



NEW YORK UNIVERSITY

Stern School of Business Langone MBA Program

MKTG-GB 2370 10: NEW PRODUCTS

Fall 2024

Mondays 6-9pm; 9/16/2023 - 12/09/2023, KMC x-xxx

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Course description: New products and new tech

In this class, we address the growth and customer equity of new products and technologies, with special attention given to the entertainment, media, and technology sectors.

We explore questions such as whether Uber could have been as successful without breaking the law, who will win the digital assistant voice war among Google, Alexa, or Siri, and the dynamics of profitability and growth in the video streaming market. We compute the customer equity of firms such as SiriusXM Satellite Radio and discuss the reasons leading Hyundai Motors to abandon the development of its own car entertainment system in favor of adopting software solutions from Apple and Google.

We examine the notion of disruptive innovations such as the iPhone, Uber, and Airbnb, and ask the question: To whom exactly are they disruptive? We demonstrate the power of social interactions in social networks, and why these interactions are responsible for the fact that growth of new products is a slow process, even for successful products such as earbuds.

In every session, we look at new tech such as smart homes, wearable devices, cloud kitchens, NFTs, and XaaS (everything as a service) and discuss the obstacle to adoption of these innovations, who might be the early users, what is the degree of disruption, and what are the environmental footprint of these technologies?

Readings: Book, cases and PP Slides

Book: Elie Ofek, Eitan Muller and Barak Libai, *Innovation Equity: Assessing and Managing the Monetary Value of New Products and Services*, University of Chicago Press, Chicago, 2016.

The book is available at the bookstore, and the XanEdu link to the cases and the set of PowerPoint slides to be used in class are available at Brightspace. Links to the WSJ articles of cases 1 and 10 are found at the end of this syllabus.

Detailed course outline

The course consists of the following units:

1. **Strategy:** The power of new products in marketing strategy
We'll use examples such as mobile apps to look at the special role that new products play in marketing strategy.
2. **Disruption:** On disruptive innovations
We examine the notion of disruptive innovations such as the iPhone Uber or Airbnb, and ask the question: To whom exactly are they disruptive? We present evidence to demonstrate that iPhone and Uber are disruptive while Airbnb is less so.
3. **Diffusion:** Diffusion & adoption of new products (*Innovation Equity*, Chapter 1)
Can social contagion drive the growth of our new product? Is there a simple way to understand how customers drive the growth of an innovation? We look at examples of such growth patterns so as to understand why the adoption process is inherently slow.
4. **Music:** On the music industry – recorded & live
We discuss the music industry, both live and recorded, and the major changes they both went through during the streaming disruption.
5. **CLV:** Consumers as financial assets (*Innovation Equity*, Chapter 2)
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 churn and estimate customer lifetime value and customer equity of firms such as SiriusXM.
6. **Games:** On games – mobile, PC & console
We discuss the gaming industry and the major changes all its segments went through in the last decade.
7. **Saddles:** Is the decline in sales permanent? (*Innovation Equity*, Chapters 4 & 5)
Are we going to recover from this slump in sales and what does it have to do with a “saddle” in the midst of new product growth? We look at examples in the US consumer electronics market such as portable music devices and wired earbuds.
8. **Hacking:** Using price & celebs for growth hacking (*Innovation Equity*, Chapters 3 & 6)
What's growth hacking, and how do we use it to spur growth? We'll discuss price subsidy, celebrity endorsements, and other examples to demonstrate these concepts.
9. **Networks:** The chilling effects of network goods (*Innovation Equity*, Chapter 6)
Do network effects accelerate the growth process, or do they hold it back? We explain network effects as a consequence of collective action and demonstrate its.
10. **Generations:** Predicting & valuing the next generation (*Innovation Equity*, Chapter 7)
How does entry of a new generation affect our innovation equity? How does the interaction between generations translate to innovation equity? We'll apply our framework to several examples of technology substitution to demonstrate the framework.

Case write-up

We discuss a case every week including the first. You must hand-in five case write-ups individually or in teams of up to three. Please be prepared for all case discussions, irrespective of your decision of which case to hand-in. In each case, specific questions are asked, all of which must be answered. The length of the case writeups should be up to four single-spaced typed pages, depending on the length and complexity of the case. The write-ups should be submitted at Brightspace before the class session in which the case is to be discussed, except for “New Product Forecasting” which we’ll do in class, and submitted individually, if chosen to be one of the five. In all cases you’re expected to search for and read recent business articles about the subject, to guide you in answering the questions. Please cite the articles in your submitted cases.

Class participation

Presence: It seems that the new normal in many industries is to come to the office about twice or three times a week. Not in this class. If you wish to come every other week, take another course instead. I expect you to come to every single class, without your laptops. If leaving your laptops behind is impossible practically (or emotionally), then they stay well hidden in the briefcases.

Participation: Presence in class is not participation – please come prepared for all cases and other class materials.

Grading breakdown

Case write-ups (five cases)	80%
Class participation	20%
There is no final exam	

Case Rubric: Quality and justification of recommendations

9-10	Recommendations stem from analysis and are clearly stated and well defended. Evidence is used to defend main arguments. Uses course content to accurately define concepts and place the argument within a framework of new product growth. Uses new material on the case subject from business and news organizations such as WSJ.
7-8	Recommendations stem from analysis and are defended, yet they are not clearly stated or fully developed, and evidence to support them is insufficient. Uses course content to place the argument within a framework, but key concepts are not well defined.
5-6	Recommendations stem from analysis but do not provide evidence of defense in support. Mostly description and minimal analysis. Misses opportunities to apply course concepts to case, or new material on the case from news organizations.
4 and below	Recommendations do not clearly stem from analysis. No MBA student ever got here. Ever.

Case write-up questions and submission dates

In all cases, except for New Product Forecasting, you're expected to search for and read recent business articles about the subject from news outlets such as WSJ, and data outlets such as Statista, to guide you in answering the questions. Please cite the articles in your submitted cases.

1. Battle of the Dash (Stern 2023) --- first class --- September 16

According to the case articles, Hyundai Motors has given up on developing its own car entertainment system, and instead adopted CarPlay and Android Auto. Find business articles about the subject to guide you in answering the following questions:

1. What do car companies tend to gain by developing their own car entertainment systems?
2. Read about GM's recent decision not to include CarPlay in its future EVs. In your opinion, does it make business sense?
3. Is this battle really over, or is there still hope for independent car entertainment systems?

2. Alipay and Apple Pay (HBS 2020) September 23

1. What are the likely obstacles to adoption of mobile payment in the US? And in China?
2. The article explains the slower adoption of Apple Pay relative to Alipay by noting that while the former focuses on the consumers, the latter considers all parties involved. What are other factors that might explain the faster speed of adoption of Alipay?
3. Find recent business article about mobile payment in India: Does India follow the China route or the US one, and at what level of success?

3. Disrupting De Beers (LBS 2019) September 30

1. Why are diamonds considered a luxury item? How do mined diamonds and lab-grown diamonds compare?
2. How disruptive are lab-grown diamonds to De Beers' business model? Do you justify De Beers' decision to launch the Lightbox division?
3. Read about the latest price trends of lab-grown diamonds and Lightbox in particular. What might be the consequences of, say, a 50% drop in price of lab-grown diamonds from the current level (because of technological advance in the lab process)?

4. New Product Forecasting (Stern 2022) --- in class and individually --- October 7

1. In the "Instructions" tab of the spreadsheet use Excel Solver to find the two parameters "*a*" and "*b*" of the linear regression.
2. Follow the Digital Camera example to find the growth parameters of the rest of the new products in the spreadsheet.
3. In each dataset, use the result of the regression to predict the next year's sales level.

5. Disney Streaming Services (HBS 2022)

October 21

1. What were the key drivers of Disney's subscribers' growth since launch in 2019? Has the acquisition of 20th Century Fox helped in achieving in this growth?
2. What are the pros and cons of introducing an ad-supported option at Disney+ as part of their offering? Do you support such a move?
3. Find out the recent market shares and profitability in the SVOD market. What is the current health of this industry? Would the latest steps announced in Q1 2023 by Mr. Iger, the new (and ex) CEO of Disney, help remedy the situation, and if so, why?

6. André Rieu reinventing classical music (INSEAD 2017)

October 28

1. How do you feel about attending a classical music concert? What are the pain points of such music-going experiences? Who are the customers and noncustomers of traditional classical concerts?
2. What is the key logic behind Rieu's business success? In what way did he reconstruct the classical music industry?
3. Read about Chicago Symphony and Los Angeles Philharmonic orchestras: How do they deal with the issue of declining attendance, and if so, does it work?

7. Spotify: Taylor Swift (HBS 2016)

November 4

1. Is Spotify correct in not allowing artists (and labels) to differentiate their offering across countries and target only the premium tier? Why is it important to Spotify's model?
2. Is Taylor Swift right to ask for a catalog takedown? How likely are other artists to follow?
3. Read about the criticism of the current pro-rata royalty scheme: Do you justify the proposed user-centric royalties? How would Taylor Swift be affected if user-centric scheme is adopted by major music streamers such as Spotify?

8. Spotify: Podcasting (HBS 2022)

November 11

1. In early 2023 Spotify fired its chief content officer, Dawn Ostroff, who has been the driving force behind the firm's aggressive and expensive entry into the podcast market. In your view, is this decision justified?
2. What's the difference between the decision by Spotify to enlist Joe Rogan and the corresponding decision by Sirius Satellite Radio to enlist Howard Stern in 2004?
3. Should Spotify retain Rogan's podcast as is, modify it, or cancel it altogether?

9. Warby Parker (HBS 2014)

November 18

1. How well is Warby Parker doing at the time of the case? And now? In your view, what was the primary reason for their success?

2. What is your evaluation of Warby Parker's buy-one give-one model? How central is it to their success?
3. Read recent business articles about the decline of DTC: What are the reasons for this decline and how does it relate to Warby Parker?

10. Barnes & Noble Turnaround (Stern 2023)

November 25

1. What are the main points in CEO Daunt's strategy that worked well for Barnes & Noble?
2. Find data on the diffusion and adoption of e-books. Is the market for e-book still growing, or has it reached its market potential, and why?
3. While much of the new strategy of CEO Daunt has been designed with Amazon in mind, is it viable against the competition from e-books, and why?

11. Nintendo Switch (INSEAD 2019)

December 2

1. Can you see a pattern behind the ups and downs of Nintendo history? What kind of strategic behavior enabled it to break away from the pack (a blue ocean strategy)?
2. Smartphones disrupted the traditional gaming industry. What was Nintendo's response? What worked and what didn't?
3. Gaming is a tech-intensive industry. What role did technology play in Nintendo's creation of new markets?

12. Voice War: Alexa, Google & Siri (HBS 2020)

December 9

1. Out of Google, Amazon, and Apple, who is the best positioned firm in the voice war? Weakest positioned?
2. What is the business model of Google and how should it be different from Amazon and Apple? In view of the decision of Amazon in late 2022 to decrease involvement and investments from Alexa, what's the difficulty in this business model?
3. How does the rise of interactive AI based chatbots such as ChatGPT affects the future of voice activated assistants such as Siri and Alexa?

Links to WSJ articles of cases 1 and 10:

Auto Makers Losing Battle for Dashboard Apps

<https://www.wsj.com/articles/auto-makers-losing-battle-for-dashboard-apps-1449713771>

The Battle for the Last Unconquered Screen

<https://www.wsj.com/articles/the-battle-for-the-last-unconquered-screen-the-one-in-your-car-11554523220>

That Cool New Bookstore? It's a Barnes & Noble

<https://www.wsj.com/articles/barnes-noble-bookstores-james-daunt-c1afc06b>