" between these two groups? Should its initial marketing efforts focus on "crossing the chasm" to the latter, or attracting Innovators and Early Adopters?

3) How should TiVo position its product? How does your answer to 1-2 affect this decision?

Kodak Funtime Film – March 27

1) Why does Kodak feel it needs to lengthen its current product line by adding Funtime Film? Why is it using a *downward stretch* (to a less expensive, lower quality product) rather than an *upward stretch* (to a higher quality, more expensive product)?

2) Although Funtime is similar to Kodak's existing film line, will Kodak need to acquire any new skills and expertise to make Funtime succeed?

3) How should Kodak evaluate the net profit impact of adding Funtime to its product line? What are the risks that it will decrease profits instead of increasing them, and why?

4) How can Kodak estimate the extent of *product line cannibalism*, which are sales of Funtime to consumers who would have bought more expensive Kodak film anyway? How much of this cannibalism should Kodak be willing to accept?

5) What does the name "Kodak" mean to consumers? Is this meaning a valuable asset for Kodak? How does this meaning create, but also limit, the possibilities for extending Kodak to new products? What do the brand names Fuji, Konica, Polaroid, and Scotch mean to consumers?

6) Is the positioning of Funtime consistent with Kodak's existing brand name meaning, or should Kodak use another brand name for Funtime because it would "overstretch" the Kodak brand name?

7) How will the members of Kodak's distribution chain react to Funtime? How can they affect its success?

Cumberland Metal Industries: Engineered Products Division – April 3

1) For class, think about the cost-based prices and value-based prices that you would recommend that Cumberland should charge for the new curled-metal pad. Also think about the method Cumberland should use to set a value-based price, and the information it needs. Come to class with your recommendations for these prices.

2) What is cost plus pricing? What are the advantages of this pricing method that make it so popular at Cumberland, and what are its limitations? How does Cumberland Metals implement cost plus pricing?

3) What is value-based pricing? What are the advantages of value based pricing over cost plus pricing and what are the disadvantages?

4) What are the factors that Cumberland must consider in deciding how to "split" the savings from the curled metal pad between consumers on the one hand, and Cumberland and the pad's distributors on the other, when it sets a price?

5) How can Cumberland educate consumers about the "value" of the curled metal pad? Which elements of the marketing mix should it use? Why is consumer education important for successful value based pricing?

6) Which consumer segments should Cumberland target to receive these education efforts? Do all of these segments buy pile-driving pads?

Z Corporation – April 10

1) Which of the three options for selling the Z402 Prototyping System do you recommend Z Corporation should choose?

2) What are the advantages and disadvantages to Z Corporation of using its own sales force to sell the Z402 Prototyping System instead of using an outside distributor?

3) What are the advantages and disadvantages of using each of the two kinds of outside distributors instead, either a reseller of CAD software or a machine tool reseller?

4) If Z Corporation uses its own sales force, what strategy would you recommend for

- i) recruiting the best possible salespeople?
- ii) training these salespeople?
- iii) compensating these salespeople?

5) If Z Corporation uses an outside distributor, what expectations should it place on this business

relationship? What problems might lead to conflict between Z Corporation and its distributors? How can it avoid this conflict, or at least manage it keep the relationship with the distributor beneficial to both Z Corporation and the distributor?

Digital Angel – April 22

1) Which media do you recommend Digital Angel should choose for its communications campaign, and why? How much money would you allocate to this campaign?

2) What are the advantages and disadvantages of each of the following media that Digital Angel is considering for its communications campaign (the case gives three options, but the last one contains three options you might want to consider separately):

- i) Internet advertising?
- ii) Direct mail?
- iii) Print advertising?
- iv) Cable infomercials?
- v) Public relations – sometimes referred to as “buzz” marketing?

3) One statistic that many firms and ad agencies use to compare the relative cost of reaching potential customers with different media vehicles is *cost per thousand* (often abbreviated as *CPM*) – this is the cost to reach one thousand viewers, readers, listeners, etc. for a particular television show, magazine, or radio program. To get some practice in calculating cost per thousand, please calculate CPMs for the following media vehicles that Digital Angel is considering in the case (first see the information regarding Exhibits 9 and 10 at the end of these study questions):

- i) 30 second prime-time TV ads in Los Angeles and Atlanta
- ii) Full-page ad in the *Los Angeles Times*
- iii) Full page, four-color ads in *Modern Maturity* and *Forbes*
- iv) Direct mail advertising, using 4” x 9” postcards and a targeted mailing list based on demographic characteristics

What are the limitations of using CPM as an estimate of cost to reach potential customers? How might you modify the CPM statistic to make it more useful for firms?

4) What message should Digital Angel use? How does the message you recommend affect which media you recommend?

5) Which target segments should Digital Angel focus on in its communications? How does this affect your recommendations for the rest of Digital Angel's communications strategy? Should the choice of target segment drive the communications campaign, or vice-versa?

Correction and Clarifications to Exhibits 9 and 10 of Digital Angel

Exhibit 9, Table 1) The first table in Exhibit 9 show the cost per rating point for a 30 second TV commercial in 14 spot TV markets at different times of day (called “day parts”), but the title implies that it shows the cost for a 30 second commercial.

To get the actual cost for a commercial, multiply the cost per rating point times the average number of rating points for shows at that time of day. These averages are:

Early morning, 4.4 rating points

Day, 3.7

Early news, 8.7

Prime access, 5.2

Prime, 9.3

Late news, 3.5

Combined fringe, 3.3

For example, Atlanta early morning cost would be \$103 per point x 4.4 points = \$453.

Exhibit 9, Table 3) The same correction should be applied to the third part of Exhibit 9, which reports media time costs for a 30 minute "infomercial." However, as many of these networks are fringe cable networks, ratings would probably be, at most, 2 points during the day and much less at night.

The column "TV Households" reports the total number of households with televisions in the metropolitan area for a city, or, for a cable network, such as WGN, the total number of subscribers that can receive that network nationally (indicated as NAT'L).

Exhibit 10) these rates are per inch of newspaper. A typical newspaper has 21 inches of depth. For example, a full-page ad in the daily Charlotte Observer would be \$200.50 x 21 = \$4210.50.