



# **I. Course Introduction**

## **Session 1 – Introduction**

### Readings

Game Theory and Business Strategy (HBS# 9-705-471)  
Competitor Analysis (HBS # 9-701-120)  
A Note on Microeconomics for Strategists (HBS # 9-799-128)

# **II. Competitive Strategy**

## **A. Price Competition**

In this section we will examine the strategies incumbent firms can use to maintain their position in the product market. We will examine the use of price and advertising as barriers to entry.

### **Session 2: Competitive Pricing: Anticipating Rival Response**

#### Readings:

“The Mother of All (Pricing) Battles”: The 1992 Airline Price War (KEL006)  
“How to Fight a Price War” (HBR, March-April 2000)

### **Session 3: Competitive Pricing: Entry Deterrence**

### **Session 4: Competitive Pricing: Deep Pockets Game**

#### Readings

Dogfight over Europe: Ryanair(A) (HBS# 9-700-115), Ryanair (B) (HBS # 9-700-116)

### **Session 5: Competitive Pricing: Threats and Commitment**

#### Readings

The Coffee Wars  
US Retail Coffee Market (A) (HBS# 9-582-087)  
US Retail Coffee Market (B) (HBS# 9-582-088)  
Can Anyone win the Coffee War?  
How to Escape a Price War

## Questions for Coffee Industry

1. Evaluate General Food's Strategy to deter P&G . In light of the models discuss the results of this strategy.
2. There are only two or three major competitors in this industry. Generally, one would think that few players implies greater profitability. Why isn't this true for the coffee industry?

## **B. Strategies to Lessen Price Competition**

### **Session 6: Loyalty Pricing: Toy Game**

#### Readings:

The Toy Game (HBS # 9-795-121)

#### Questions:

1. First suppose that neither Matchbox nor Hot Wheels gives out rebate coupons. What price or prices do you expect Matchbox and Hot Wheels cars to fetch?
2. Next suppose that Matchbox, but not Hot Wheels, gives out rebate coupons. What price or prices do you expect Matchbox and Hot Wheels cars to fetch now?
3. Next suppose that both Matchbox and Hot Wheels give out rebate coupons. What price or prices do you expect Matchbox and Hot Wheels to fetch now?

### **Session 7: Contracts with customers**

#### Readings:

Practices that Credibly Facilitate Oligopoly Coordination  
Reconsider "Mother of All Pricing Battles.."

#### Questions:

1. Reconsider American Airlines value pricing scheme? Under what conditions will it work?

## II. Industry Analysis

### B. Sunk Costs and Market Structure

#### **Session 8- Sunk Costs and Market Structure/ Market Share Dominance or Fragmentation**

##### Readings

Sunk Costs and Market Structure  
Advertising Sunk Costs and Credible Spatial Preemption  
Anheuser-Busch and the U.S. Brewing Industry (HBS # 9-799-026)

#### **Session 9: Sunk Costs and Structure/ Stackelberg Leader**

##### Readings:

Case: Gillette launch of sensor (9-792-028)

##### Questions

1. What sort of competitive game has been played out historically in the wet shaving industry?
2. How well did Gillette respond to BIC's attack in disposables?
3. Should FLAG have been introduced as a disposable or as a cartridge razor?
4. Do the economics for Sensor appear attractive?
5. How aggressively should Symons launch Sensor?
6. When should a company cannibalize its own products?

#### **Session 10: Advertising Sunk Costs Continued/ Stackelberg Follower**

##### Readings:

Case: Coors (9-388-014)

##### Questions

1. Why did the brewing industry consolidate?
2. What factors accounted for Coors's advantage in the mid-70's?
3. Why has Coors's performance since then deteriorated?

### **III. Technology Competition**

#### **A. Imitation**

##### **Session 11- Innovation and quick imitation**

###### Readings

Case: Minnetonka (N9-795-163)  
Innovation and Imitation (9-187-160)

###### Questions

1. What was Minnetonka's strategy prior to the launch of Softsoap?
2. Compare Minnetonka's experiences in the soap and toothpaste business. How do you explain the differences?
3. Why did Minnetonka shift from "mass to class" in the mid-1980's?

###### Questions for Innovation and Imitation

1. You are the strategic manager at firm A. You decide to spend \$C on new product advertising. You realize that managers at firm B will probably copy your product and follow you into the market. You believe that managers at B will also spend \$c on advertising. For various levels of advertising dollars, predict the response of B's managers. Given these beliefs, what should you do?
2. Suppose that marketing research has predicted that \$9.5 million must be spent on new product advertising. What strategic choice would you make?
3. The probability of success has now increased to 90%. Would this change in beliefs affect your optimal strategy given in question 2?

#### **B. Patent Races**

##### **Session 12-Races for New Technology**

###### Readings

"Intel's Billion Gamble" ( To be Handed Out prior to class)

“The Leader’s (Dis) Advantage (HBS# 9-701-084)

## **C. New Product Competition**

### **Session 13: Power Play**

#### Readings:

Power Play (B): Sega in 16-bit Video Games (9-795-103)

Power Play (C): 3DO in 32-bit Video Games (9-795-104)

1. Evaluate NEC’s and Sega’s strategies for challenging Nintendo in the video game business.
2. Why did Nintendo delay introducing a 16-bit video game system?
3. Evaluate Trip Hawkins’ strategy for changing the video-game game.

## **IV. Corporate Strategy**

### **A. Diversification and Market Entry**

#### **Session 14- Entry Choices / Entrant’s Advantage**

#### Readings

Judo in Action (HBS # 9-703-454)

ValuJet Airlines (KEL043)

#### **Session 15-Entry Choices / Incumbent’s Advantage**

#### Readings

AOL Europe vs. Freeserve (A) (HBS # 9-703-409)

#### **Session 16: Diversification through new product entry**

#### Readings:

Fox News: We Report We Decide

What does The Fox News Channel Mean by “ Fair and Balanced”? Why have they been so successful?

Why have both MSNBC and CNN struggled given Fox’s strategy?

### **Session 17: Multipoint Competition:**

#### Readings

Cat Fight in the Pet Food Industry (A), (HBS# 9-391-189)

### **Session 18: Credible Spatial Preemption**

#### Readings

Case: The Ready-to-Eat Cereal Industry in 1994 (9-795-191,9-796-122)

Case: The Ready-to-Eat Breakfast Cereal Industry: Product Proliferation and Preemption (HBS# 9-706-408)

#### Questions

1. Why has RTE cereals been such a profitable business? What changes have led to the current industry “crisis”?
2. Why have private labels been able to enter this industry successfully? How do the cost structures of private label and branded cereal manufacturers differ?
3. What does General Mills hope to accomplish with its April 1994 reduction in trade promotions and prices?
4. What are the risks associated with these actions? How do you expect General Mills’ competitors to respond?
5. What should General Mills do?

### **Session 19: Credible Spatial Preemption in the Very large Aircraft Market**

#### Readings:

Airbus A3XX: Developing the World’s Largest Commercial Jet (A) (HBS 9-201-028)

#### Questions:

1. Which firm Boeing or Airbus would you predict based on Game Theory to be the first to introduce a product in the VLA segment
2. How do you explain the apparent outcome?

## **Session 20 - Capacity Preemption**

### Readings

Case: Dupont (HBS # 9-390-112 )

### Questions

1. What are the major cost drivers in this industry and what is their impact on Du Pont's Competitive position?
2. Should Du Pont pre-empt?

## **Session 21- In Class Mid Term Examination**

### **B. Vertical Contracting**

#### **Session 22- Vertical Competition**

### Readings

Vertical Restrictions

Video Games (A) and (B) reconsidered

### **C. Game Theory and the Workplace**

#### **Session 23: Internal Labor Markets and Job Tournaments: Associate/Partner Game and the Art of Schmoozing**

### Readings

Baron and Kreps, “ Internal Labor Markets”

Kreps and Baron, “ Promotion and Career Concerns”

View Video Clip “ Sex and the City: Season 1, Episode 3, “ Bay of Married Pigs” “

Bain & Co., Inc.: Making Partner (HBS # 899066)

## **Session 24 : Corporate Culture, Leadership, and Game Theory**

### Readings

Johnson & Johnson (A) (384-053)

### Questions

What is the purpose of the Credo?

## **Session 25: Game Theory and Managerial Decision Making/ Panicking and Choking**

### Readings

Tzu Sun and the Art of War

Fog of War Video