



Course MAS 6V05 Section 001
Course Title Special Topics in Marketing Management – Marketing Models
Professor Dmitri Kuksov
Term Fall 2018
Meetings M 11:30am-2:15pm JSOM 13.501

Professor's Contact Information

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Office Hours By appointment

General Course Information

Pre-requisites, Co-requisites, & other restrictions PhD student status

Course Description This semester's course will provide an overview of analytical modeling techniques and the literature on marketing decisions (pricing, product and product line design, branding, advertising and other forms of information dissemination, marketing channels, and retailing). This semester's course concentrates on theoretical models of marketing strategy.

Learning Outcomes Students are expected to learn a broad spectrum of theoretical literature, learn how to identify the main contributions of a paper relative to prior literature, as well as how to present, critique, and develop game-theory based theoretical papers.

Required Texts & Materials There is no required textbook. The required readings are papers in the reading list, which consists of papers that are available for free download on UT Dallas campus (mainly through JSTOR.org). Some of these papers (including those marked with a '*') will be identified as selected for more in-depth reading and discussion a week or so before the relevant discussion date.

Suggested Texts, Readings, & Materials Jean Tirole, *The Theory of Industrial Organization*, MIT Press, 1988
Lilien, Gary L., Philip Kotler and K. Sridhar Moorthy, *Marketing Models*, Englewood Cliffs, N.J.: Prentice-Hall, 1992

Assignments & Academic Calendar

| Date | Topic and readings/assignments due |
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| <p style="text-align: center;">August 20</p> | <p>Introduction and overview of the topics, discussion of approaches to model markets and agent behavior, and a discussion of the Law of One Price and marketing strategy.</p> <p>Pricing and Product decisions (Horizontal differentiation)</p> <p>Hotelling, Harold (1929) “Stability in Competition,” <i>Economic Journal</i>, 39(153), pp. 41-57</p> <p>D’Aspremont, C., J.J. Gabszewicz, and J.F. Thiese (1979) “On Hotelling’s ‘Stability in Competition,’” <i>Econometrica</i>, 1979, 47(5), pp.1145-1150</p> <p>Salop, Steven (1979) “Monopolistic Competition with Outside Goods,” <i>Bell Journal of Economics</i>, 10(1), pp. 141-156.</p> <p>Chen, Yongmin, and Michael Riordan (2007) “Price and Variety in the Spokes Model,” <i>Economic Journal</i>, 117(7), pp. 897-921.</p> <p>Varian, Hal (1980) “A Model of Sales,” <i>American Economic Review</i>, 70(4), pp. 651-659.</p> <p>Narasimhan, Chakravarthi (1988) “Competitive Promotional Strategies,” <i>Journal of Business</i>, 61(4), pp. 427-450.</p> |
| <p style="text-align: center;">August 27</p> | <p>Pricing and Product Decisions (Horizontal differentiation, continued)</p> <p>* Lal, Rajiv (1990) “Price Promotions: Limiting competitive encroachment,” <i>Marketing Science</i> 9(3), pp. 247-262.</p> <p>* Raju Jagmohan S., V. Srinivasan and Rajiv Lal (1990) “The Effect of Brand Loyalty on Competitive Price Promotion Strategies,” <i>Management Science</i>, 36(3) 276-304</p> <p>* Lal, Rajiv, and Ram Rao (1997) “Supermarket Competition: The Case of Every Day Low Pricing”, <i>Marketing Science</i>, 16(1), pp. 60-80.</p> <p>* Chen, Yuxin, Chakravarthi Narasimhan and Z. John Zhang (2001), "Individual Marketing with Imperfect Targetability," <i>Marketing Science</i> 20(1), pp. 23-41</p> <p>Pricing and Product decisions (Vertical differentiation)</p> <p>Shaked, Avner, and John Sutton (1982) “Relaxing price competition through product differentiation,” <i>Review of Economic Studies</i> 49(1), pp. 3-13.</p> <p>Moorthy, K. Sridhar (1988) “Product and Price Competition in a Duopoly,” <i>Marketing Science</i>, 7, 141-168</p> |
| <p style="text-align: center;">September 3</p> | <p>Labor day – No class</p> |

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| <p>September 10</p> | <p>Pricing and Product decisions with Buyer search costs</p> <p>Diamond, Peter (1971) "A Model of Price Adjustment," <i>Journal of Economic Theory</i>, 3, pp. 156-168</p> <p>Stiglitz, Joseph (1979) "Equilibrium in Product Markets with Imperfect Information" <i>American Economic Review</i> 69(2), pp. 339-345.</p> <p>* Stiglitz, Joseph (1987) "Competition and the number of firms in a market: are duopolies more competitive than atomistic markets?" <i>Journal of Political Economy</i> 1987, 95(5), pp. 1041-1061.</p> <p>Stahl, Dale (1989), "Oligopolistic Pricing with Sequential Consumer Search," <i>American Economic Review</i> 79, pp. 700-712.</p> <p>Kuksov, Dmitri (2004) "Buyer Search Costs and Endogenous Product Design," <i>Marketing Science</i>, 23 (4), pp. 490-499</p> <p>Kuksov, Dmitri (2006) "Search, Common Knowledge, and Competition," <i>Journal of Economic Theory</i>, 130 (1), pp. 95-108.</p> <p>* Anderson, Simon, and Regis Renault (1999) "Pricing, Product Diversity, and Search Costs: A Bertrand-Chamberlin-Diamond Model," <i>RAND</i>, 30(4), pp. 719-735.</p> |
| <p>September 17</p> | <p>Leveraging information as a product strategy</p> <p>* Xie, Jinhong, and Steven M. Shugan (2001) "Electronic Tickets, Smart Cards, and Online Prepayments: When and How to Advance Sell," <i>Marketing Science</i>, 20(3), pp. 219-243.</p> <p>* Fay, Scott, and Jinhong Xie (2010) "The Economics of Buyer Uncertainty: Advance Selling vs. Probabilistic Selling," <i>Marketing Science</i>, 29(6), pp. 1040-1057.</p> <p>Product line decisions</p> <p>Mussa, Michael and Shervin Rosen (1978) "Monopoly and Product Quality," <i>Journal of Economic Theory</i>, 18, 301-317.</p> <p>Moorthy, K. Sridhar (1984) "Market Segmentation, Self-Selection, and Product Line Design," <i>Marketing Science</i>, 3, 288-307.</p> <p>* Villas-Boas (1998) Product Line Design for a Distribution Channel</p> <p>* Desai, Preyas (2001) "Quality segmentation in special markets: When does cannibalization affect product line design?" <i>Marketing Science</i>, 2001, 20, pp. 265-283.</p> <p>Kuksov and Villas-Boas (2010), "When More Alternatives Lead to Less Choice," <i>Marketing Science</i> 29 (3), pp. 507-524</p> <p>Liu, Yunchuan, and Tony Haitao Cui (2010) "The length of product line in distribution channels," <i>Marketing Science</i> 29(3), pp. 474-482.</p> |

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| <p style="text-align: center;">September 24</p> | <p>Managing Channels and Retailing</p> <p>McGuire, Timothy W. and Richard Staelin (1983) “An Industry Equilibrium Analysis of Downstream Vertical Integration,” <i>Marketing Science</i>, 2 (2), pp.161-191.</p> <p>Jueland, Abel, and Steven Shugan (1983) “Managing Channel Profits,” <i>Marketing Science</i> 2(3), pp. 239-272.</p> <p>Mathewson G.F. and R.A. Winter (1984) “An Economic Theory of Vertical Restraints,” <i>RAND</i>, 27-38.</p> <p>Moorthy, K. Sridhar (1988) “Strategic Decentralization in Channels,” <i>Marketing Science</i>, 335-355.</p> <p>* Lal, Rajiv, John DC Little and Miguel Villas-Boas (1996) “A Theory of Forward Buying, Merchandising, and Trade Deals,” <i>Marketing Science</i>, 15(1), pp. 21-37.</p> <p>Padmanabhan, V, and IPL Png (1997) “Manufacturer's returns policies and retail competition”; <i>Marketing Science</i> 16 (1), pp. 81-94.</p> <p>* Iyer, Ganesh (1998) “Coordinating Channels Under Price and Non-price Competition”, <i>Marketing Science</i>, 17 (4), pp. 338-355.</p> <p>Lal, Rajiv (1990) “Improving Channel Coordination Through Franchising,” <i>Marketing Science</i>, 9, 299-318</p> <p>Kuksov, Dmitri, and Amit Pazgal (2007) “The Effects of Costs and Competition on Slotting Allowances,” <i>Marketing Science</i>, 26 (2), pp. 259-267</p> <p>* Dukes, Anthony, Tansev Geylani, and Kannan Srinivasan (2009) “Strategic Assortment Reduction by a Dominant Retailer,” <i>Marketing Science</i> 28(2), pp. 309-319.</p> <p>Managing sales force (due to time constraints, only a brief discussion)</p> <p>Basu, A.K., R. Lal, V. Srinivasan, and R. Staelin, “A Theory of Optimal Salesforce Compensation Plans,” <i>Marketing Science</i>, 1985, Fall, 267-291</p> <p>Coughlan Anne T. an Subrata K. Sen, “Salesforce Compensation: Theory and Managerial Implications,” <i>Marketing Science</i>, 1989, 8 (4), 324-42</p> <p>Rao, Ram (1990) “Compensating Heterogeneous Salesforces: Some Explicit Solutions” <i>Marketing Science</i>, 9:319--341.</p> |
| <p style="text-align: center;">September 30</p> | <p>Product diffusion and durable goods</p> <p>Bass, Frank M. (1969) “A New Product Growth Model for Consumer Durables,” <i>Management Science</i>, 215-227</p> <p>Mahajan Vijay, Eitan Muller, and Frank M. Bass (1990) “New Product Diffusion Models in Marketing: A Review and Directions for Research,” <i>Journal of Marketing</i>, 1-26</p> <p>Carpenter, Gregory S. and Kent Nakamoto, “Consumer Preference Formation and Pioneering Advantage,” <i>Journal of Marketing Research</i>, August, 1989</p> |

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| | <p>Coase, Ronald (1972) “Durability and Monopoly,” <i>Journal of Law and Economics</i> 15(1), pp. 143-149.</p> <p>Levinthal, Daniel, and Devavrat Purohit (1989) “Durable goods and Product obsolescence,” <i>Marketing Science</i> 8(1), pp. 35-56.</p> <p>* Preyas Desai and Purohit “Leasing and selling: Optimal marketing strategies for a durable goods firm”; <i>Management Science</i>, Providence; Nov 1998; Vol. 44, Iss. 11; pg. S19, 16 pgs</p> <p>* Desai, Preyas (1999) “Competition in durable goods markets: The strategic consequences of leasing and selling,” <i>Marketing Science</i> 18(1), pp. 42-58.</p> <p>* Purohit, Devavrat, and Richard Staelin (1994) “Rentals, sales, and buybacks: Managing secondary distribution channels”; <i>Journal of Marketing Research</i> 31(3), pp. 325-338.</p> |
| <p style="text-align: center;">October 7</p> | <p>Dual distribution channels and the internet</p> <p>* Purohit, Devavrat (1997) “Dual distribution channels: The competition between rental agencies and dealers”; <i>Marketing Science</i> 16(3), pp. 228-245.</p> <p>Lal, Rajiv, and Miklos Sarvary (1999) “When and How Is the Internet Likely to Decrease Price Competition,” <i>Marketing Science</i> 18 (4), 485-503.</p> <p>* Iyer, Ganesh and Amit Pazgal (2003) "Internet Shopping Agents: Virtual Colocation and Competition," <i>Marketing Science</i> 22(1), pp. 85-106.</p> <p>* Katona, Zsolt, and Miklos Sarvary (2008) “Network formation and the structure of the commercial world wide web,” <i>Marketing Science</i> 27 (5), pp. 764-778.</p> <p>* Ofek, Elie, Zsolt Katona and Miklos Sarvary (2011) “ ‘Bricks and Clicks’: The Impact of Product Returns on the Strategies of Multichannel Retailers,” <i>Marketing Science</i> 30(1), pp. 42-60.</p> |
| <p style="text-align: center;">October 14</p> | <p>Advertising</p> <p>Nelson, Phillip, “Advertising as Information,” <i>Journal of Political Economy</i>, 1974, 82, 721-754</p> <p>Stigler, George J., “The Economics of Information,” <i>Journal of Political Economy</i>, 1961, 69, 213-225</p> <p>* Villas-Boas, J. Miguel (1993) “Predicting Advertising Pulsing Policies in an Oligopoly: A model and empirical test,” <i>Marketing Science</i> 12(1), pp. 88-102.</p> <p>Soberman, David (2004) “Additional learning and implications on the role of informative advertising,” <i>Management Science</i></p> <p>* Iyer, Ganesh, David Soberman and J. Miguel Villas-Boas (2005) “The Targeting of Advertising,” <i>Marketing Science</i> 34(3), pp. 461-476.</p> <p>* Chen, Yuxin, Yogesh Joshi, Jagmohan Raju, and John Zhang (2009) “A Theory of Combative Advertising,” <i>Marketing Science</i> 28(1), pp. 1-19.</p> |

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| <p>October 21</p> | <p>Preliminary discussion of projects: 5-minute presentations of research ideas</p> <p>Information provision, return policy, consumer ratings</p> <p>Anderson, Eugene W (1993) “The antecedents and consequences of customer satisfaction for firms,” <i>Marketing Science</i> 12 (2); pp. 125-43</p> <p>* Guo, Liang, and Ying Zhao (2009) “Voluntary Quality Disclosure and Market Interaction,” <i>Marketing Science</i></p> <p>* Zhang, Juanjuan (2010) “The Sound of Silence: Observational Learning in the U.S. Kidney Market,” <i>Marketing Science</i> 29(2)</p> <p>Kuksov, Dmitri, and Yuanfang Lin (2010) “Information Provision in a Vertically Differentiated Competitive Marketplace,” <i>Marketing Science</i></p> <p>* Sun, Monic (2012) “How Does the Variance of Product Ratings Matter?” <i>Management Science</i> 58(4), pp. 696-707.</p> |
| <p>October 28</p> | <p>Inference (signaling and signal-jamming)</p> <p>Kihlstrom R. and M. Riordan (1984) “Advertising as a Signal,” <i>Journal of Political Economy</i>, 92, 427-450</p> <p>Milgrom, Paul and J. Roberts (1986) “Prices and Advertising Signals of Product Quality,” <i>Journal of Political Economy</i>, 1986, 94, pp. 796-821.</p> <p>Bagwell, Kyle and Garey Ramey (1988) “Advertising and Limit Pricing,” <i>The RAND Journal of Economics</i>, 19(1), pp. 59-71</p> <p>Wernerfelt, Birger (1988) “Umbrella Branding As a Signal of New Product Quality: An Example of Signaling by Posting a Bond,” <i>The Rand Journal of Economics</i>, 458-466</p> <p>* Moorthy, Sridhar, and Kannan Srinivasan (1995) “Signaling quality with a money-back guarantee: The role of transaction costs,” <i>Marketing Science</i> 14 (4), pp. 442-466.</p> <p>* Simester, Duncan (1995) “Signaling Price Image Using Advertised Prices,” <i>Marketing Science</i>, 14(2), pp.166-188.</p> <p>* Kalra, Rajiv, and Kannan Srinivasan (1998), “Response to Competitive Entry: A Rationale for Delayed Defensive Reaction,” <i>Marketing Science</i> 17 (4), pp. 380-405.</p> <p>Iyer, Ganesh, and Dmitri Kuksov (2010) “Consumer Feelings and Equilibrium Product Quality,” <i>Journal of Economics and Management Strategy</i>, 19(1), pp. 137-168.</p> |
| <p>November 5</p> | <p>Matching models and Conspicuous consumption (Status goods)</p> <p>Veblen, Thorstein (1899) “The Theory of the Leisure Class: An Economic Study in the Evolution of Institutions,” McMillan</p> <p>Belk, Russell (1988) “Possessions and the Extended Self,” <i>Journal of Consumer Research</i> 15, pp.139-168.</p> |

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| | <p>Pesendorfer, Wolfgang (1995) “Design Innovation and Fashion Cycles,” <i>American Economic Review</i></p> <p>Bagwell and Bernheim (1996) “Veblen Effects in a Theory of Conspicuous Consumption,” <i>Journal of Political Economy</i></p> <p>* Wernerfelt, Birger (1990) “Advertising Content When Brand Choice is a Signal,” <i>Journal of Business</i></p> <p>* Amaldoss and Jain (2005) “Conspicuous Consumption and Sophisticated Thinking,” <i>Management Science</i></p> <p>Kuksov, Dmitri (2007) “Brand Value in Social Interaction,” <i>Management Science</i> 53(10), pp. 1634-1644.</p> <p>Kuksov, Dmitri, “Communication Strategy in Partnership Selection,” <i>Quantitative Marketing and Economics</i>, 2008, 7 (3), pp. 267–288.</p> |
| November 12 | <p>Matching models and Conspicuous consumption (continued)</p> <p>* Yoganarasimhan, Hema, “Cloak or flaunt? – The Fashion Dilemma”</p> <p>Kuksov, Dmitri, and Kangkang Wang (2012) “A Model of the ‘It’ Products in Fashion,” <i>Marketing Science</i></p> <p>Services</p> <p>* Shin, Jiwoong (2007) “How does Free Riding on Customer Service Affect Competition?” <i>Marketing Science</i> 26(4), pp. 488-503</p> <p>* Shulman, Jeffrey, Anne Coughlan, and Canan Savaskan (2011) “Managing Customer Returns in a Competitive Environment” <i>Management Science</i> 57(2), pp. 347-362.</p> |
| November 19 | Fall break – No class |
| November 26 | <p>Behavioral deviations and boundaries of rational models</p> <p>Kahneman, Daniel, and Amos Tversky (1979) “Prospect Theory: an analysis of decision under risk,” <i>Econometrica</i> 47(2), pp. 263-291.</p> <p>* Cui, Raju, and Zhang (2007), “Fairness and Channel Coordination,” <i>Management Science</i> 53 (8), pp. 1303-1314.</p> <p>Project presentations (as needed to avoid not having enough time in the next class)</p> |
| December 3 | Project presentations |
| Final | Write-ups of the final project papers should be submitted by email (word or PDF format) by 8:00 am December 17 |

Course Policies

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| <p>Grading (credit) Criteria</p> | <p>Students are required to read and discuss a number of readings which are representative of major streams of literature. Each student will be assigned to make several 30-min presentations of a summary and critique of a number of readings (the exact number depends on the class size). In addition, each student is required to develop an original research project (see below under special assignments) and present it to class.</p> <p>Grading weights: Class presentations (excl. project) and participation – 50%, Project (incl. its presentation) – 50%</p> |
| <p>Make-up Exams</p> | <p>None</p> |
| <p>Extra Credit</p> | <p>None</p> |
| <p>Late Work</p> | <p>Handled on ad hoc basis. Incomplete (grade) is usually not allowed.</p> |
| <p>Special Assignments</p> | <p>The project must start with an original idea developed for this class. In other words, projects developed for other courses as well as summer research papers are not allowed. The project should explore a marketing phenomenon or marketing decisions of firm(s) or managerially-relevant consumer behavior through a game-theoretic approach. The project should be written up as a paper in Marketing Science format although may be much shorter than a usual paper published in Marketing Science and may include some incomplete analysis.</p> |
| <p>Class Attendance</p> | <p>Mandatory</p> |
| <p>Classroom Citizenship</p> | <p>Students are expected to read papers listed for each class period before class (except for the first class) and be prepared to discuss them</p> |
| <p>Comet Creed</p> | <p><i>This creed was voted on by the UT Dallas student body in 2014. It is a standard that Comets choose to live by and encourage others to do the same:</i></p> <p><i>“As a Comet, I pledge honesty, integrity, and service in all that I do.”</i></p> |
| <p>UT Dallas Syllabus Policies and Procedures</p> | <p><i>The information contained in the following link constitutes the University’s policies and procedures segment of the course syllabus.</i></p> <p><i>Please go to http://go.utdallas.edu/syllabus-policies for these policies.</i></p> |

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.