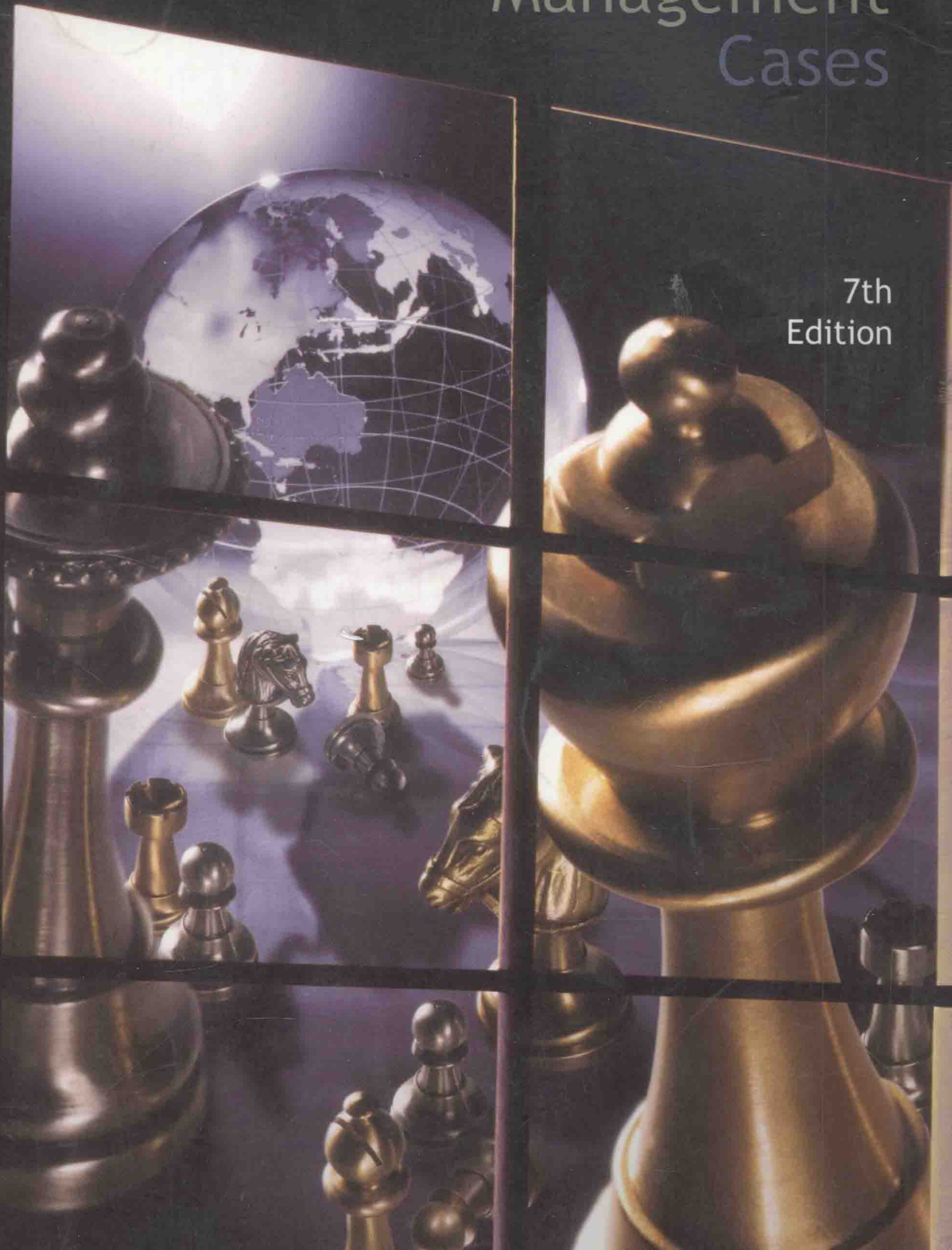
Strategic Marketing Management Cases

7th Edition

David W. Cravens
Charles W. Lamb Jr.
Victoria L. Crittenden



SEVENTH EDITION

STRATEGIC MARKETING MANAGEMENT CASES

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To Our Children:

Karen Cravens
Christine Stock and Jennifer Lamb
Carl, Drew, and John Crittenden

Preface

The seventh edition of *Strategic Marketing Management Cases* focuses on the major issues faced by marketing managers as businesses enter the new millennium. The decade of the 1990s witnessed critical twists and turns as managers addressed both new and traditional marketing concerns in an emerging electronic, global world.

This edition has been substantially revised and reorganized to reflect marketing management priorities in the 21st century. The part topics highlight both the traditional and the new elements faced by today's marketer:

- Market Orientation and Organizational Learning
- Marketing Program Development
- Growth Strategies
- Innovation and Strategic Brand Management
- Supply Chain Management and Partnership Alignment
- Cross-Functional Integration
- Implementing Marketing Plans and Assessing Performance

The reorganization and the new direction have allowed for the inclusion of many current issues in the rapidly changing business environment. While a market-driven, customer-oriented strategy remains the driver in strategic market planning, businesses are focusing on specific areas of concern within strategic marketing. This edition includes three of these major marketing-related topics as individual sections: innovation, the supply chain, and cross-functional integration. Woven throughout all the sections and topics is the issue of the changing environment reflected in doing business in an electronic world. Therefore, this edition includes an e-business case in each of the seven parts.

Several major features are included in the seventh edition:

- We continue to use the versatile, flexible paperback format to meet the rapid changes in curricula at both the undergraduate and graduate levels.
- Each part presents an electronic business case that has appeared in *Business Week* in 2000 and beyond.
- One-half of the cases in this edition are new or revised. Many of the cases that have been carried over from the last edition have been placed in new sections and highlight these new topics.

- The cases are all current. All but one focus on issues managers faced in the 1990s and beyond.
- Substantial emphasis continues to be placed on international marketing strategies. Cases in this edition focus on marketing decisions faced by managers in Canada, France, Hungary, India, Ireland, Japan, Mexico, the Netherlands, the Philippines, Russia, South America, and Switzerland. Additionally, cases address growth issues as companies attempt to expand into new international markets.
- Cases continue to reflect the changing role of women in business. Over 25 percent of the case scenarios feature women protagonists or women as major players in the decision-making process.
- Seven video cases accompany the book. Another video available in libraries is noted in the *Instructor's Manual.*

Many instructors prefer that students focus their case analyses on the time frame and situation described in the case. However, Web information may be useful as a follow-up to the class discussion of the case. The *Instructor's Manual* lists Web addresses for 25 of the cases.

We have also retained key features from previous editions.

- The cases illustrate marketing problems and decisions faced by large, medium-sized, and small organizations, goods and services marketers, manufacturers and channel intermediaries, business and consumer products firms, profit and nonprofit organizations, and domestic, foreign, and multinational companies.
- The selection of cases includes a balance of short, medium-length, and long cases.
- Over half of all cases include some form of quantitative data, most frequently financial information.
- Situations described in this edition do not fall neatly into individual marketing mix categories. Rather than organize the book around the four P's (product, place, price, and promotion), we have chosen section classifications that more realistically reflect the types of decisions frequently encountered by today's marketing managers.
- The *Instructor's Manual* continues to provide detailed, comprehensive analyses and supporting materials for each case. Several teaching notes include epilogues describing actions taken by the organization and/or how it has fared since the case was prepared. Suggestions for course design are also included in the *Instructor's Manual.*
- To meet the teaching/learning preference of instructors who wish to use the case analysis process described in detail in the Appendix, a substantial portion of the teaching notes follow this format. The discussion questions are not listed at the end of the cases so instructors can assign questions in advance or raise them during case discussions.

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Part 1

Market Orientation and Organizational Learning

Market orientation highlights the central importance of the customer as the focal point of business operations. "A business is market-oriented when its culture is systematically and entirely committed to the continuous creation of superior customer value."[1] The term *market orientation* often is confused with *market*ing *orientation* although the two are significantly different. A market orientation refers to everyone in the organization being committed to the customer and adapting in a timely way to meeting the changing needs of the customer.[2] A market*ing* orientation implies that the marketing function is the most important function within the organization and that all other functional areas are driven by the demands of the marketing department. Market orientation is an organizational rather than functional responsibility.

Today's globally competitive environment demands that companies, in order to survive, focus on meeting the value requirements of worldwide customers quickly and efficiently. Southwest Airlines is an interesting example of a company that has performed very well by adopting a market orientation. The regional, point-to-point carrier has a major advantage over many competing U.S. domestic airlines. Southwest's distinctive competencies center on performing air carrier activities more efficiently than do competing airlines. The entire Southwest work force is market-driven, being guided by a culture committed to providing superior customer value. A key advantage is the airline's high aircraft utilization, which is achieved by minimizing the time between landing and take-off. Southwest does not serve meals or provide seat reservations, and so it does not meet the needs of passengers who want those amenities. Nonetheless, the economy airline has developed a substantial customer base which consistently reports high levels of satisfaction.

Becoming market-oriented does not happen overnight. To grow more market-oriented, managers must identify rapidly changing customer needs and wants, determine the impact of those changes on customer satisfaction, increase the rate of product innovation, and develop strategies to gain a competitive advantage. We first describe the characteristics and features of a market-oriented organization and consider the importance of becoming market-oriented. Next, the issues and hurdles confronting the transition to a market-oriented organization are discussed, and we look at the role of organizational learning and its close relationship with market orientation. Finally, we consider how marketing strategy guides the organization's efforts to deliver superior customer value.

What Is Market Orientation?

Achieving a market orientation involves obtaining information about customers, competitors, and markets; examining the information from a total business perspective; determining how to deliver superior customer value; and implementing actions to provide value to customers (Exhibit 1). Market orientation blends a culture committed to customer value and a process of continuously creating superior value for buyers.[3] Market orientation requires a customer focus, competitor intelligence, and interfunctional coordination.

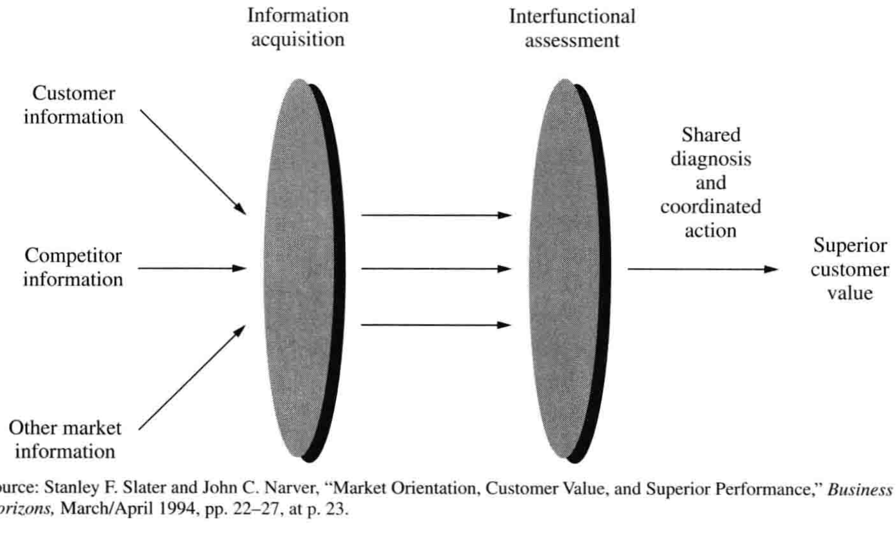
Customer Focus

The importance of the customer was first highlighted in the marketing concept articulated by a General Electric executive in the 1950s. In fact, there are many similarities between the marketing concept and market orientation. The *marketing concept* advocates starting with customer needs and wants, deciding which needs to meet, and involving everyone in the process of satisfying customers. The important distinction is that market orientation extends beyond the philosophy of the marketing concept, also offering a process for delivering customer value. The market-oriented organization understands customers' preferences and requirements and then combines and directs the skills and resources of the entire organization to satisfy customers.

"That model of competing, which links R&D, technology, innovation, production, and finance—integrated through marketing's drive to own a market—is the approach that all competitors will take to succeed in the 1990s," writes Regis McKenna.[4]

Achieving a customer orientation requires finding out what values buyers are looking for to help them meet their purchasing objectives. Buying decisions are guided by the attributes and features of the brand that offers the best value. The buyer's experience in using the brand is compared to expectations to determine customer satisfaction.[5]

EXHIBIT 1 Components of Market Orientation



Source: Stanley F. Slater and John C. Narver, "Market Orientation, Customer Value, and Superior Performance," *Business Horizons,* March/April 1994, pp. 22–27, at p. 23.

Competitor Intelligence

Market orientation is about the competition as well as the customer.

> The key questions are which competitors, and what technologies, and whether target customers perceive them as alternate satisfiers. Superior value requires that the seller identify and understand the principal competitors' short-term strengths and weaknesses and long-term capabilities and strategies.[6]

Complacency leads to disaster in today's turbulent marketplace. For example, Western Union failed to define its competitive area as telecommunications, concentrating instead on its telegraph services, and eventually was outflanked by fax technology. If Western Union had been a market-oriented company, its management might have better understood the changes taking place, seen the competitive threat, and developed strategies to counter the threat.

In the 1980s Wal-Mart's management recognized the changes taking place in retailing. By investing heavily in information systems technology, the power retailer was able to improve inventory management, lower costs, and increase customer satisfaction. Wal-Mart's private satellite system links retail stores, distribution centers, headquarters, and suppliers. Store reorders are sent direct to the supplier and shipped to distribution centers. Often the centers are able to unload and load for delivery to stores within 24 hours.

Interfunctional Coordination

Market-oriented companies are successful in getting all business functions to work together to provide customer value. The tendency to "box" management functions so that manufacturing does not talk with research and development (R&D), R&D does not talk with marketing, marketing does not talk with manufacturing, and sales does not talk with anyone in the organization creates functions empty of responsibility and void of interaction. In contrast, interfunctional cooperation and shared decision making lead to the achievement of customer value objectives.

Becoming a Market-Oriented Organization

As shown in Exhibit 1, becoming a market-oriented company involves several interrelated requirements. These include information acquisition, interfunctional assessment, shared diagnosis, and coordinated action.

Information Acquisition

"A company can be market-oriented only if it completely understands its markets and the people who decide whether to buy its products or services."[7] For example, Wal-Mart's information system provides a wealth of information about popular store items, supplier responsiveness, and differences in customer preferences in various regions.

Interfunctional Assessment

Rubbermaid has overcome the hurdles of getting people from different functions to work together to conceive and develop new houseware products. It is important that new product planning involve all functions because they all contribute to customer satisfaction.[8] Rubbermaid's entrepreneurial teams seem to overcome problems with conflicting functional objectives and other differences.

Shared Diagnosis and Action

The remaining cornerstone of the market orientation paradigm is deciding what actions to take. This involves shared discussions and analysis of trade-offs.[9] An effective multifunctional team approach to decision making facilitates diagnosis and coordinated action. Rubbermaid's teams are empowered to make decisions and are responsible for the results.

Becoming market-oriented is challenging and quite different from an organization that does not have close and shared responsibilities across business functions. Nonetheless, mounting evidence suggests that the market-oriented organization has an important competitive advantage in providing customer value and achieving superior performance.

Ethics in Marketing

The ethical responsibilities of managers and professionals include (1) identifying ethical issues, (2) determining guidelines for ethical behavior, and (3) encouraging employees to practice ethical behavior. The typical ethical appeal is based on moral philosophy—doing good because it is right. The reality is that "Back in the real world, however, no businessman is going to sacrifice his company on the altar of such altruistic extremism."[10] The marketing manager wants (and needs) guidelines for coping with the pressures of self-interest and encouraging altruism. The challenge is to show that practicing good ethics leads to long-term favorable business performance.

The situations that are most difficult and perhaps are encountered most frequently are those described as amoral management.[11] Amoral judgments may be intentional (managers do not include ethical considerations in their decisions) or unintentional (managers do not recognize the ethical impact of their decisions). Both situations should be avoided.

Ethical guidelines that are too general provide limited direction for employees who want to practice ethical behavior. Such guidelines also give people who lack a strong commitment to ethics a basis for pursuing unethical behavior. The following checklist offers a useful basis for evaluating a situation that may require ethical decision making:[12]

- Does my decision presume that I or my company is an exception to a common practice or convention? In other words, do I think I have the authority to break a rule?
- Would I offend customers by telling them about my decision?
- Would I offend qualified job applicants by telling them about my decision?
- Have I made this decision without input from others so that important issues might be overlooked?
- Does my decision benefit one person or group but hurt or not benefit other individuals or groups?
- Will my decision create conflict between people or groups in the company?
- Will I have to pull rank and use coercion to enact my decision?
- Would I prefer to avoid the consequences of this decision?
- Did I avoid truthfully answering any of the above questions by telling myself that I could get away with it?

Pragmatic, easily understood guidelines like these should enhance the possibilities of making ethical decisions. Evaluating the ethical implications of decision situations is a continuing challenge for managers.

Corporations are placing unprecedented emphasis on the ethical behavior they expect of their personnel. One estimate indicates that over three-quarters of major U.S. companies are actively trying to encourage ethical behavior in their organizations.[13] Companies employ several methods to encourage managers to recognize the ethical content of their decisions. Such methods include workshops, drawing up corporate and industry codes of ethics, and the establishment of leadership role models.

Organizational Learning

Learning about markets requires developing a process throughout the organization for obtaining, interpreting, and acting on information from sensing activities. The learning processes of market-oriented companies follow four steps: open-minded inquiry, synergistic information distribution, mutually informed interpretations, and accessible memory usage.[14]

Open-Minded Inquiry

A danger to be avoided is not being open to exploring new views about markets and competition. This sometimes is referred to as "out-of-the-box" thinking; the idea is to not be bound to past views about markets and how they are likely to change in the future. A search for information is of little value if management already has a view on which new information will have no influence.

The members of the market-oriented organization recognize the importance of market sensing and coordinated interpretation of market intelligence to guide strategies. Not all companies see the value in continuous learning about markets. Managers who are not part of market-driven cultures may be unwilling to invest in information for decision making. Unfortunately, these companies often encounter problems because of faulty or incomplete market sensing.

Continuous learning allows firms to capture more information about their customers, suppliers, and competitors. This capability provides the potential for growth based on decisions made by open-minded managers who take into account a more complete representation of the competitive environment. Also, firms can respond much more quickly to competitors' actions and take advantage of situations in the marketplace.

Synergistic Information Distribution

This part of the learning process encourages the widespread distribution of information throughout the organization. The intent is to leverage the value of the information by cutting across business functions to share information on customers, channels of distribution, suppliers, and competitors. Traditional information processing in organizations allocates relevant information to each business function. Synergistic distribution works to remove functional hurdles and practices. Multifunctional teams help encourage the transfer of information across functions.

Mutually Informed Interpretations

The mental model of the market guides managers' interpretation of information. The intent is to reach a shared vision about the market and the impact of new information on this vision. The market-oriented culture encourages market sensing. But the process requires more than gathering and studying information. "This interpretation is facilitated by the mental models of managers, which contain decision rules for deciding how to act on the information in light of anticipated outcomes."[15] The model reflects the executives' vision of the forces influencing the market and likely future directions of change. Learning occurs as members of the organization evaluate the results of their decisions based on their vision at the time the decisions were made.

Accessible Memory Usage

This phase in the learning process emphasizes the importance of gaining access to prior learning. The objective is not to lose valuable information that can continue to be used.

Urban Outfitters, Inc., a successful specialty retailer, is guided by management's shared vision of the market. The company has an effective learning process. The retailer's products include fashion apparel, accessories, household items, and gifts. Urban Outfitters' unique strategy is the shopping environment it provides to the 18-to-30 targeted age group. To stay ahead of its unpredictable buyers' whimsical tastes, management employs over 75 fashion spies who sense what is happening fashionwise in neighborhoods in New York, California, London, and Paris.[16] Salaries and expenses of this market-sensing team total $4 million annually. Market feedback guides new product decisions and signals when buyer interest is slowing. Management is testing new retail concepts to appeal to its buyers when they move into an older age group.

Hewlett-Packard's (H-P) Inkjet product strategy illustrates market orientation and organizational learning. In the early 1980s H-P's product team developed a shared vision of how the global printer market would change. The team believed that dot matrix technology would be replaced by a better method of printing that was less expensive than laser printers. H-P developed inkjet technology as an alternative to dot matrix printers. The team's decision to target the higher-volume dot matrix market instead of positioning against laser printers is an impressive example of higher-order learning. This strategy offered H-P a value proposition for differentiating the printer and lowering cost by serving the mass market instead of a high-end niche. Following the market-orientation process, H-P's product team made a major effort to sense market needs by using information from customers, competitors, and distributors. These inputs guided design, production, and marketing decisions.

Marketing Strategy

Exhibit 2 shows the four-step process of designing and managing a marketing strategy (analysis, planning, implementation, and management) that we follow in this book.[17] First, the situation analysis considers market and competitor analysis, market segmentation, and continuous learning about markets. Second, designing a marketing strategy entails customer targeting and positioning strategies, marketing relationship strategies, and planning for new products. Third, marketing program development consists of product/service, distribution, price, and promotion strategies designed and implemented to meet the needs of targeted buyers. Fourth, strategy implementation and management look at organizational design and marketing strategy implementation and control. A brief overview of each stage in the marketing strategy process follows.

Marketing Situation Analysis

Marketing management needs the marketing situation analysis to guide the design of a new strategy or change an existing strategy. The situation analysis is conducted on a regular basis to guide strategy changes.