Course description

The challenge of managing the introduction of new solutions to customer needs is fundamental in customer-centric markets. We deal in classroom discussion, in cases and in guest speakers presentations with managing and valuing new products in various industries with special attention given to information, communication and entertainment industry.

We examine the notion of disruptive innovations such as USB PD and ask the question to whom exactly are they disruptive. We deal with ways to generate ideas and discuss methods to find out the expected consumer valuation of the product. We demonstrate the power of social interactions in social networks and why these interaction are responsible for the fact that growth of new products is a slow process, even for successful products such as portable navigation systems.

We ask whether Microsoft paid too much for Skype (a memorable $8.5bn), or whether Spotify will ever be profitable; We compute the value of the customers of SiriusXM satellite radio, appreciate why main market consumers aren’t impressed with early market technophiles in product categories such as video games consoles; explain why network goods are even slower to grow, and demonstrate the fact that technological substitution is not getting faster, despite what we think of the generational shift between the adopters of portable CD players in the eighties and the hip generation of MP3 adopters.

In several meetings we use Excel programs in order to explain and empirically predict the growth of new innovations. Network analysis will also be used to demonstrate the power of networks as accelerators of new product growth.

Readings

The book and case packet are available at Xanedu. The set of transparencies used in class will be distributed in the first session and are also available at the Resources section of NYU Classes. Additional optional readings are available at the course website:

www.hitechmarkets.net/New-Products.html
Course detailed outline

The course consists of the following sections:

1) Marketing strategy & new products
How do new products fit into the marketing strategy of firms? We’ll revisit the framework of marketing strategy looking at the special role that new product play in segmentation and targeting, positioning and growth. We end with the role of new products in the four p’s of marketing tactics.

2) Diffusion and adoption of new products
Can social contagion drive the growth of our new product? Can we identify dominant patterns? Is there a simple way to understand how customers drive the growth of an innovation? We look at examples of such growth patterns in the US and Europe, understand why the adoption process is inherently slow.

3) Foreseeing potholes along the diffusion road
Is the decline in our sales permanent or temporary? What does it have to do with a “saddle” in the midst of new product growth? We discuss the phenomenon of a temporary but deep decline in sales during the growth stage of the product-life-cycle, and look at examples in the US consumer electronic market such as DBS systems.

4) Consumers’ valuation of the product
Can we put a dollar value on each of the attributes of our new product? Can we do it for a product in planning as opposed to existing ones? We’ll demonstrate the use of conjoint analysis as one of the most widely used marketing research method for measuring customer preferences.

5) Firm’s valuation of the consumers
Can we put a dollar value on our customers? What does it have to do with customer lifetime value and the value of a new product? We introduce customer attrition and defection and estimate customer lifetime value and long range customer equity of firms such as E*Trade, Ameritrade, eBay and Amazon.

6) The chilling effects of network goods
Do network effects cause the acceleration of the growth process, or rather hold it back? DVD Players, CD Players and CB Radios will serve as examples to the pattern of growth of network goods.

7) Marketing actions at the new-brand level
How does entry of a competitor affect our innovation equity? How retention and social forces differ in the brand vs. the product level? We’ll use the diffusion of mobile services in Europe to demonstrate these differences. We quantify the effect of “shock jock” Howard Stern on the rivalry between Sirius and XM Satellite radio.

8) Valuing the next generation
How does entry of a new generation affect our innovation equity? How does the interaction of generations translate to innovation equity? We’ll use our framework on four generations of IBM mainframes in the US, and two generations of mobile phones world-wide.
Case write-up

Case discussions are a critical component of the learning process for this course. You should be prepared for all case discussions whether the cases were written individually or in groups. In addition, you can be expected to be “cold called” during a discussion.

The cases can be done individually or in teams of up to three. While you have to read and be prepared to discuss all cases, you have to submit five case write-ups, at least two of them individually. In addition, the PBX assignment is done individually.

In each write-up, specific questions are provided and you will need to answer each question. The length of the case write-ups should be up to four typed pages, depending on the length and complexity of the case, excluding appendices (formatted as this syllabus: 12 point Times New Roman, left justified, single-spaced, one inch margins on all sides), accompanied, if necessary, by Excel spreadsheet. The write-ups should be emailed before class on the date the case is discussed. Students are permitted to discuss the case with other members of the class.

Class participation

Grading class participation is necessarily subjective. You should think about the following if you wish to have an effective class participation:

Are you prepared? Do your comments show evidence of deep case analysis (vs. stating the facts)? Are you a good listener? Are the points made relevant to discussion? Are you an effective communicator? Are concepts presented in a concise and convincing fashion? Are you respectful? Putting down legitimate comments is not acceptable. Everyone’s input, if not repetitious, must be valued and encouraged. Feel free to question or disagree with other students, however, such disagreement must be based on the idea and not the person. Universal respect is the sine qua non of great discussions and great learning experiences.

Course requirements

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<tr>
<th>Requirement</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Group case write-ups (three cases)</td>
<td>40%</td>
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<tr>
<td>Individual assignments (two cases plus PBX)</td>
<td>40%</td>
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<tr>
<td>Class participation</td>
<td>20%</td>
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Attendance and attentiveness

You should attend all class sessions, and read cases and email the assignments before the beginning of class. Please minimize disturbances during class, such as late arrival. Laptops, tablets, phones, phablets or whatever communication devices that might be invented before or during the semester may not be used during class unless needed for a specific activity.
**Book**


**Case write-up questions and submission dates**

**Dropbox: “It Just Works” (HBS 2014)**

1. Dropbox is a late mover in a crowded market. What are the key elements of Dropbox’s current business model?
2. Is Dropbox currently profitable, and what’s your assessment of its future profitability?
3. Should Dropbox create a separate version of small and medium sized businesses?

**PBX (Stern 2012)**

1. Please see instructions for the case at Stern Classes.
2. Predict the sales of the digital cameras in the US in 2013

**Apple Inc. in 2015 (HBS 2015)**

1. Historically, what have been Apple’s competitive advantage, and why did Apple struggle in the PC industry?
2. How sustainable is Apple’s competitive position in smartphones?
3. Evaluate Apple’s strategy for Apple watch? Would you suggest any course corrections?

**Iridium Satellite Communications (Stern 1999)**

1. Please see instructions for the case at Stern Classes.
2. Under the assumption above, at what year would Iridium cover its operating and debt servicing costs?

**Lady Gaga (A) (HBS 2011)**

1. Which of the three touring options would you pursue for Lady Gaga and why?
2. How much money does Lady Gaga stand to gain or lose under each option? Do the potential rewards justify the investment and are there ways to mitigate the risks?
Uber: Technology Confronts Regulation (Stanford 2012) Thursday, October 29, 2015

1. What alternatives did Uber have to address regulatory issues when beginning service on new cities? What are the benefits and difficulties with each?
2. How do you expect the incumbent taxi operators to respond to Uber’s entry into D.C? How about other cities such as Paris?
3. What should Uber do in the face of the proposed D.C. legislation?

Microsoft Acquisition of Skype (IMD 2013) Thursday, November 5, 2015

1. Please see instructions for the case at Stern Classes.
2. Under the assumption above, what should have been the average Skype Customer Lifetime Value to justify the price that Microsoft paid?

Spotify: Face the Music (IESE 2014) Thursday, November 12, 2015

1. Do you think that Spotify will be able to become profitable? If so, how?
2. Can it help the music industry grow its revenues after decades of decline?
3. What is the likely consequence of Spotify increasing its advertising levels to the free users?
4. Did Taylor Swift make the right decision to pull her entire collection from Spotify in 2014?


1. Please see instructions for the case at Stern Classes.
2. Under the assumption above, does it make sense to subsidize the radio receiver by $50 for the first few years?