Ground rules for Homework 1-5:

1. HW is due at the beginning of class on the due date designated for each homework (see course website for the list of dates).
2. You should turn in your homework 100% typed. I realize that for some students handwriting is more convenient or efficient, especially when it comes to writing out math equations. However, you should practice typing math formulas in MS Word or other word processing software of your choice.
3. Include a title page listing your name (or names if it is a group work) and homework number.
4. Please staple your sheets. Both your TA and I will look at each homework, so we don’t want to lose any of your sheets.
5. If I have specific instructions or rules relating to any individual parts within homework assignments, I will list them there.

Ground rules for HW4:

1. HW4 is due on Thursday March 19th at the beginning of class
2. HW4 is group work. Please work in groups of 3-4.

PART I

Pick 3 companies that are also well known brands\(^1\) and have had good financial performance over the last 5 years (positive net income) and are NOT in the top 10 list of brands with the highest brand equity (see the list in lecture notes). You can explore the financial statements through the MergentOnline Database found through the Cornell Mann Library Website (steps how to get to that database are posted in “Brand Equity” lecture slides)

Make sure that you have picked the right company. Usually when you search for a company/brand name e.g. “Coca-cola” you will get dozens of entries, look for the ones that are listed on NYSE or NASDAQ. In the case of “Coca-Cola,” the appropriate entry is “Coca Cola Co” listed on NYSE.

\(^1\) E.g. Procter and Gamble will not work in this case, since it owns multiple consumer brands and brand equity calculation would be significantly more complicated.
Critical assumptions (should be applied to all 3 brand picks):

- Assume that we are T-5 years from the latest available financial statement. For example, if the latest financial statement is in 2012 assume we are in the year 2007.

- Standard analysis requires forecasting 5 years in advance. We will assume that the actual financial performance for the years 2008, 2009, 2010, 2011, and 2012 (obtained from financial statements) is the forecast as of 2007.

- Assume that Brand Strength analysis revealed that the appropriate discount rate is 8%

- Growth rate in the future after 5 years = 2%

- WACC = 10%

- Role of Brand Index (RBI) = 38%

1. Bearing in mind the simplifications listed above (similar to the ones in the example solved in class), calculate the brand equity of your selected brands.

2. Why is it important to build brand equity? What can you say about brands with high brand equity?

PART II

A. Read the HBS case “Hulu: An Evil Plot to Destroy The World?” by Anita Elberse and Sunil Gupta. Answer the following questions. Use your own wording for your analysis.

1. In your view, should Kilar move Hulu away from a pure advertising-supported model? If so, what is the preferred new model?

2. How does Hulu’s value proposition differ from that of traditional broadcast and cable television? And how does it differ from that of YouTube? What explains its success to date?

3. How does Hulu serve content owners, users, and advertisers? Do the needs of these customer groups converge?

4. What are the underlying economics of Hulu versus that of broadcast and cable television? Specifically, how do the revenues per hour-long program compare across television and Hulu?

B. Listen to the Freakonomics Podcast “The Maddest Men of All”. List and briefly describe at least 3 discussed examples of advertising strategies that utilize insights from behavioral economics.
PART III.

Write a blog post. Blog assignment guidelines:
http://courses.cit.cornell.edu/jl2545/4550/blogguide4550.htm

Also check the blog website www.overtcollusion.com to see examples of good blog posts.

IMPORTANT: You have to submit your blog post in two ways:
1) as part of your typed and printed HW2 and
2) emailed to your TA pr223@cornell.edu. Please make sure that the emailed post contains the makes of your group members.

Potential topics of choice for this HW assignment:

1. Advertising Effectiveness
2. Online Advertising
3. Search Engine advertising
4. Brand Equity
5. Advertising and Brand Equity
6. Consumer Loyalty and Brands
7. Other topic that relates to issues we discussed in class. In case you are unsure if your selected topic fits, email me and we will discuss!