1. The Growth Imperative

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Places I’ve been:
• Bradford (also PhD)
• Cranfield
• AGSM (Sydney)
• Stanford
• UCLA
• INSEAD
• Wharton

Research Interests:
• Innovation
• Strategy
• Agent Based Modelling

Major EDP Clients
• Pernod Ricard
• Syngenta

Other things I’ve done:
Consulted to large and small firms on three continents
• Marketing strategy
• Market research
• Management development

Research Director for Australian Federal Government Taskforce
Elected Area Coordinator, Marketing, INSEAD, 2001-2005
The Growth Imperative

Agenda
- Course purpose
- Learning vehicle
- Course structure
- Takeaways & action steps
MDS: Objectives

• Growth: why, where, how?
• Developing marketing strategies to achieve growth
• Opportunity to apply concepts, tools and knowledge from core courses
• Experience pressure of competitive, dynamic & uncertain environment

Welcome to the World of the CMO
Growth

Why?
Marketing’s Role in Creating Shareholder Value

- **Business objective**
- **Valuation components**
- **Financial drivers**
- **Management decisions**

Diagram:
- Creating shareholder value
  - Dividends
  - Capital gains
- Cash flow from operations
  - Discount rate
  - Debt
- Sales growth
  - Operating profit margin
  - Working capital
    - Fixed investment
  - Cost of capital
  - Investment
  - Financing
- Marketing & Operations
More on Marketing & Creating Shareholder Value

• Expected level of operating cash flow
  • additional CF = sales growth – added cost/investment
  • operating margin = price(volume) – cost(volume)

• Expected timing of cash flow
  • speed of product development & market penetration

• Expected sustainability of cash flow
  • barriers to entry through superior marketing strategy

• Expected risk of future cash flow
  • satisfaction/loyalty to reduce volatility of CF
Market *Driving* Strategies

What does *Driving* mean to you?
Market *Driving* Strategies

influencing the structure of the market &/or the behaviours of market players in a direction that enhances the competitive position of the business.

Jaworski et al
Many ways to achieve leadership:
1. Leader all the way…

TOTAL VALUE RETAIL SALES
Many ways to achieve leadership:

2. Slow and steady won in the end…
Conclusions so far: Marketing Strategy Rulebook

Rule Zero

There is no magic potion that cures all ills.

Rule 1: Growth

The objective should be (economically) profitable sales growth.
But achieving profitable growth is not so easy!

- Principle obstacles
- Our competitors
- Ourselves
- Our organization
- MDS focuses on learning how to overcome these obstacles
The pioneer failed…

VALUE RETAIL SALES - VODITE MARKET
A segment was lost…
Our competitors

• Do we understand:
  • Who they are?
  • How they make decisions?
  • What their goals are?
  • What their strengths and weaknesses are?
  • What they will react to?
Ourselves

Decision-making biases

- Over-optimism
- The anchor effect
- Stubbornness
- Overweighting experience
- Overweighting potential losses
- Misplaced priorities
- Counterproductive regret
Our emotions

![Graph showing emotions over profit levels]

- Bemused
- Anger
- Frustration
- Hope
- Joy
Our organization

CMO

Brand Manager SAMA
Brand Manager SABI
Brand Manager VACE

CMO

Category Manager Sonites
Category Manager Vodites
New Product Manager
The course vehicle

• Markstrat Online
  • [http://www.stratxsimulations.com/markstrat_online_home.aspx](http://www.stratxsimulations.com/markstrat_online_home.aspx)

• The leading marketing strategy simulation
  • Developed by two INSEAD professors

• Soundly-based in marketing thinking
  • Breadth of market research available
  • Importance of customer perceptions & brand positioning

• Excellent trade-off between realism & learning
  • Red and Blue Oceans
  • Firms start from different positions (auction)
  • Objective is to maximize the value of your firm
Course structure

2. MARKSTRAT practice decision
3. Market & Competitive Dynamics
4. Innovation & Marketing
5. Resource Allocation & First decision
6. Afternoon/evening session with two decisions
7. Markstrat Clinic and one decision
8. Saturday with four decisions (February 14th)
9. Concluding debrief with selected team presentations
Takeaways

• Pressure for growth comes from investor expectations about future profits

• Marketing has a key role in meeting these expectations
  • Implementing economically profitable growth strategies

• MDS will look at these strategies
  • Particularly managing competition & improving our own decision making
  • And driving the market in our favour

• We will use Markstrat Online as the main learning vehicle
Action steps

- Prepare for the next class
  - Readings
  - Zantac case

- Form a Markstrat team
  - Diversity of skills & views is good!
  - Notify joelle.fabert@insead.edu

\{ Write-up due
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