

USC Marshall School of Business
MARKETING 530
NEW PRODUCT DEVELOPMENT
WED 6:30-9:30 p.m., JKP 104

Fall 2015

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THE NEW PRODUCT PLANNING PROCESS

New Product Development (NPD) is a core managerial activity for most companies today. Actual NPD planning policies, processes, and structures vary considerably across industries and organizations. Factors that contribute to this diversity of NPD approaches include the dominant corporate culture, the unique elements of a particular business or industry (purchase cycles, product life cycle, customer target characteristics, distribution patterns, etc.), and more abstractly, the extent to which a company is philosophically and operationally market-driven. Regardless of these differences, marketing managers spend many hours engaged in both routinized and *ad hoc* new product planning activities that are often more similar than different. In addition, marketing science and managerial experience have yielded numerous normative frameworks that guide managers through a staged sequence of common new product planning activities, whether the product is popcorn, engine parts, credit cards, beer, or mutual funds.

NEW PRODUCTS, SERVICES & MARKETING INNOVATIONS

New “products” (broadly construed) and services play an increasingly important strategic and financial role within their parent organizations. This course in new product planning provides a condensed simulation of the key aspects of a typical new product development planning cycle. The course places particular emphasis on marketing management issues and activities that accompany the 8 key “**stage-gate**” phases that are commonly involved in conceiving, developing, testing and launching a new product, service, or other marketing innovation. The course material is particularly relevant to MBAs due to the frequency with which newly minted MBAs are assigned to work on new product development projects.

NEW PRODUCT SUCCESS & FAILURE

Successful new products and brands provide above-average contributions to their companies’ profits; and they also enhance a company’s standing versus its competition, among its strategic partners, and within the financial and other relevant communities. A pattern of successful new product development positively impacts the corporate culture, and helps companies attract and retain their best employees. Regrettably, the new product failure rate has remained extremely and persistently high for the past 25 years; A.C. Nielsen gauged the 2010 failure rate at 90%. This motivates the course to focus not only on factors that encourage new product success, but also to consider those that often lead to failure.

COURSE OBJECTIVES

One primary objective of this course is *informational*. The intention is to familiarize students with: (1) the basic phases of new product planning; (2) the ideas and activities that involve managers in each planning phase; (3) specific planning tools and analytic frameworks; and (4) contemporary issues and controversies that surround marketing resource allocation and performance evaluation. A second core objective is more *clinical* in nature. Here, the purpose is to give students extensive opportunities to integrate and apply key concepts to analyze a diverse sample of real-world marketing decision situations. Students will learn how to develop sound marketing solutions, and to communicate them effectively. A key component of the course is the inception, development, and testing of a new product or service concept, culminating in the preparation by student teams of a 12-18 month marketing plan for launching their innovation.

Finally, a third course objective seeks to improve students' abilities to manage, support and facilitate **marketing creativity** initiatives, processes and activities.

INSTRUCTOR-STUDENT INTERACTION

If at any point during the course you have questions regarding the preparation of cases, assignments, or other course-related issues, please do not hesitate to contact the instructor. If scheduled office hours are inconvenient, please contact the instructor to arrange an alternative appointment time.

COURSE PARTICIPATION & HOMEWORK

Each student is expected to contribute regularly to class discussion. To a considerable extent, the benefits students derive from the course and its assignments are related to their willingness to expose their experiences and viewpoints to the critical judgment of the class. Do not be reluctant to express your informed opinions or to ask questions. Course participation account for 10% of a student's course grade, and is based on the quality (not quantity) of in-class discussion, the quality of any in-class presentations, demonstrated leadership behavior, and class attendance and classroom behavior. To encourage students adequately to prepare for class sessions, the instructor will often open the class with several "cold call" questions.

CLASSROOM BEHAVIOR & ETIQUETTE

The classroom is a professional learning environment, and students' in-class behaviors should reflect this. Intrusive classroom exits and entrances are rude, disruptive and discouraged. Students are expected to be attentive to and engaged in instructor lectures, class discussions, case analyses and other learning activities. The in-class use of laptop computers, smart phones and other electronic communication devices diminishes student users' attention levels and also distracts and annoys their classmates. Consequently, these are not to be used in the classroom, except at the instructor's direction. Violation of these etiquette guidelines will negatively affect a students' participation grade.

GROUP PROJECT PEER EVALUATIONS

A great deal of marketing analysis, strategy, and planning materializes from work in teams that typically include individuals with different backgrounds, skills, responsibilities, and priorities. This is particularly true in new product or service development. Active, positive, and timely participation from every team member is critical to a successful marketplace launch. Since there is no natural reporting hierarchy in academic course group projects, the members of every team will evaluate each other's contribution. Students who are consistently and persuasively evaluated negatively by fellow team members will have their project assignment grade reduced by one letter grade.

HBS & OTHER CASES

This aspect of the course involves the analysis and resolution of strategic marketing problems and opportunities, some of which (but not necessarily all) are summarized in written cases. Each case focuses on a set of marketing issues that a particular company or brand faces. Detailed guidelines for each case analysis are included in the syllabus. It is important to review these guidelines before beginning case preparation. Case analyses will commonly have 2 components (1) general discussion questions and (2) specific tasks that will be key elements of our subsequent in-class case work.

ACADEMIC INTEGRITY

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code. Students will be referred to the Office of Student Judicial Affairs and Community Standards for further

review, should there be any suspicion of academic dishonesty. The Review process can be found at <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

MIDTERM QUIZZES

Two midterms quizzes will be administered during the course of the semester. Each will cover the assigned readings and cases, as well as in-class lectures and discussions. Each quiz will include (1) approximately 40-45 short-answer (multiple-choice, fill-in-the-blank, true-false) questions and (2) one or two mini-cases. Students' cumulative performance on the quizzes will account for 35% of their course grade.

REQUIRED COURSE MATERIALS

MKT 530 Cases and Readings Packet (available in the USC bookstore)

EVALUATION OF STUDENTS' WORK

Each student will receive a final course grade based on his or her performance on the following assignments, weighted accordingly. Note: Students' course grade will conform to existing Marshall School grade distribution guidelines for graduate elective courses.

Assignment	Preparation	% of Grade	Due
Product Autopsy	Individual	15	W 9/17
Midterm Quizzes	Individual	35	W 10/1 & W 11/19
NPD Project	Group	40	W 12/3
Course Participation/Homework	Individual	10	Ongoing

COURSE SCHEDULE

<u>Dates</u>	<u>Topics & Assignments</u>	
<i>Week 1</i>	<u>Marketing Innovations & New Product Development</u>	
W 8/26	Course Introduction	
	Marketing's Innovation Domain	Readings 1-2
<i>Week 2</i>	<u>The New Product Development (NPD) Process</u>	
W 9/2	Innovation vs. Imitation	Readings 3-4
	New Product Development (NPD) Process Overview	
	<u>Stage 1: Identifying New Product Opportunities</u>	
	Opportunity Identification: Basic Analytics, Idea Sources & Discovery Tools	Readings 5-9
	Differentiating Trends from Fads	
<i>Week 3</i>	<u>New Product Failure</u>	
W 9/9	New Product Failure Factors	Reading 10-13
	HBS Case: Launching Krispy Natural	
<i>Week 4</i>	<u>Stage 2: Idea Generation</u>	
W 9/16	NPD Idea Generation	Readings 14-18
	HBS Case: Phase Zero: Introducing New Services at IDEO (A)	
	Introduction to Project Bluegrass	
	Product Autopsy Assignment Due	
<i>Week 5</i>	<u>Stage 3: Concept Development</u>	
W 9/23	NPD Concept Development	Readings 19-21
	Project Bluegrass II: Jack Daniels Country Cocktails	
	Consumer Psychology & New Product Adoption	
	HBS Case: An Exercise in Designing a Travel Coffee Mug	

Written NPD Project Proposals Due (Note: each project group should prepare to present a 3-5 minute in-class overview of their core NPD idea, and its underlying logic)

Week 6

Stage 4: Concept Testing

W 9/30 Concept Testing & Product Design Research Readings 22,
23 (p. 1-12)
HBS Case: Nestle Foods Contadina Pasta & Pizza (A)
Midterm Quiz #1
(Covers Packet Readings 1-23, weeks 1-6 handouts, and class discussion)

Week 7

Stage 5: NPD Business Strategy & Communication

W 10/7 NPD Strategy Content, Format & Soundness Readings 24-26
Break Even Analysis
HBS Case: Mountain Man Brewing Company

Week 8

Stage 5: Customer & Competitive Strategy

W 10/14 Customer Target Identification & Behavioral Strategy Readings 27-30
Creating Effective NPD Brand Positioning
HBS Case: The New Beetle

Week 9

Stage 6: Product Prototypes & Usage Testing

W 10/21 HBS Case: Nestle Contadina (Part II) Reading 23 (p.13
to end), 31
In-Class Concept Development Workshop

Week 10

Stage 7: In-Market Test Marketing & Simulated Test Marketing

W 10/28 Test Marketing Strengths, Weaknesses & Alternatives Readings 32-33

Building Brand Equity

Understanding, Building & Leveraging Brand Equity Reading 35-37
Darden Case: Red Bull (Abridged)

Week 11

Brand Image Components & CRM

W 11/4 Brand Image Components & Intellectual Property Issues
Discovering Brand Imagery: Discover Card
Customer Relationship Management

HBS Case: Vans: Skating on Air

Reading 34

Week 12 **Marketing Communications & Promotion**

W 11/11 Push vs. Pull Decisions

Creating Advertising that Works

Stage 8: Launching a Brand

HBS Case: Introducing! The XFL

Reading 38

Week 13 **Launching a Brand (cont)**

W 11/18 Course Wrap-Up & Review

Midterm Quiz #2 (Covers Readings 24-38, weeks 7-13 handouts, and class discussion)

Week 14

W 11/25 (Optional) In-Class NPD Project Instructor Consulting

Week 15 **NPD Project Presentations**

W 12/2 NPD Project Presentations

NPD Strategy Projects Due

Summary of Dates & Key Deliverables

W 9/16 Product Autopsy Due

W 9/23 NPD Project Proposals Due (see form at end of syllabus)

W 9/30 Midterm Quiz #1

W 10/21 Drafts of written concepts due for in-class workshop/critique (= flex date)

W 11/18 Midterm Quiz #2

W 12/2 NPD Project Reports Due

Graded Assignments

Product Autopsy Assignment (15%)

Due: W 9/16

Assignment Overview

The failure rate for new products has hovered between 80-90% for several decades. This suggests the value of studying this enduring and costly marketing problem more intensively. To accomplish this, students will select a product/brand that entered the marketplace (US or global) within the past 10 years, and subsequently failed. "Failure" is defined broadly and includes situations in which the product (1) has been withdrawn from the market, (2) achieved only a fraction of its pre-launch sales forecasts, or (3) remains unprofitable. Students should *not* select situations that are covered in HBS cases; the instructor will advise students on this.

Project Report Preparation

Using the failure factor material covered in class, prepare a diagnostic "product autopsy" that identifies **and** weights the factors that contributed to the product's failure. There are 3 perspectives that you may rely on individually, or in combination: (1) the Marketing Roadmap framework introduced in week #1; (2) the Strategy Design, Implementation and External Failure Factors presented in week #3; and (3) the Degree of Product Change/Consumer Change matrix in article #20. In preparing your report first, explain the apparent marketing logic and related factors that provided the impetus for the development of your focal product or service (1/2-1 page). Then, in order of your analysis of their relative impact (from high to lower) impact, identify each failure factor, and explain in detail how it contributed to the product's demise or underperformance (1.5-2 pages). Finally, looking back with the advantage of hindsight, what 3-5 things would you have done differently, or reverse engineered, to improve the situation and steer it away from the failure zone (1 page). Your written report should be *approximately* 3 -4.0 single-spaced pages in length, excluding any supportive materials.

Evaluation Criteria

1. Analytic comprehensiveness
2. Logic and persuasiveness of causal analyses, evidence and recommendations
3. Organization and communication quality

New Product Development (NPD) Project (40%)

Project Due: Wednesday, December 2

Project Overview

This project is designed to enhance both students' learning and their professional market value through direct, hands-on experience with key managerial activities that are involved in moving a new product, service, or other marketing innovation from its early inception through the development stages that help refine and optimize it. Students work with a variety of analytic and creative tools at each NPD development stage. The output of the process is a new product planning document that summarizes the nature and rationale for the project; presents alternative product or service concepts that represent variations on their core concept; examines consumers' reactions to each concept; and subsequently designs new product marketing strategy and tactics; and concludes with a self-evaluation of the strategy's overall soundness. Students will work in project teams of 5-7 individuals. Initially project teams will likely consider several, often quite different NPD projects. To make your final selection, be opportunistic, and consider factors such as the availability of relevant secondary information; your access to primary information sources (e.g., industry players and experts); your ability to locate prospective customers, and

obtain feedback from them; time-frame implementation issues; and your personal interest in a particular product or service category, or brand.

Project Report

Written reports should include all the following elements. The *approximate* single-spaced page-lengths of each section are suggested below. In addition the recommended dates for completing each component are provided in ().

1. Executive Summary (Weeks 14-15)

This summarizes your NPD “story” and provides a narrative that highlights the key aspects of your marketing strategy and recommendations (1 page).

2. Category Situation Analysis & NPD Opportunity ID (Weeks 2-4)

What is your basic innovation idea, and what consumer, competitive and other factors make you think it has some potential for success? The best work here relies on solid and specific data that relate to industry and consumer trends and provides both quantitative and qualitative evidence that support your NPD direction (2-3 pages).

3. Generation of Core & Alternative NPD Concepts (Weeks 6-8)

Once your team has selected a general, core NPD idea to pursue, it is highly likely that various alternative possibilities exist with respect to different features, benefits, positionings, and customer targets. Use your own logic to identify the most promising alternatives, then render these variations on your core concept into between 3 and 5 written concepts. Briefly explain how you selected your 3-5 concept finalists, and include the written concepts as Exhibits in your report. (1-2 pages of narrative + Concept Exhibits)

4. NPD Concept Development & Evaluation Research (Weeks 9-11)

Each student team member needs to interview 7 prospective customers to obtain their reactions to the alternative concepts. This report section explains your research sample and procedures, and describes consumers’ overall reactions, specific likes and dislikes, confusion, and purchase intentions. (2-3 pages)

5. NPD Marketing Strategy and Plan (Weeks 12-14)

This section relies on an extended version of the strategy communication format presented in class in the Gillette Cassette Case (*Gillette Sonic Cool*). It centers your plan around a single focal question, which you break down into a set of key questions, followed by specific strategic and tactical recommendations, each of which is supported by accompanying rationales, and closes with a concise strategy summary. Exhibits should rely on the tools presented in class: e.g., customer target profile, brand positioning perceptual maps, and financial projections (2-3 pages + Exhibits). **Note:** In addition to a written target profile exhibit, project teams should shoot a 2-minute **video** that brings their target to life.

6. NPD Strategy Soundness Evaluation (Week 14-15)

This section presents your critical evaluation of the validity of your plan’s underlying assumptions, its vulnerabilities, the risk-result ratio that is involved, the plan’s implementation feasibility, and its prospects for producing sustainable advantage. (2 pages)

Project Evaluation Criteria

1. Analysis and logic underlying basic NPD idea
2. Communication quality of alternative NPD concepts
3. Quality of concept development and evaluation research
4. NPD marketing strategy comprehensiveness and specificity
5. Quality of strategy soundness evaluation
6. Overall report organization and communication quality

Case Preparation Guidelines

HBS Case: Launching Krispy Natural: Cracking the Product Management Code

Discussion Date: W, September 9

Case Overview

In 2008, Pemberton Products (a fictitious name) acquired Krispy, Inc. in order to diversify from its core business is food bars, cookies and other sweet baked goods into the salty snack category, specifically the cracker segment. Post-acquisition sales were disappointing, and Pemberton sought to re-launch the Krispy brand with “Krispy Natural,” a cracker with a variety of fillings and packaging configurations. In January 2012 Pemberton marketing director Brandon Frederick was reviewing the results of 16 weeks of test marketing. His boss, Ashley Marne, believes that Krispy Natural will turn things around and, in fact, be a blockbuster with at least \$500 M in first year sales. Frederick isn’t sure that the test market results support such enthusiasm, and he is losing sleep over how to manage his boss’ enthusiasm and expectations.

General Discussion Questions

1. What factors support Pemberton’s entry into the crackers-with-filling sub-segment of the cracker market? Alternatively, what factors provide arguments against market entry?
2. How do you interpret the test market data from the Southeast and Columbus markets? How valid are the sales projections generated from the test market results?
3. What are the likely reactions of the top three cracker competitors?
4. What do you recommend: a national or regional launch? Should Pemberton rethink its pricing, its push/pull strategy, utilize Krispy reps?
5. How comprehensive and robust is Krispy Natural’s overall strategy with respect to its objectives, and its coverage of the 3Cs and 4Ps?

In-Class Analytic Work

To enhance your case analysis, please take some time to conduct the following *fieldwork* before we meet this week. In your next grocery shopping trip at a major supermarket chain spend some time in the cracker aisle. Give particular attention to the crackers-with-filling offerings that are on the shelf. How big is the sub-segment’s presence on the shelf, and what is the surrounding marketing environment (in-store location, price promotions, product variety, etc.)? The fieldwork will provide real-time real-world grounding for discussing these key topics (1) the logic of entering the crackers-with-filling segment; (2) estimates of the category’s identity and growth; and (3) the validity of the test market results. Finally, students may be asked to engage in role playing the parts of Ashley Marne or Brandon Frederick.

HBS Case: Phase Zero: Introducing New Services at IDEO (A)

Discussion Date: W, September 23

Case Overview

IDEO is a leading design and innovation firm whose success is in part due to the increasing reliance in new product development on interdisciplinary skills and teams. Any particular IDEO project may include cross-functional teams comprised of various types of engineers, designers, behavioral scientists, and individuals with business expertise. The case elaborates the process phases that guide IDEO’s design services, and is nested in IDEO’s work with the Simmons mattress company to “find new opportunities.”

General Discussion Questions

1. What is IDEO’s value proposition?
2. What are the key elements of IDEO’s innovation development process?
3. How is IDEO’s organizational culture similar to or different from that of companies in which you have worked?
4. How do IDEO’s services differ from those of traditional marketing research or consultant businesses?

5. How does IDEO's analysis of mattress opportunities in the young adult "nomad" segment resonate with your bed & mattress experiences at the same point in your life?
6. Why do you think Simmons seems to have cooled on IDEO's new mattress concepts?
7. Do you think IDEO should continue to offer its Phase Zero service? If yes, what could it do to improve its client success rate?

HBS Case: An Exercise in Designing a Travel Coffee Mug

Discussion Date: W, September 23

Case Overview

Like the bottled water industry a decade earlier, the retail coffee industry is facing increasing pressure to adopt more sustainable packaging, and these concerns are amplified by the steady global growth of coffee consumption. Starbucks alone sells approximately 4 billion paper cups each year, only a fraction of which are recyclable. While coffee retailers are trying to increase their recyclability, they have also offered price discounts to consumers who bring their own coffee mugs into the store. These have had little impact on consumers' behaviors, so a more recent direction looks to innovations in the design of coffee mugs as an avenue for motivating consumers to purchase and use their own mugs. The backlash against bottled water triggered a proliferation of innovative reusable bottled water products, which coffee retailers and independent mug manufacturers hope to replicate.

One of the biggest successes in this new category was the "KOR One Hydration Vessel," which was launched in 2008 as a partnership between the manufacturer and RKS Design, an award winning product design consultancy located in Thousand Oaks, CA, and led by founder and CEO Ravi Sawhney. This case explores in some detail the role of design in the new product development process, and how product design is informed and guided by better understanding of the competitive landscape, consumer segments and their behaviors and motivations. A distinctive quality of RKS is its philosophical grounding in depth psychology and its reliance on strategic analytics that animate and humanize their customer target(s).

General Discussion Questions

1. What were the core beliefs and purposes of the new travel coffee mug?
2. What are the components of RKS's proprietary Psycho-Aesthetics process? How was it used in developing the new KOR ONE Hydration Vessel?
3. What are the distinguishing features/attributes of KOR ONE, and what benefits derive from each feature?
4. In what ways is coffee consumption similar to and different from water consumption, and which of these will affect the development of an innovative, sustainable and design-rich travel coffee mug that will motivate consumers to buy it and abandon their cardboard cups?

In-Class Analytic Work

Prior to coming to class take some time at your convenience to conduct *fieldwork* that contributes to a *competitive analysis* of current travel coffee mug product offerings through field observations on campus, in retail stores, and over the internet. This will help us place these product offerings on a *Psycho-Aesthetics* map based on your assessment of their (1) level of consumer interactivity and (2) standing in Maslow's hierarchy of needs. This will provide a springboard for the identification of at least *two new product opportunity zones*. Next, we will construct consumer personas (see Exhibits 6 & 7) that you believe would be responsive to coffee mug offerings in the opportunity zones we have identified. Finally, we will give some consideration to the product features and benefits of the most promising travel coffee mug concepts.

Nestle Refrigerated Foods: Contadina Pasta & Pizza (A)

Part I: Read case pages 1-12 & relevant Exhibits

Discussion Date: W, September 30

Case Overview

Nestle successfully entered the refrigerated food market in 1987 with its Contadina Pasta and Sauces. Three years later, the company was looking at extending the Contadina line into refrigerated (not frozen) pizza. The case provides the marketing background of Contadina's expansion, and it pays considerable attention to the issues and details of Nestle's product concept development and testing, positioning and target selection research, and sales forecasting.

General Discussion Questions

1. How is Nestle's new product development process similar to and different from other models we have examined in class?
2. What factors explain the growth in the refrigerated foods category?
3. What did Nestle's acquisition of Lambert Pasta & Cheeses bring to its Contadina initiatives?
4. What data or reasoning encouraged Nestle to go with the "Superior" pasta positioning?
5. What factors account for attritions from BASES consumers "purchase intent," and "adjusted" trial rates?
6. What were the main drivers of Contadina's Pasta and Sauce success?
7. How did Kraft's Di Giorno's 1989 entry into refrigerated pasta and sauces affect the market?
8. Why do you think the category has declined in sales volume in recent years?

In-Class Analytic Work

Like many new product introductions, Nestle's launch of Contadina refrigerated pasta and sauces resulted from several key developments and decisions. What are they? Central to our discussion are the components of mainstream CPG product **concept testing**, and how proprietary systems (e.g., BASES I) translate consumers' state purchase intent to actual product trial.

HBS Case: Mountain Man Brewing Company (Individual Case Analysis Option)

Discussion Date: W, October 7

Case Overview

The core debate and dilemma here is whether or not the launch of Mountain Man Light will endanger Mountain Man Lager by either cannibalizing its sales or alienating Mountain Man's core customers. The other side of the debate is whether the launch of Mountain Man Light is a critical growth strategy for the firm, which is facing revenue declines for the first time in its history. Finally the question is whether the brand equity of Mountain Man Lager will be enhanced or damaged by the introduction of Mountain Man Light.

General Discussion Questions

1. What factors have generated the impetus for MMBC launching Mountain Man Light?
2. What has made Mountain Man Lager a successful survivor in an increasingly consolidated industry?
3. What brand equity components have Mountain Man Lager developed, built and defended?
4. What factors have contributed to its recent sales declines?
5. Should MMBC introduce a light beer? What are the pros and cons?
6. Conduct a SWOT analysis relative to the light beer introduction decision.
7. What sales level and market share are required for Mountain Man Light to break even in two years?
8. What other growth strategies does MMBC have if it chooses not to introduce a light beer?

In-Class Analytic Work

Thus far we have tended to focus on new product introductions as stand-alone offerings, yet a new product often emerges as an addition to an existing portfolio of products and brands. Consequently, we need to estimate how sales of the new product will affect the sales of a company's existing offerings, or what marketers term "**cannibalization**." What qualitative factors contribute to the magnitude of cannibalization? Also, we need to consider how Mountain Man Light will be perceived by Mountain Man Lager's existing customers.

HBS Case: The New Beetle

Discussion Date: W, October 14

Case Overview

The original Volkswagen Beetle was introduced to the US market in 1949, and by 1962, one million VWs had been shipped here. By the late 1960s, VW was selling over 500,000 cars annually in the US, a total which includes not only the Beetle, but the VW Microbus, the Rabbit (Golf), and the Karmann Gia. For the next two decades, things began to deteriorate significantly. By 1980, VW sales were barely half their 1970 peak, and by 1993, VW's total sales in the US were barely 50,000 units. Shortly thereafter, the introduction of the Passat helped stem declining sales; by 1997, total VW sales approached 140,000 units, still far shy of its half million volume in its heyday. In order to facilitate VW's "strategic recovery," marketing efforts sought to update the car's brand image, and strengthen its appeal to younger drivers. On the product side, VW began to develop car models that would be consistent with its new "Drivers Wanted" imagery. The new Passat's sales success supported the new strategic direction and, on the horizon, was the decision to launch the New Beetle.

General Discussion Questions

1. Why was the VW Beetle so successful in the US in the 1960s & early 1970s?
2. What factors contributed to VW's overall sales declines in the US in the 1970s?
3. Beyond VW's overall decline, what caused the death of the Beetle in the US?
4. How would the New Beetle be different from its predecessor?
5. Based on information in the case, and your own analysis, who is the best customer target for the New Beetle?

In-Class Analytic Work

The relaunch of the VW Beetle requires consideration and resolution of two strategic questions: First, which market segment(s) should VW target, and what are the distinctive demographic, psychographic and car usage behavior of the target(s). Second, what brand positioning would you recommend for the New Beetle in the crowded and competitive US automobile market? In class we will generate *perceptual maps* that clearly identify which product feature, consumer benefit or other dimensions that will define the car's competitive position in consumers' minds. Finally, we will generate a positioning statement for the New Beetle.

Nestle Refrigerated Foods: Contadina Pasta & Pizza (A) and (B)

Part II: Read case (A) pages 12-15 & relevant Exhibits

Discussion Date: W, October 21

Case Overview

Nestle sought to follow up on its huge success with Contadina Pasta & Sauces line by expanding its line of refrigerated products to pizza, also under the Contadina Brand. Although 75% of pizza purchases are either delivery or takeout, Nestle's management felt a successful fresh pizza offering would help build the underdeveloped refrigerated foods category.

Discussion Questions

1. How are pasta and pizza similar...different...as product categories, and from consumers' perspectives?

2. How is refrigerated pizza different from frozen, deli, take-out, delivery, and restaurant pizza?
3. Who is Contadina's target pizza customer?
4. What are the key concept test findings about Contadina's pizza attributes (Exhibits 13 & 14)?
5. What are the strengths and weaknesses of the two concept boards used in the BASES II study (Exhibits 16 & 17)?
6. Where does the research indicate Contadina pizza will derive its source of volume (Exhibit 18)?
7. What additional concept learning did the Bases II study provide (Exhibits 19 & 20)?
8. What did the in-home usage study discover (Exhibit 23)?
9. Are NRFC's market share objectives reasonable...clear?
10. Bottom line: what are Contadina Pizza's prospects for success?
11. What next steps do you recommend? Should Contadina consider additional product offerings as alternatives to pizza?

In-Class Analytic Work

The Contadina Pasta and Sauces was a smash hit; the refrigerated pizza kit fared less well in the marketplace. The situation suggests a product autopsy would be useful. In addition to the failure factors we have covered previously, one key element here is the concept of "**source of volume.**" To be successful in an existing market, a new product needs to lure customers from incumbent offerings to the new one. Take a look at the exhibits in the case that reveal where Contadina Fresh pizza will get the most adopters. What concerns does this raise?

Darden Case: Red Bull (Abridged)

Discussion Date: W, October 28

Case Overview

After discovering the energy drink, *Krating Daeng*, in Thailand in the early 1980s, Austrian businessman Dietrich Mateschitz subsequently purchased the company that manufactures it, and introduced it to global markets as the Red Bull brand. Red Bull became the market pioneer in the "energy drink" beverage category, which generates annual sales of nearly \$7 billion.

General Discussion Questions

1. What is the "secret sauce" behind Red Bull's phenomenal global success? Select and briefly describe the 5 elements of their marketing strategy, in order from the most important to less heavily weighted factors.
2. What went wrong that would explain Red Bull's plunge in the energy drink category from 75% in 1997 to 47% in 2005?
3. Conduct a "netnography" of Red Bull material that is currently circulating on the internet and select the work that you would award as exemplifying marketing excellence. Please provide the link(s) to the material, and explain why you selected it as the best.
4. Should Red Bull enter the "energy shots" market, whose leader is 5-Hour Energy? Why or why not?
5. What do you believe is the future of the energy drink category? What factors support a belief that it will continue to grow? What countervailing factors suggest that the category may have peaked?

In-Class Analytic Work

Class discussion will focus on addressing the 5 questions above.

HBS Case: Van's: Skating on Air (Individual Case Analysis Option)

Discussion Date: W, November 4

Case Overview

Vans is a California manufacturer of footwear that opened its first store in Anaheim in 1966, selling only casual deck shoes and sneakers. One point of differentiation was Vans' ability to make shoes that its customers customized to their color and style preferences. The brand caught on with surfers, and also with Southern California marching bands and cheerleaders, who appreciated Vans' ability to make shoes

that exactly matched their school colors. In the 1970s, the brand grew in popularity among the skateboarding crowd; and in 1982 Sean Penn wore a pair of black-and-white checkerboard Vans slip-ons in the movie *Fast Times at Ridgemont High*. The ensuing national attention created a huge surge in demand for Vans footwear, and also encouraged Vans to expand its manufacturing into shoes for almost every sporting category. This too-rapid expansion, along with growing competition, pushed the company into bankruptcy in 1984.

General Discussion Questions

1. How did Schoenfeld turn the company around and revitalize the Vans brand?
2. What does the Vans brand stand for? What is the personality of the brand? How is it different from other sports shoe brands?
3. How well do the company's promotional activities support Vans brand equity?
4. Given Vans overall brand equity, what other product categories represent attractive brand extension opportunities?
5. Who are Vans core customers; what are their demographic and psychographic characteristics?
6. Briefly identify (with summary names) the 4-5 customer segments that Vans serves (1/2-1 page)
7. What initiatives has Vans undertaken to develop and nurture a Vans "brand community"? (1/2 page)
8. How would you characterize Vans brand positioning in the crowded and competitive sport/casual footwear market?

In-Class Analytic Work

When Vans began to take off in the 1970s, a major sales driver was its adoption by skateboarders and its connections with the skateboarding subculture. In the early years how did skateboarding compare to mainstream sports (baseball, football, basketball) on the dimensions of: (1) formal organization(s), (2) the role and support of adults, (3) third-party involvements (media, sponsors, etc.), (4) the tangible and intangible external rewards system, and (5) the role of spectators and celebrity? How have these contrasts evolved over time? What factors have contributed to skateboarding becoming more mainstream? Finally, what initiatives has Vans undertaken to develop and nurture a Vans "**brand community**?"

HBS Case: Introducing!...the XFL (Individual Case Analysis Option)

Discussion Date: W, November 11

Case Overview

In 2000, Vince McMahon, head of the World Wrestling Federation Entertainment, Inc., announced the formation of a new professional football league: the XFL. Dick Ebersol, NBC's Sports Chairman, signed on as a key strategic partner. The core idea was to offer a version of football that would be more extreme, in-your-face, sexier, and more "authentic." The XFL's opening game was on a Saturday night in February, 2001, and it performed well in the TV ratings. Subsequent games suffered from dramatic ratings declines, and by week nine, the ratings were the lowest ever for a TV sports program. The league was disbanded in May, 2001, occurring losses of about \$70 million.

General Discussion Questions

1. How would you describe the XFL product concept?
2. How is it similar to and different from both NFL football and professional wrestling?
3. What are the XFL's strengths, weaknesses, opportunities and threats in the context of its introduction of a new sports/entertainment product?
4. What key product features were included in its design, and what benefits were these imagined to offer the XFL consumer?
5. What product design flaws do you believe existed prior to opening the XFL's first (and only) season?
6. How did the XFL modify various aspects of its overall product after launch, and what did these alterations accomplish?
7. What factors contributed to the XFL's rapid demise?
8. How could two brilliant marketers (McMahon and Ebersol) have gotten this so wrong?

9. Did they pull the plug on the XFL too soon?

In-Class Analytic Work

After discussing the impetus behind the XFL, we need to drill down to identify the XFL's key product features and the benefits associated each. Once launched, how did the XFL fare with respect to key performance measures (TV viewership, stadium attendance). In addition to specifying the XFL's failure factors, we need to debate 2 issues: (1) the degree to which strategy design vs. implementation factors contributed to the XFL's demise and (2) if top management pulled the XFL's plug too soon.

NPD Project Proposal
Due: Wednesday, September 23

Note: Please turn in only **one** proposal per group.

Please describe below the **general nature of the product or service innovation** that you intend to pursue. Also, briefly explain **what evidence** (marketplace or consumer trends, macro-environmental factors, technology, etc.) suggests that your idea promise. Finally, **what variations on your basic idea** are you thinking of developing into distinct alternative product or service concepts (e.g. different product/service features, different customer targets, different business models)? Attach a separate page if necessary.

Project Team

Who are your project team members?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.

Project Description, Motivating Logic & Demand Evidence, and Concept Alternatives