New York University  
Stern School of Business – Undergraduate Division  
Strategic Marketing  
Fall 2004

### Course Description and Objectives

This marketing elective is designed to provide an in-depth understanding of the job of the “typical” product manager in marketing departments. While the specific duties of a product manager vary considerably across industries and companies, the course focuses on the four major activities common to the position: (1) analysis of market information, (2) developing a product strategy, (3) programming the strategy, and (4) implementation. The unifying framework for these activities in this course is the annual marketing plan. The course will draw from a variety of areas including marketing strategy, consumer behavior, marketing research and statistics.

The key element of this course is Markstrat, the marketing simulation game. The course attempts to simulate the product manager’s job through the development and implementation of a marketing plan in the context of Markstrat simulations.

These objectives will be achieved through a combination of lectures, readings, discussions, case analysis, and a group market simulation. Class participation during lectures and meaningful contributions to discussions are extremely important.

### Course Material

2. Casebook available from the bookstore.

### Course Evaluation

1. Class participation 10% (individual)
2. Midterm Exam 40% (individual)
3. Markstrat 50% (group)
   a. Mid-Report 5%
   b. Final Report 15%
   c. Presentation 10%
   d. Performance 20%
Class Participation (10%)

Every session of the course will involve interaction in the form of class discussion. I expect each one of you to come to class on time and be prepared to contribute to all class sessions. The readings are intended to prepare you for case discussions and class participation. Please go over the readings prior to class. Lectures will not duplicate reading material: they will supplement and embellish the text, and offer alternate viewpoints. Please also come prepared to class with the cases and assignments so that you can meaningfully contribute to the discussions.

Midterm Exam (40%)

The exam will be held on the date indicated in the schedule. The exam will be closed book and notes. More information on the exam will be provided in class later.

Markstrat Simulation (50%)

Website

The Markstrat website is http://www.markstraonline.com. You can use this website to (1) purchase the Markstrat manual, (2) create your account, (3) enter your group decisions for each period, and (4) receive your results. The website also contains instructions on entering decisions. All students taking this course are required to purchase the manual and be registered on the website in order to participate in the simulation, and receive a grade for the course.

Overview

You will work in groups of 4-5 on Markstrat. While working on Markstrat, consider yourselves as a Strategic Consulting Board created to make strategic decisions on your brand portfolio. As the game is played over 10 periods, you need to have a long-term strategic perspective on the decisions. The game will be played over ten periods (years). Therefore your objective should be to build the brand over the long term. Too much focus on short-term gains may cost you in the long-term.

The game will help you formulate, implement, and adapt your strategies in a dynamic, competitive environment. Each team is assigned to a firm that starts off in a certain position in the industry. Your task is to make key decisions regarding

- Expenditures on advertising, sales force, R&D, and marketing research
- Brands to be marketed
- Segments to be targeted
- Distribution channels
- Pricing decisions
- Production levels

The grade for the game will be based on a (1) a mid-report at the end of the 5th period that does not exceed 4 pages (including exhibits), (2) a final report at the end of the 10th period that does not exceed 8 pages (including exhibits), (3) a group project presentation, and (4) your group performance. In the final report and the presentation, your group will be required to evaluate your team's strategy and how it affected profitability, key insights you learned from the game, and a recommended strategy for the next three periods. Much of the learning will take place during the presentations as groups compare and contrast strategies.
Markstrat Reports

Mid-Report. This report (maximum 4 pages, typed and double-spaced) is due at the end of the 5th period simulation before you make your decisions for the 6th period. In this report, you are required to provide an analysis of the market conditions, an evaluation of your performance so far, insights and lessons that you have learned, and a broad long-term strategy for the next five periods.

Final Report. This report (maximum 8 pages, typed and double-spaced) should contain the following sections:

1. An executive summary that briefly summarizes your performance and learning (about the market) to-date and recommends a long-term strategy for the next three periods. (1 page).

2. A description of your objectives and strategy (period-by-period) for the ten periods that you have already played, and a summary of key insights you learned about the market during the game (4 pages).

3. A situation (SWOT) analysis at the end of the fourth period (1 page).

4. Objectives and strategy recommendation for the next three periods (2 pages).

Your analysis should lead you to identify and address questions like:
- What opportunities and threats does your firm face?
- What are your firm's strengths and weaknesses?
- What are some viable strategic alternatives?
- What should be your firm's long-term objectives?
- What brands should your firm promote?
- What brands should your firm harvest?
- What is the sustainable competitive advantage for your firm?
- What growth directions are most attractive?
- How should your firm's resources be allocated across the various brands?
- What product-markets are attractive to your firm?
- What did you learn from your Markstrat experience?

Markstrat Performance

All teams will start out in identical positions. A team's performance will be assessed by weighting equally the following three performance measures: (1) cumulative net marketing contribution first five periods, (2) cumulative net marketing contribution for the last five periods, and (3) percent growth in the cumulative marketing contribution during the last five periods over the first five periods.
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Case Questions

Global Wine Wars: New World Challenges Old (A)

Synopsis. The case presents a brief history of the global wine industry, and in particular in how competition has escalated in the past decade between companies from the Old World (France, Italy, Germany, Spain, etc.) and those from the New World (Australia, the US, Chile, South Africa, etc.). In particular, it focuses on what is described as the “Battle of Britain” between French producers and companies from Australia competing for dominance in the world’s largest non-producing import market.

Questions.

1. How did the French become the dominant competitors in the increasingly global wine industry for centuries? What sources of competitive advantages were they able to develop to support their exports? Where were they vulnerable?
2. What changes in the global industry structure and competitive dynamics led France and other traditional producers to lose market share to challengers from Australia, the United States, and other New World countries in the late twentieth-century?
3. What advice would you offer to the French Minister of Agriculture? To the head of the French wine industry association? To the owner of a mid-size, well-regarded Bordeaux vineyard producing wines in the premium and super premium categories?
4. What advice would you offer to the Australian Minister of Agriculture? To the head of the Australian wine industry association? To the owner of a mid-size, well-regarded vineyard in the Barossa Valley (a premier Australian wine region) producing wines in the premium and super premium categories?

Abgenix and the XenoMouse

Synopsis. Abgenix has spent 7 years and $40 million developing a class of genetically-engineered mouse (the XenoMouse) that has the ability to produce human antibodies that are useful in the treatment of human diseases, such as cancer, arthritis, etc. To date, the company has made money by licensing the XenoMouse technology to leading biotech and pharmaceutical companies. These companies identify a specific disease target (e.g., thyroid cancer) that they are trying to hit with an antibody. Abgenix then sells exclusive rights to use the XenoMouse technology to develop antibodies for that specific disease. For this right, the licensing company agrees to pay an upfront fee, development milestones fee, and a royalty on the sale of the resulting drug, should it gain FDA approval.

At the time of the case, the company is debating whether it should move from a pure-licensing strategy to one in which it (sometimes) plays a more direct role by co-developing and co-marketing on drug. The present debate involves a promising new cancer drug (codenamed ABX-EFG).

Questions.

1. Does Pharmacol of BioPart represent a better way to go for Abgenix? Why?
2. What factors would you focus on in choosing a partner? Which of these factors are most important? Why?
3. What should Scott Greer do?
4. What major risks do you see in your decision? How can these be managed?