

## **Active Learning in Marketing: Does It Work? Our Experience Combining Markstrat and Marketing Planning in Brazil**

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## **Active Learning in Marketing: Does It Work? Our Experience Combining Markstrat and Marketing Planning in Brazil**

### **Abstract**

The purpose of this paper is to present our experience with the introduction of Markstrat – a popular marketing strategy simulation game – in marketing planning education, discussing its effectiveness in relation to student learning.

It is clear that the average student profile has changed, leading to a demand for new educational tools. In this sense, the educator is responsible for implementing methods and modern and adequate platforms that stimulate interest and learning.

For over two decades we have decided to combine traditional teaching techniques with Markstrat. Although this strategy may be criticized, we believe that teachers are able to successfully manage the new dynamic, raising the curiosity and interest of the contemporary student, and thus reaching the pedagogical objective of marketing learning.

**Keywords:** *Active learning, Markstrat, marketing planning, education*

**Track:** *Marketing Education*

The purpose of this paper is to present our experience with the introduction of Markstrat – a popular marketing strategy simulation game – in marketing planning education, discussing its effectiveness in relation to student learning. We will address the positive and negative aspects that we have experienced, seeking to encourage other institutions around the world to rethink their teaching strategies.

It is clear that the average student profile has changed. All changes that the world has undergone, especially those of technological nature, have influenced the expectations and behavior of students in the classroom. According to Sharif & Ranchhod (2009), “In our contemporary digital economy, we have become used to using computers and information systems to interact with others as a matter of course” (p. 1). Thus, it is no longer sufficient to use the same didactic method used one or two decades ago.

The teaching dynamics is always challenging and needs to be always rethought. The explanatory concepts and theories are important, but difficult to be presented in a way to whet the curiosity and interest of students, leading them to make searches in the internet world. In this sense, every technological apparatus that can contribute to learning deserves special attention.

The marketing planning discipline is normally one of the last marketing disciplines being offered by business course. This aspect is justified by the fact that students need to master other concepts such as marketing information systems, segmentation and positioning, the decisions of marketing mix, besides being familiar with various analytical techniques, including statistics.

For this reason, the average maturity level of the students is usually higher, which is good on the one hand because it enables a greater abstraction of the analyses, fosters theoretical discussions and improves the conditions for learning marketing planning. On the other hand, it raises expectations as to the application of the concepts.

Another variable relevant to the issue is the fact that the marketing plan is a concrete result that a marketing professional can deliver. It is a tangible result produced and delivered by the marketing executives, so it is important to go beyond theories.

In addition, the dedication of a student in the formulation of a marketing plan is useless if the classroom environment does not provide the dynamism and complexity of decisions that occur in the real world. Although the dynamic thought is evidenced in the planning process, the pure exercise always seemed very static; complex, but slightly challenging and not allowing the student to experience the real difficulty of planning in changing environments and where the *ceteris paribus* does not work. It was necessary to create a laboratory environment that would enable an effective marketing experience, where the student knowledge was constantly required, but not sufficient for the decision making, thus being imperative that the environmental variables were monitored and analyzed.

Godar (2004) shares this view, criticizing the current model of marketing education. He says, for example, that the four Ps are studied as if they were separate variables, independent, with little or no relation to each other.

Based on this scenario, we have come to the decision, over two decades ago, to include a practical tool in the Marketing Planning discipline.

After evaluating several academic software available in the market, Markstrat seemed to be the most robust and suitable option for the desired goals, "because of its ability to adapt to a wide variety of learning styles, adjust dynamically to the learning cycle over the long run, and because of its robust theory base" (Dodgson, 1987, p. 488).

## 2. MARKETING PLANNING

John & Martin (1984) define marketing planning as the analytical process by which the corporation envisions strategic issues and future opportunities. According to Campomar (1983), it is a helicoidal process, that is, it works in a dynamic and mutable way, from a mental exercise which can be developed increasingly going and returning the reasoning.

Leeflang & Mortanges (1996) agree with this concept, stating that the marketing plan is the translation of the marketing planning process at its most strategic aspect. On the other hand, Proctor (1992) believes that marketing plans are an instrument in the form of project, which content includes where and how an organization wants to achieve its goal.

We shall emphasize that the prediction of the impact caused by the marketing definitions, as a result of the analysis and implementation of strategies, programs and marketing information, is an inherent part of the marketing planning.

Thus, we conclude that the marketing planning is the analytical process with strategic purposes, which aims to guide the marketing activities of a company that is represented by the marketing plan.

### 3. THE MARKSTRAT PLATFORM

According to Larréché, Gatignon, & Triolet (2010), the Markstrat simulator was developed 30 years ago by INSEAD, France, aiming to promote the understanding and absorption of the concepts of strategic marketing decisions through the analysis and implementation of strategic planning, for undergraduates and graduate students.

Markstrat allows students to go beyond the development of the strategic plan. It allows the implementation of the strategic plan based on several tactical decisions, a situation that traditional teaching methods do not allow. There is, in particular, the possibility to evaluate the success or failure of a marketing plan, even over time, providing the student with a concrete vision of learning.

This is one of the positive aspects of the experiential simulations regarding the simulations exclusively developed by computer. As pointed by Lant & Montgomery (1992), experiential simulations provide environments, while people provide the behavior and decisions. “The involvement of people in experiential simulations provides the opportunity for empirical research.” (Lant & Montgomery, 2010: 5). The opportunity to observe the behavior of decision makers in a known and partially controlled environment is a valuable characteristic. In the specific case of Markstrat, Gatignon (1987) believes that the simulator is very suitable for this purpose because it offers a realistic and dynamic environment.

Lant & Montgomery (2010) also recognize the importance of Markstrat, by stating that the simulator allows the study of how strategic decisions evolve with experience, the effects of environmental changes or competitive actions in the strategic decisions, the effects of individual and group decisions with regard to performance, and the beliefs of the participants about risk, as well as their propensity to risks.

However, despite its robustness and the fact that it is already being used by several business schools and corporations in various countries, “the use of simulations has remained outside the mainstream of research methods to study strategic management” (Lant & Montgomery, 2010, p. 2).

### 4. TEACHING METHODOLOGY

In our methodology, we divided the course into two phases. Firstly, we encouraged the students to remember and discuss the marketing concepts, analyzing the theory and market practices and looking for the very latest on the issue. Between the seminars conducted by the students and the theoretical presentations made by teachers, we reviewed the entire content relevant to marketing planning. As a final result of this first phase, the students, who were divided into random groups of equivalent sizes, develop and present a complete marketing plan. They all refer to the same industry (SONITE market with two brands), which will be addressed later in the Markstrat simulation.

The presentation simulates the format of a corporate meeting, where the marketing directors need to transmit the content of the plan to the entire board and convince the CEO of the decisions proposed. Thus, students and teachers jointly analyze and criticize the document. This aspect has provided a major contribution in terms of stimulating the analytical and critical reasoning of all students.

In the second phase of the course, the groups start working on the simulator. They go between 7 and 9 rounds of the game, which requires the groups, from the beginning, to develop

their long-term reasoning and outline strategies that go beyond the horizon of 1 year, the standard of a marketing plan. In the first round, the students are encouraged to work with exactly the same data contained in the plan, which was developed previously, maintaining their decisions in terms of expenditure on advertising and sales force, production volume, price of products and investments in R&D. At each round, the participants are encouraged to analyze market reports and review the theoretical framework to outline goals and make their decisions. In addition to those already mentioned, the groups may also decide to include new brands in the market where they already operate, remove or modify current products, make bank loans, as well as launch innovative products still unknown but promising in the VODITE market.

At the end of each round, the overall results are analyzed by the entire class, after a brief presentation of the evolution of the groups (companies), during which teachers give hints as to what should be observed and improved by the teams. As a criterion for evaluating the overall performance, we adopt the stock price index.

And thus, the rounds go on until the end of the number of rounds previously set between the groups, and a team is declared the winner of the game.

## **5. DISCUSSIONS**

### **5.1 Pros**

One of the main positive aspects we noticed over the years is precisely what Lant & Montgomery (2010) state, by saying that teachers who use Markstrat in their classes observe a high level of motivation in their students, as well as their deep involvement in the simulation, with analyses and decision-making, as in a real competitive environment.

We emphasize this finding because it enhances learning, including for those who have difficulty concentrating in introspective activities and/or assimilate concepts based on the methodology of “learn by doing”.

This fact was also observed by Vos & Brennan (2010) in their research. Although the answers of the students interviewed may have been influenced by the fact that it was a novelty and that they have played the game slightly before the survey, it is relevant to present the result obtained by the authors of the study regarding the students’ perception with respect to the effectiveness of different teaching methods. The ranking, starting with the most effective method, was business game; question and answer sessions in seminars; assignment-based research; discussions with other students; private reading (e.g. textbooks and articles); case-study analysis; group work; presentations; lectures; self-guided research; watching videos; computer-based learning.

We shall also point out another significant benefit offered by the strategy employed. As these disciplines require a group involvement, interaction and participation they also exercise the engagement and responsibility for their work.

In addition to the involvement of the participants and the group dynamics, instructors can analyze group performance, as well as individuals’ behaviors of working in group in a very competitive environment; they can observe behavior and attitudes of students as marketing managers especially in turbulent situation when the organization is not going well.

These observations are relevant because, as pointed by Malter & Dickson (2001), “since marketing strategy decisions and strategy implementation are often the responsibility of small teams, it is important to understand the factors that contribute to effective small group performance” (p. 100).

The complexity of the decisions allows students a comprehensive view of marketing activities theoretically and as well as the practice, and other three learning experiences: (i) it emphasizes the segmentation and positioning as the strategic element of marketing to guide other marketing decisions (such as regarding the 4 P’s); (ii) it shows the importance of information in decision making; and (iii) it allows students to think in a long range horizon.

Given the level of complexity and realism indicated by the simulator its adoption is effective and therefore, recommended as part of the teaching strategy of marketing, especially planning.

According to Sharif & Ranchhod (2009), “electronic games and simulations have also played a useful role in developing managerial and leadership qualities on business management development programmes, for the past three decades [...] due to their ability to represent useful corollaries to business and management decision-making scenarios” (p. 1). Moreover, “Experiential-based learning is well known and understood to be of use in learning situations where the acquisition of knowledge alone is not enough” (p. 2).

We can also mention the results reported by Kinnear & Klammer (1987), who state that Markstrat has the power to teach important marketing concepts, reflecting the effective dynamics of the market and its competitive reality.

Undoubtedly, experiential learning is greatly valuable to students, since the requirements in the corporate world have been growing in terms of experience and decision-making. Based on Malter & Dickson (2001), we reinforce our belief in the importance of combining Markstrat with the traditional techniques of marketing education. The authors state that “The value of studying strategic decision games is that they teach and test the very relevant real-world skills of making sense of market and competitive dynamics and planning and implementing marketing strategies” (p. 113).

Finally, according to Summers (2001, p. 414), “Perhaps the most frequent and serious problem with experiments in marketing is the lack of experimental realism”. Markstrat seems to be an alternative to this problem, innovating and breaking this paradigm, offering realistic and empirical benefits both for participants and for teachers.

## 5.2 Cons

Despite what has been previously shown, it is certain that there is a negative aspect in the teaching methodology presented.

Perhaps the greatest of all, as the most constant and relevant criticism among teachers and students, is the fact that the simulator leads the sessions to a dynamic highly focused on results and barely on theoretical discussions. Since the simulation is a game, a competition between teams (companies), there is a great risk of leading only to competition with a consequent loss of focus on the effective learning of marketing.

Therefore, we shall also highlight the difficulty that arises for teams to openly discuss their strategies, in healthy and rich discussions. Since it is a competition, wherein the best strategies will lead to improved performance, there is no surprise as to this limitation of class dynamics.

Another aspect that deserves attention is addressed in the study of Malter & Dickson (2001). According to the researchers, “team performance in competitive marketing decision-making is much more than a function of team effort, positive attitude toward the game, or good general group behavior – individual learning skills are critical to team success” (p. 113). This finding is important, especially when evaluating the engagement and commitment of team members whose company fails to produce good results over the rounds of the game.

Also, we shall point out two observations about the learning process emphasized by Ackerman, Gross & Perner (2003) in their article. Firstly, “A significant trade-off [...] is that the information available is almost entirely quantitative in nature” (p. 54). In the real world, a decision-maker will certainly have at its disposal various qualitative data, and it is of great importance to know how to manipulate and analyze such data. Secondly, “students are generally offered standard market research reports and are thus not responsible for identifying information and research needs” (Ackerman, Groos, & Perner, 2003, p. 54)

Finally, it is also valid to present a finding of Curren, Folkes & Steckel (1992) in their study on decisions in the environment of the simulation game Markstrat: “decision makers reveal self-serving and optimistic biases. They see themselves as being responsible for good, not bad, performance and they see the causes of such performance as being more stable when it is good than when it is bad” (p. 22). That is, when the results obtained by the team are not consistent with the expectation, students tend to criticize the simulator and the algorithms of the game instead of seeking a greater depth of analysis and reflection on what happened.

## **6. CONCLUSIONS**

As previously mentioned, it is clear that many students like to learn by doing (empirical approach), thus simulations and the development of marketing plans are ways to exercise and apply marketing concepts. Both demand personal engagement into a team to reach goals and achieve good results. The development of marketing plans and Markstrat allow students to develop strategies and take marketing decision just as in real life. Participants take a series of marketing decisions implementing concepts such as segmentation and positioning, consumer behavior, marketing mix (4 P's), and marketing research. Students have to analyze and interpret data in order to acquire more and better market knowledge about customers and competitors.

It is possible to notice, however, that there is a fine line between the application and settlement of concepts – and the application of the techniques and tools of marketing analysis, planning and control – and the competitive focus between the groups. However, this relation is directly related to the dynamics of each group.

That said, we cannot deny the existence of aspects that deserve the attention of the educator, as well as the fact that the strategy will not be immune to criticism, but based on what was presented and on our broad experience, we believe that teachers are able to successfully manage this aspect. Keeping that risk in mind, it is up to the teacher to minimize the risks of deviating the

pedagogical focus from learning and lead its class, stimulating reflections, analyzes and the constant review of the relevant theoretical framework.

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