



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 310H1S L0101

Course Name: Managing Customer Value

Course Meets: Tuesday 1600h-1800h – RT 142

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Course Goals

1. To reinforce the value of a marketing orientation (the importance of being customer-driven).
2. To revisit the importance and implications of segmentation
3. To experience the challenge of working in a competitive environment with a limited number of major competitors.
4. To demonstrate the importance of understanding the core competences of your firm and those of your competitors as a precursor to strategy development
5. To appreciate the key differences between managing mature categories and growing (new) categories.
6. To use market research and to observe how its use leads to vast improvements in decision making.
 - If nobody in your industry uses market research, you can survive by ignoring it. If however, your competitors use market research and you don't, it's like playing soccer where you agree (in advance) to play blindfolded against an opponent whose players have 20-20 vision.

Course Scope and Mission

1. Course Description

MCV builds on the foundation developed in RSM 250 (Principles of Marketing). A successful firm delivers value to customers better than its competitors. While the first marketing course focuses on the fundamental marketing elements for operationalizing this basic philosophy - segmentation, targeting, positioning, and the 4 Ps, this course is

designed to advance a participant's understanding of designing and implementing marketing strategies. In particular, participants will make decisions about all 4 P's simultaneously and manage the interactions between them.

The overriding objective of marketing is simple but the art of putting it into practice is not. It is a challenge to satisfy customers and maintain profitability in a context where aggressive competitors are trying to do the same thing. The difficulty of this task follows from three different sources of complexity: interactions, incomplete information and implementation.

Interactions: A firm's results not only depend on the quality of its own (marketing) decisions, but also on reactions to these decisions by customers and competitors. The success of any marketing strategy depends thus on a firm's ability to anticipate these reactions.

Incomplete Information: Marketing decisions must be made under a great deal of uncertainty. A firm could wait until it has perfect information about the market place. Yet its decisions would always be too late. The success of any marketing strategy depends thus on a firm's ability to process and interpret available market information and understand the limitation of its market knowledge.

Implementation: The best marketing strategy will only be as good as its implementation. Due to the difficulties arising from interactions and incomplete information, a firm will never develop the perfect marketing strategy nor will it be able to foresee the problems that its strategy may create. The process of developing strategies and tactics that work occurs through learning and experience. In other words, the success of a marketing strategy depends on both the ability of the firm to translate its strategy into action and its ability to adjust and change based on the feedback from the market place.

The objective of this course is (1) to introduce participants to concepts and tools that enable firms to cope with these three sources of complexity and (2) to provide participants with "hands on" experience in designing and implementing marketing strategies in a competitive environment. Central concepts include competitive and customer analyses, problem identification, the design of marketing strategies for existing and new product markets, and the allocation of resources across marketing mix elements and products. The course puts special emphasis on teamwork and the application of the technical and conceptual skills under time pressure.

2. Course Pedagogy

The course is conducted in a manner such that the lectures and the simulation reinforce each other to show how marketing concepts are applied in practice (see Appendix A). Lectures summarize the theory of strategic marketing and introduce important concepts and tools. The computer simulation, MARKSTRAT (see Appendix A) is used as a vehicle for learning-by-doing. In the context of a changing fast paced simulated business environment, MARKSTRAT obliges participants to deal with competitive initiatives and reactions, market uncertainty and unfamiliarity, and a set of marketing tools that must be used strategically.

3. Lectures/Discussions/Group Work

Everyone is expected to read the manual before the course starts and then you can refer back to the manual as the course unfolds.

Participation is a key component of this course and that means complete attendance at all lectures, all decision sessions and the closing presentation/lecture is encouraged.

In addition, the classroom decorum for this course is as follows. Please bring your name cards to class so that it is easy for all of us to refer to others by name. Mobile phones and communication devices must be off during the class. A ringing mobile phone disturbs the class and disturbs the professor. Finally, laptops are to remain in their bags during classroom sessions. You will receive handouts upon which to make notes in most classes. There is no role for laptops during the classroom sessions (of course, you will have plenty of opportunity to use your laptops during the simulation sessions).

A key component of the simulation is group work. Disfunctional groups RARELY perform well in Markstrat. It is your job to make your team work (just like it is when you take a new position after graduation). My observation is that your contribution to making a group work depends on the type of person you are.

- a) If you are the quiet type who is very analytical, you need to make an effort to speak up and express yourself. Your ideas may be the difference between success and failure.
- b) If you are the extraverted type who has an intuitive sense of what needs to be done, you need to make an effort to speak less and listen more.

As the Italian Diplomat, Daniele Vare, once remarked, "diplomacy" is the art of letting somebody else get "your way".

4. Simulation

Each team is assigned the responsibility of managing a Markstrat firm for six decision periods. Every industry is comprised of six Markstrat firms so each firm is in competition with five other firms in its industry. Six class sessions are dedicated to Markstrat decisions. As indicated in the schedule, aside from the first and sixth decisions, 2 hours are allocated to each decision. Given the tight schedule, it is absolutely essential that you are on time. Firms that do not submit their decisions on time WILL BE PENALIZED (\$100k per minute).

Attendance at all decisions is strongly encouraged. Each team will be assigned a meeting room. For every decision, the teams will meet in the same room. When there is a decision scheduled, we will not meet in the classroom. You will meet your fellow team members in your headquarters and your company report and market research studies will be waiting for you at the beginning of the period.

Details about the simulation, the administration, the software, etc. will be provided in the first class and are summarized at the end of this syllabus.

You will find that the length of the decision period places you under considerable time pressure. This is by design and not by accident. First, the time pressure forces you to work together as a team. This will give you the opportunity and the need to apply the concepts you have been exposed to in MCV I and in the classroom sessions. Second, the time pressure forces teams to set clear priorities. While there is always some benefit to learning more about the market environment for each decision, the time limit forces teams to consider the marginal value of paying attention to different problems or pieces of information. An important characteristic of effective marketing strategists is their ability to discern the critically important from the merely important.

5. Course Materials (required)

Larréché, Jean-Claude, Hubert Gatignon, and Remi Triolet, *MARKSTRAT Participant Handbook* (one copy will be provided to every student)

Excerpts from Philip Kotler and Kevin Lane Keller, *Marketing Management*, 15th edition, Upper Saddle River, NJ: Pearson Prentice Hall

6. Evaluation and Grades

Grades are a measure of the performance of the student in individual courses. In this course, 80% of the performance is based on the performance of the group.¹

		Due Date
Individual Participation	20%	Ongoing
Group Presentations	30%	week of April 1, 2019
Markstrat Team Performance P4 (Group)	10%	N/A
Markstrat Team Performance Final (Group)	40%	N/A
TOTAL	100%	

6.1 Components of Evaluation

6.1.1 Individual Participation (20%)

10% of the 20% will be based on attendance and participation in the Markstrat decisions and the final class (group presentations). Each student is required to fully attend a minimum of five of the seven sessions (6 Markstrat decisions and the final class). Of course, students will maximize their learning from the course by attending all lectures, Markstrat decisions and the final class.

10% of the 20% will be based on an assessment of how you have contributed to your group. The professor will use a peer-evaluation of group participation/contribution to assist in determining how much you have contributed to your team's decisions. The peer evaluation will be conducted during the simulation (to be submitted after Decisions 3 and 5 respectively). Forms will be distributed at the beginning of the decision and participants are requested to hand these into the TA or the professor at the end of the

¹ Subject to adjustment by the professor as necessary. For example, a student who misses more than half of his/her team decisions will have the allocations of his/her grade reassessed.

decision. I expect that almost every student in the class will get full marks for group participation/contribution. A secondary role of these forms is to identify group dynamics problems so that they can be managed before they start affecting team performance.

Markstrat teams where everyone pulls their weight and contributes perform best.

6.1.2 Group Presentations (30%)

Each group will present a marketing plan for their company in the last class on April 2, 2019. Each group member needs to participate in the presentation. The time allocation of each presentation will be announced in March. Each group must submit electronic copies of their presentation—a PowerPoint file or a PDF version—via Quercus by 8 am April 2, 2019.

The presentation will be assessed based on 8 equally weighted criteria:

- Completeness (have all the aspect of running the company been covered in the presentation)
- Time Management and Structure/Sequence of the presentation
- Quality of slides (layout, graphics, etc.)
- Professionalism: politeness, appropriate attire, client-oriented, language
- Group participation and chemistry: working as a group, not individually, supporting each other
- Energy/enthusiasm/fun
- Answering questions: confidence, listening to questions, addressing questions properly
- Likelihood that you would approve the plan

6.1.3 Markstrat Performance (P4 10% and Final 40%)

The stock price in Markstrat is a metric that reflects the value that has been created for the firm's shareholders (in finance terms, one might think of it as the net present value of the company). The stock price is positively affected by:

- i. A firm's current profit performance
- ii. The attractiveness of the segments in which a Markstrat firm is active. Attractiveness is a function of segment size, segment growth, the profitability of products sold within the segment and the degree of competition within the segment.
- iii. The relative position of a firm's products within the segments where it competes (awareness, availability, purchase intent and market share)
- iv. A firm's commitment to knowledge-driven marketing (does the firm invest in market research on a regular basis).
- v. The quality of a firm's R&D activity.

The stock price is negatively affected by:

- i. Ill-advised spending cuts to inflate short term profits.
- ii. Decisions to cut spending on market research.
- iii. R&D projects that do not appear to have the potential to address consumer

- needs better than the choices that consumers currently have.
- iv. A lack of attention to managing production costs for current products

Each team will be evaluated based on its performance in terms of having created value for its shareholders at the end of period 4 and the end of period 6. The performance grade is comprised of three equally weighted components.

- a) The first component is based on how the firm has performed within its industry. The firm's stock price will be compared to the average within its industry and a score that corresponds to its price will be computed.
- b) The second component is based on how the firm has performed compared to firms in other industries who started in the same position. The firm's stock price will be compared to the average stock price achieved by firms that started in the same position and a score that corresponds to its price will be computed.
- c) The third component is based on a qualitative assessment of the firm's most recent decisions made by the professor. The purpose of the third component is two fold. First, it allows the Markstrat performance grade to recognize improvement that has been made by a firm that has performed poorly early in the simulation. In other words, a firm that is in a *very weak position* can benefit by implementing a good strategy to optimize its position in the long term. Second, it forces firms that are in a very strong position to be as diligent and focused with their final decisions as they were earlier in the simulation. If you are doing well, a word of caution is "beware the fat-cat syndrome".

7. Team Counselling

Each team will have the opportunity to consult with a consultant (our TA) twice as the course progresses to the closing lecture and presentations. The format for the meetings is informal (set up at the convenience of the team and the consultant). The role of the TA will be to provide feedback to the teams according to the following schedule:

- After Decision 2 and before Decision 3:
 - The TA can meet with each group after making their second round decisions, but before their third round
 - Each team should provide the TA with a one page single spaced strategic summary based on a standardized format (see Appendix B). The summary will be discussed and handed in but it will not be graded.
 - Strategies tend to crystalize during the second decision and this will give students the opportunity to vet their ideas with others
- After Decision 4 and before Decision 6:
 - The TA can meet with each group to follow-up on the implementation of the strategies that were discussed in the initial meeting
 - Each team can provide the TA with an updated one page single spaced strategic summary that also identifies the rationale for strategic changes. As before, the summary will be discussed and handed in but it will not be graded.
 - At this meeting, the team can also seek guidance on the marketing plan and presentation. Hopefully, this will get the teams working on both deliverables a few weeks before they are due.

8. Missing Classes

Students may miss classes and/or decisions due to illness or domestic affliction without academic penalty providing the appropriate documentation is received and approved in a timely manner.

In such cases students must notify the Commerce Office on the date of the missed class and submit an accommodation request with supporting documentation to the Program Services Office as soon as possible.

Weekly Schedule

Class	Date	Class Plan
1	Jan 8	Introduction
2	Jan 15	Decision 1
3	Jan 22	Market research and R&D
4	Jan 29	Decision 2
5	Feb 5	Market Planning and Market Research Tools
6	Feb 12	Decision 3
7	Feb 26	Marketing Diagnostics
8	March 5	Decision 4
9	March 12	Resource Allocation
10	March 19	Decision 5
11	March 26	Decision 6
12	April 2	Final Presentations (in class)

The Lectures

Class 1: Introduction to the Course and to Markstrat

In this class, the participants will be introduced to the structure that underlines the simulation. We will revisit the fundamental marketing process of segmentation, targeting and positioning that is endemic to effective management in any differentiated market.

Please read the Markstrat manual CH. 2-6.

Class 3: Market Research and Product Development

In this class, the participants will be exposed to the different types of market research that are used in the simulation and how they can be used as a basis for strategy development. Second, the link between market understanding and product development is explored and the specifics of how this is managed in the simulation will be addressed.

Please read the Markstrat manual CH. 7 and review Chapter 4 (Kotler and Keller)

Class 5: Market Planning and Market Research Tools

In this class, we will discuss the process of Market Selection, Market Prioritization, Setting Objectives and Understanding the Process that leads to successful interactions with customers. We will also go through the market research tools available in Markstrat and learn how to maximize the impact of market research on the quality of your decisions.

Class 7: Market Diagnostics

In this class, the participants will be introduced to a step by step approach that is employed by marketers to understand why a marketing initiative has either failed or succeeded. The approach is based on understanding and analyzing the buying process.

Read Chapter 6 (Kotler and Keller)

Class 9: Resource Allocation

In this class, we analyze one of the toughest aspects of the marketer's role: allocating scarce resources among multiple options for spending. We will review the various approaches that are used by marketers and highlight the strengths and weaknesses of each approach.

Read Chapter 19 (Kotler and Keller)

Optional Reading Chapter 20 (Kotler and Keller)

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. The Request for Special Consideration Form and supporting documentation must be submitted in a timely manner in order for the request to be reviewed.

In such cases, students must notify the Rotman Commerce Program Office on the date of the course deliverable such as a missed test, or assignment missed class (in the case of participation marks), or due date. They must then complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable. Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a later report of illness made by the student to a physician.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.studentlife.utoronto.ca/as>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.

- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to q.utoronto.ca and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is

granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

Appendix A

Markstrat

A business simulation offers a good tradeoff between costs and benefits for learning about marketing strategy. At the low end of the cost-benefit spectrum are learning approaches like reading a text book by yourself. At the high end is negative experience in real life. While the former often yields only limited learning, the latter is not only slow, but can be quite expensive. (It can cost you your job.) Markstrat is probably the most widely used business simulation. It has proven to be sufficiently complex and realistic to challenge seasoned executives, yet sufficiently responsive that it can be mastered, given a team effort, over several decision periods.

Note: Do not waste time collecting old Markstrat results. Each year there is a new scenario for MCV. Any specific Markstrat knowledge from someone else who did the simulation does not necessarily apply to the environment in which you have to compete.

Software

MARKSTRAT is available at the following web address: www.stratxsimulations.com. You will need to login by identifying your team and using the information that each of you obtained from the Commerce Office:

PAK:	e.g. BNP-4GSV2
Course ID:	e.g. MCV2012
Industry name:	e.g. Alpha
Team name:	e.g. L
Team password:	e.g. 9751

You can only make decisions during the decision period. However, outside of decision periods, you can access the market data and market research for your team. You may want to develop unique analyses to help you develop strategy as the course progresses.

I strongly recommend that you submit all decisions from the headquarters computer. The last saved file will be the one that is considered to be your decision. If software problems are encountered due to teams submitting decisions from multiple computers, this will be the responsibility of the team and not the administrator.

Administration of Simulation

You will make six decisions during the six classes dedicated to Markstrat. For each decision you have 2 hours. Each decision follows the same basic format. The output from the previous decision is available at the beginning of the time block. During the decision, two instructors are available to discuss problems, offer consulting services, and answer questions.

The new decision is due at the end of the allocated time. The first decision is limited in scope so as to allow teams to become familiar with the software, the decisions, and the Markstrat environment. (The limitations will be explained in class.) Each team will be assigned a meeting room for the entire time block to conduct its meetings. It will always be the same room.

Markstrat Results

The printed output from your previous decision, which contains all your results and the purchased market research, is available only at the beginning of the allocated time block. The output will be found in your meeting rooms at the beginning of the decision period.

At the same time, the data related to the next decision and last year's results will be available on the website as soon as the decision period commences.

Markstrat Decisions

Each decision is due at the end of the respective time block. The decision must be submitted over the internet by choosing the option "File - Transfer Decision to Instructor." It is strongly suggested that you print a hard copy for your own reference and proof read your decision. (In case of dispute, the electronic version, not the hard copy, will be taken as final.) When you submit your decision multiple times, you always overwrite your previously submitted decision. Teams submitting a decision after the deadline will be fined at a per-minute rate.

Decisions cannot be altered after the simulation has been run. No errors (such as data entry errors) may be rectified and no re-consideration of the decision can be incorporated. This policy can have catastrophic consequences for teams which are hurriedly composing decisions at the last possible minute, when errors are most likely to be introduced. You have to monitor your internal processes and time usage. If you are uncertain about how to enter a particular decision, read the manual first. If you are still unsure, ask an instructor. Above all, do not make arbitrary assumptions. Make sure that you read warning or error messages that could appear when entering or transferring your decision. If you do not understand them, ask for help from an instructor.

Although we end the simulation after six decisions, you are expected to manage your firm so that it remains competitive in future periods. Do not maximize short-term net contribution at the expense of the long-term position of your firm and the ability of a future management team to continue to run your firm.

Budget & Loans

For making your decisions you have a budget available which is a percentage of your previous period's net contribution. There is a lower and an upper limit (you are always assured of a minimum budget). I have increased the minimum budget to avoid the administration of loans.

The objective of this course is to focus on marketing and your challenge is to manage the firm, the best you can with the resources that you have. In contrast to the automobile industry, there are no bailouts in Markstrat.

Appendix B
Strategic Summary Format (recommended)

The purpose of the strategic summary is to provide a strategic update of what the team has done in the simulation (to date) and what they plan to do in the decisions, they have remaining. The format is an informal meeting (set up at the convenience of the team and the consultant).

Each team will provide the consultant with a one page strategic summary based on the following format:

1. Provide a very brief summary of your firm's current situation. How is your firm positioned (in the industry) from a global perspective. Is your firm in the right segments with competitors who you think you can beat? Think about each of your products (or initiatives) in terms of its relative health (or position): for example, how does it fare in terms of awareness, availability and purchase intent relative to key competitors?
2. Provide market share projections for your firm in both the Sonite and Vodite Markets for all periods up to and including period 6.
 - If you are keen you can break this into projections by product
3. Provide profit projections for your firm for all periods up to and including Period 6.
4. List the 3 (or 4) major initiatives your firm plans to realize from the time of the meeting until the final decision.
 - You may want to elaborate on each initiative with one (maximum 2 bullet points)