

SAN JOSE STATE UNIVERSITY
Lucas College of Business
Department of Marketing and Business Analytics

Marketing Management
BUS139
Spring 2019

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OFFICE HOURS:

7:45-8:45 on class days
And by appointment, or drop by.

REQUIRED READINGS:

--Kotler and Keller (2016), Marketing Management: A Framework (6th Edition), Prentice-Hall.
--Cadotte, Ernie (2018), Marketplace-Live (simulation; Business Management Version) (Game ID: XXXXXXXXXXXX).
Go to the following website to view the demo and to register:
<http://www.marketplace-live.com/simulations/business-management.php>
Do not purchase until I provide Game ID and assign teams. Please bring credit card first class period.

COURSE OBJECTIVE:

The course objective is to thoroughly investigate the broadly defined topic of marketing management from a strategic perspective. Marketing management concepts will be analyzed as will their strategic implications. Our focus will not be limited to marketing management that involves "tangible products"; rather, we will consider purveyors of services as well as products. Most concepts developed in the context of product apply to services although terminology may differ somewhat. We are concerned, not only with the assimilation of concepts, but also with the development of critical thinking skills. Thus, whenever possible we will attempt to identify 1) the potential for application and/or 2) the actual application of the concepts with respect to marketing strategy and tactics. This should provide insight regarding how to fine-tune a marketing program in order to effectively satisfy consumer needs.

CLASSROOM FORMAT:

Your command of the marketing management material and the development of critical thinking skills will be facilitated in the context of 1) class discussion/activities and 2) the strategy simulation. Class discussions will generally do one or more of the following: 1) further explain material from the text, 2) provide examples of concepts covered by the text, and/or 3) provide pertinent material which goes beyond the scope of the text. The marketing simulation provides a meaningful opportunity in which to develop your strategic and tactical abilities and demands that substantial energy be devoted to critical-thinking. I encourage you to ask questions and to make comments. The simulation will provide exposure to actual strategic decision-making involving product, price, promotion, and distribution marketing decisions and manufacturing and other operations decisions via preparatory material as well as the decision-making/feedback itself.

GRADING POLICY:

Grades will be determined on the basis of seven of eight grade components. The lowest of Exam 1, Exam 2, Quizzes is automatically dropped

Simulation Intermediate Performance	15 points
Simulation Final Performance	30 points
Simulation Group Strategy Papers	10 points (5 + 5)
Simulation Group Presentation	5 points
Participation	20 points
Quizzes	30 points
Exam 1	30 points
Exam 2	<u>30 points</u>
	170 points)
	<u>- 30 points</u> (lowest of X1 X2 Quizzes)
	140 points

EXAM POLICY:

Exam is an individual effort.
Exam will include 20 1-point multiple choice questions and one 5-point essay questions (you will be given 2 questions and you will choose 1).
Must have Scantron.
No exams administered after first person has completed exam.

There are no makeup exams or exams given early.

QUIZ POLICY:

Quizzes are an individual effort.

I will give four quizzes and count the three highest. There are no makeup quizzes or quizzes given early.

Quizzes will be either multiple choice or essay.

Must have Scantron.

No quizzes administered after first person has completed quiz.

ATTENDANCE:

Mandatory.

ACADEMIC INTEGRITY

Students are encouraged to share intellectual views and discuss freely the principles and applications of the course materials. However, graded exercises must be executed independently, except where noted by the instructor. This course operates under the SJSU academic code as described in the SJSU Catalog.

SIMULATION

The simulation provides you with the opportunity to test your marketing decision-making knowledge across a broad spectrum of decision areas. Consequently, the multidimensional quarterly decisions are a departure from the more specialized responsibilities that many of you have faced in your daily occupational pursuits. Teams will operate within groups of 3-4. The large number of interrelated decisions that you will make are probably best managed by organizing/specializing within your group. But although specialization is recommended, coordination is absolutely essential to achieve success. Decisions made in isolation are likely to result in unsatisfactory performance indices since product, promotion, distribution, price, and other decisions are interrelated as is the need to balance the amount of resources devoted to tactical versus strategic initiatives. Thus, each team member is best served by knowing about everything else that is going on.

Simulation Performance Points

Teams can earn up to 45 points for their simulation performance. Points are determined by factoring your “cumulative overall performance” points with regard to 1) primarily, your performance within your industry and 2) secondarily, a comparison of the two industries. Up to 15 points can be earned for your cumulative balanced score after period #5 and up to 30 points can be earned on the basis of your cumulative balanced score after period #8.

Simulation Strategy Paper Points

Teams can earn up to 5 points for each their simulation strategy papers. These concise, 4-page papers (double-spaced, 11-point Times New Roman, 1-inch margins top, bottom, left, right) are due before Quarter #3 and #6.

The first simulation strategy paper should provide a roadmap for Q3, Q4, and Q5. strategic decisions including new segments, new products, new cities, plant expansion, and new product feature R&D and documentation of how data will drive your decisions in these areas. Sales must also be taken into account; therefore, projections related to unit sales forecasts are also important as well as licensing income and debt financing. The choice of new R&D/technology investment is shaped by many factors including the segments that teams plan to pursue in the future and the moves that competitors have made and are expected to make. Both current and projected future financial status will determine whether a team is able to effectively pursue R&D investment for high-end segments and many other critical decisions with limited resources. Since the menu of strategic expenditures and fund sources does not expand substantially until Q6, you may also make mention some key tactical decisions, space permitting. This could include decisions such as advertising design and expenditure, product design, sales force allocation, pricing, and manufacturing operations, but need not include all of them. The paper is limited to 4 pages (double-spaced, 11-point Times New Roman, 1-inch margins top, bottom, left, right).

The second strategy paper should provide a roadmap for quarters 6-8. Strategic decisions such as new segments, new products, new cities, plant expansion, new product feature R&D, and documentation of how data will drive your decisions in these areas should be covered. Sales must also be taken into account; therefore, unit sales forecasts, as well as loans, and licensing income are important. Decisions for Q6-Q8 are crucial decisions since teams continue to make strategic investments. The choice of new R&D/technology investment, in particular, is shaped by many factors including the segments that your team plans to pursue in the future and the moves that competitors have made and are expected to make. Both current and projected future financial status will determine whether your

team is able to effectively pursue R&D investment for high-end segments, as well as many other critical decisions, with limited resources. The paper is limited to 5 pages (double-spaced, 11-point Times New Roman, 1-inch margins top, bottom, left, right).

Simulation Presentation Points

Teams can earn up to 10 points for their simulation presentation. It is possible to earn maximum points on the presentation without earning maximum points on performance. The corollary, maximum performance points do not ensure maximum presentation points.

Teams should focus on a post mortem of final results (period #9) explaining what was done right and how and, perhaps more importantly, what could have been done differently and how. A period-by-period recount of what was done is likely to be inadequate. To earn maximum presentation points, teams must expertly explain and illustrate their critical mistakes and successes and how these became turning-points. A data-driven approach is the most effective way to document your successes and failures.

Participation

Be sure to maintain an active profile for all periods of the simulation with respect to the decision-making activities for simulation itself, pre-meeting preparation for those decisions, and all the related assignments. A minimum of 45 minutes of time on the simulation website should precede your team meeting to ensure that you can contribute to your team effort in a meaningful way. Also maintain an active profile with respect to non-simulation class activities. Participation points are earned the same as all other points—20 points are not the default.

Simulation Tips

In the real-world, Marketplace Simulation participants may have very challenging jobs with substantial responsibility. Often these real-world jobs are very specialized in which work is somewhat compartmentalized. In contrast, the Marketplace Simulation confronts participants with the need to function as a general manager. This is a new and challenging opportunity for many participants—many past participants have also described the experience as addictive!

Textbooks explain that product, price, promotion, and distribution (marketing mix) decisions cannot be made in isolation from each other. Rather, they must be made in a coordinated manner. Your success in the Marketplace Simulation depends substantially on your ability to make well-coordinated marketing mix decisions.

Although success in the Marketplace Simulation requires coordinated marketing tactics, total success cannot be achieved unless participants balance tactical resource decisions and expenditures with strategic resource decisions and expenditures. This aspect of the simulation is a challenge throughout the simulation.

The Marketplace Simulation is generally consistent with the real-world but there are some differences. The differences help to ensure the participants with real-world experience in the computer industry to not have an unfair advantage over other participants. The differences also ensure that the path to success depends on data-driven decisions.

What follows are specific comments about the Marketplace Simulation. In many cases, the comments relate to issues that are not covered in Professor Help. Thus, this document does not by any means summarize Professor Help. Be absolutely sure to read Professor Help before you launch your new company!

Chapter 1 (Player Activities)

It may be difficult for one person to make all of the decisions but it is important to ensure that the team's decisions are effectively coordinated. Therefore, **although one person may not make all of the decisions, each team member must be aware of all of the decisions** (p 7).

Key activities per quarter (pp 10-12):

Q1 Decide on level of precision of marketing research

Q2 Select 1 or 2 target markets; design 1 or 2 brands; open 1 or 2 sales offices (1 period lag); choose plant location; choose plant capacity (1 period lag).

Q3 Make remainder of decisions necessary to begin operations.

Q4 Make all decisions in a single quarter.

Q5 Choose new R&D/product features (at least 1 period lag).

Chapter 2 (Marketing Research)

Marketing research purchased in Q1 and received in Q2:

Most crucial for 1) Q2 and Q3 decisions, 2) Q4-Q8 decisions to improve brands or advertisements that are already the highest rated, and 3) purchase of R&D in Q5.

Marketing research received in Q4-Q8:

More reliable information than the information received in Q2! It is actual market performance information rather than consumer perception information. Thus, **benchmark off of your competitors' products and advertisements if they are the best.**

For marketing research received in Q2, scores of 90-110 are considered close to average index of 100.

For marketing research received in Q3-Q8, if a brand, advertisement, or price is rated **5 points higher than another, the difference is substantial.**

Sales potential data is for first 12 months/4 quarters.

Calendar

<u>Week of</u>	<u>Chapter</u>	<u>Topic</u>	<u>Assignment</u>
1/22	1	Defining Marketing	
1/29	1	Defining Marketing	Buy simulation license; sign into group Read simulation manual
2/5	2	Strategic Planning	Read simulation manual
2/12	3	Marketing Info	Q1 due, 2/15, 8:00pm
2/19	3	Marketing Environ	Q2 due, 2/22, 8:00pm
2/26	5	Consumer Behavior	1 st Strategy Paper due, 3/1, 8:00pm
3/5	6	Segment, Target	Q3 due, 3/8, 8:00pm
3/12	8	Branding	Q4 due, 3/15, 8:00pm
3/19	9	Product	Q5 due, 3/22, 8:00pm
		Exam #1	
3/26	9	New Product	2 nd Strategy Paper due, 4/5, 8:00pm
4/2	SPRING BREAK		
4/9	11	Pricing	Q6 due, 4/12, 8:00pm

4/16	12	Pricing Channels	Q7 due, 4/19, 8:00pm
4/23	13	Channels Physical Distribution	
4/30	14	IMC	Q8 due, 5/3, 8:00pm
5/7	15	Mass Comm Simulation Presentations	
Exam Week			Exam #2

Calendar subject to change

Chapter 3 (Brand Management)

Brand name of Cost Cutter products (and advertisements) must begin with the letter “C”, brand name of Innovator products (and advertisements) must begin with the letter “I”, ...

Since products and advertisements may be frequently revised and since companies may offer multiple versions to a single target market, a name such as W5b may be useful (W = Workhorse, 5 = Q5, b = second Workhorse brand).

A company may have no more than 15 brands in any quarter (including newly developed products and old products for which there is left-over inventory). Thus, if you plan to develop many new brands in an upcoming period, you should consider selling some old brands for salvage and/or under-producing some of your new brands.

Acquisition of new product features has important strategic implications. It will have substantial negative affect on your available resources and substantial positive affect on your sales potential. You can invest to obtain additional product features by investing starting in Q5. Product features become available after one quarter. You can also obtain additional product features by negotiating a license with competition starting in Q6. These product features become available in the same quarter.

A higher brand rating may result from adding a product feature (i.e., a Traveler brand may improve by the Traveler segment may prefer miniaturized circuitry) and sometimes may result from eliminating a product features (i.e., the Cost Cutter segment may prefer computers without miniaturized circuitry) (pp 33-34).

Chapter 4 (Advertising)

Chapter 5 (Sales Office)

Opening sales offices is a major investment (investing in new product features and expanding plant capacity are also major investments). These three decisions have major impact on your company’s available resources and on your company’s long term revenue potential. Be sure that these are discussed in your strategic plan with reference to your primary target markets. Remember that there is a 1 period delay in opening a new sales office.

Price elasticity/sensitivity varies per target segment; thus, low price is not a crucial factor for all segments (p 51).

Regarding sales order priority, if possible, avoid assigning a high priority to a new target segment until you have established some record of success (p 52).

Supplemental salesperson training and motivation programs become available in Q7.

Chapter 6 (Manufacturing)

Investment to increase plant capacity has important strategic implications. It will have substantial negative affect on your available resources and substantial positive affect on your sales potential.

There are 65 days available days for manufacturing in each quarter (p 55).

There is an optimal level of plant capacity utilization. Using too much (i.e., 450 capacity, 445 utilization) is inefficient and using too little is inefficient.

Although as much as 1000 units (per day) of additional plant capacity can be purchased in a quarter, plant capacity utilization can be increased no more than 400 units in a quarter.

Seasonality may not affect sales as much as other factors (i.e., the positive affect of improved product design may exceed the negative affect of a seasonal downturn).

For a recent class, Q3 sales for the entire industry were approximately 2,500 units, Q4 sales were approximately 16,000 units, and Q8 sales were approximately 275,000 units. The highest total demand for a single team in that recent class was, for 8,900 units for Q3, 4,200 units for Q4, and 102,000 units for Q8. The only quarter in which there was not at least a doubling of total industry units sold was from Q4 to Q5. Your simulation could be

higher or lower, depending on the quality of all teams' decisions.

Chapter 7 (Accounting)

Besides understanding the connection between tactics and cash flow, it is also important to understand the connection between tactical spending (i.e., adding salespeople, redesigning products) and strategic spending (i.e., opening new sales offices, acquiring new product features/R&D).

Run realistic and pessimistic pro forma financial statements to assess the strain that you are putting on your financial resources. Pro forma cash balance should be \$300,000 in early quarters and \$500,000 beginning with Q6 (pp 61-62).

Recognize that besides the funds that you acquire through sale of stock, **funds are also available via debt financing** (p 63).

Most companies will not earn a profit until Q5 or Q6.

Read the Bankruptcy section (pp 67-69). To avoid bankruptcy, be sure to run pro forma financial statements for both realistic and **pessimistic sales forecast scenarios**. If bankruptcy occurs, it often occurs in after Q4 or Q5 when 1) there is less chance of gaining a sizable competitive advantage and 2) there is a good chance of impairing your company well into the future. Thus, the concept of "postponement" is important and will be discussed again briefly in Chapter 8.

Chapter 8 (Finance)

Postponement refers to the necessity of postponing some of the expenditures that you would like to make in the current quarter to a later quarter. The concept of postponement is extremely important in the early quarters of the simulation. There is little opportunity to gain a durable advantage in the early quarters but there is ample opportunity of losing decision flexibility as a result of overspending/not postponing (p 70).

All teams will be provided with \$5,000,000 in equity capital in Q5 as well as \$1,000,000 in each of the first four quarters (pp 71-72).

Final Note

It is important to realize that, although these tips provide some shortcuts to the manual, any team member that has not read the manual will be grossly unprepared. A thorough reading and re-reading of the manual is imperative and will allow you to enjoy the experience to its fullest. Good luck!