

An abstract sculpture composed of thick, colorful ribbons (red, yellow, blue, and green) intertwined in a complex, looping pattern. The ribbons are supported by several geometric blocks: a large yellow triangular block, a blue rectangular block, and two smaller greyish-blue blocks at the base. The entire sculpture is set against a dark, textured background.

David W. Cravens

Charles W. Lamb Jr.

Victoria L. Crittenden

Strategic Marketing Management

C A S E S

SIXTH EDITION

STRATEGIC MARKETING MANAGEMENT CASES

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Cover Image: Robert Hudson, *After Wood*, 1990, National Museum of American Art, Washington DC/Art Resource, NY

STRATEGIC MARKETING MANAGEMENT CASES

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This book is printed on acid-free paper.

4 5 6 7 8 9 0 DOC/DOC 9 3 2 1 0

ISBN 0-256-26125-3

Vice president and editorial director: *Michael W. Junior*
Publisher: *Gary Burke*
Executive editor: *Stephen M. Patterson*
Editorial coordinator (and photo research): *Andrea Hlavacek-Rhoads*
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Designer: *Jennifer McQueen Hollingsworth*
Compositor: *ElectraGraphics, Inc.*
Typeface: *10/12 Times Roman*
Printer: *R. R. Donnelley & Sons Company*

Library of Congress Cataloging-in-Publication Data

Cravens, David W.

Strategic marketing management cases / David W. Cravens,
Charles W. Lamb, Jr., Victoria L. Crittenden. — 6th ed.

p. cm. — (The Irwin/McGraw-Hill series in marketing)

Includes bibliographical references and index.

ISBN 0-256-26125-3

I. Marketing—Case studies. I. Lamb, Charles W. II. Crittenden,
Victoria Lynn. III. Title. IV. Series.

HF5415.C6944 1998

658.8'02—dc21

98-3555

CIP

<http://www.mhhe.com>

STRATEGIC MARKETING MANAGEMENT CASES

THE IRWIN/McGRAW-HILL SERIES IN MARKETING

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To Our Children:

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Christine Stock and Jennifer Lamb

Carl, Drew, and John Crittenden

PREFACE

The sixth edition of *Strategic Marketing Management Cases* focuses on the changing role of marketing in the organization as we enter the 21st century. This edition has been substantially revised to reflect marketing management priorities in the decade ahead. The section headings, reflecting these priorities, are as follows:

- Market-Driven Strategy
- Market Orientation and Organizational Learning
- Growth Strategies
- Market Target Strategies
- Marketing Relationship Strategies
- Marketing Program Development
- Planning, Organizing, and Implementing Marketing Plans and Assessing Performance

This edition incorporates several new cases that address marketing management issues that promise to be important in the rapidly changing business environment. At the center of these changes is the substantial adoption of market-driven, customer-oriented strategies by many organizations. Importantly, there is mounting evidence from business practice and academic research that market-oriented companies perform better than those that are not market-oriented.

Several major features are included in the sixth edition:

- We continue the versatile, flexible paperback format to meet the rapid changes in curricula at both the undergraduate and graduate levels.
- Two-thirds of the cases in this edition are new or revised.
- Cases reflect the workplace of the late 1990s by featuring women as case protagonists in over 25 percent of the situations. The goal is to influence the marketing curriculum at the core of the learning process by portraying women in top management positions.
- Over 40 of the 45 situations described in the cases in this edition took place in the 1990s, some as recently as 1997.
- Twelve video cases are included in this edition, responding to the high interest

generated by the videos included in the last edition. Another video available in libraries is noted in the *Instructor's Manual*.

- Substantial emphasis continues on international marketing decisions facing managers. Cases in this edition focus on situations in Canada, India, Ireland, Japan, Mexico, the Philippines, Trinidad, Western and Eastern Europe, and Zimbabwe.
- Instructors are provided data files that contain numerical exhibits from cases in this edition. Data files are available on Excel spreadsheet format.
- Transparency masters have been included in the *Instructor's Manual* to assist in the development of lectures regarding the case method and to introduce the various sections of the book. These masters are also available as PowerPoint slides.

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 marketing managers in the late 1990s.
- 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.

Acknowledgments

We appreciate the opportunity to include cases in this edition prepared by the following colleagues:

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David Angus
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- | | |
|--|---|
| Reinhard Anglemar
<i>INSEAD</i> | Stephanie Hillstrom
<i>Boston College</i> |
| Gary Armstrong
<i>University of North Carolina at Chapel Hill</i> | Charles Hoffheiser
<i>University of Tulsa</i> |
| Michael D. Atchison
<i>University of Virginia</i> | Cynthia Jaffe
<i>Boston College</i> |
| John E. Bargetto
<i>University of Notre Dame</i> | Raymond Keyes
<i>Boston College</i> |
| Karen Bickmore
<i>Northeastern University</i> | Philip Kotler
<i>Northwestern University</i> |
| Gyula Bosnyak
<i>Taurus Hungarian Rubber Works</i> | Lawrence M. Lamont
<i>Washington and Lee University</i> |
| Lew G. Brown
<i>University of North Carolina at Greensboro</i> | Frederick W. Langrehr
<i>Valparaiso University</i> |
| Marnie L. Cameron
<i>Boston College</i> | John H. Lindgren, Jr.
<i>University of Virginia</i> |
| Janet L. Caswell
<i>University of Virginia</i> | Thomas D. Lowell
<i>Washington and Lee University</i> |
| Victoria L. Crittenden
<i>Boston College</i> | Ken Manning
<i>Gonzaga University</i> |
| William F. Crittenden
<i>Northeastern University</i> | Jakki Mohr
<i>University of Colorado, Boulder</i> |
| Robert P. Crowner
<i>Eastern Michigan University</i> | Donna Moore
<i>Boston College</i> |
| Lee Dahringer
<i>Butler University</i> | Patrick E. Murphy
<i>University of Notre Dame</i> |
| Niraj Dawar
<i>INSEAD</i> | Lester A. Neidell
<i>University of Tulsa</i> |
| John Devoy
<i>Boston College</i> | James E. Nelson
<i>University of Montana</i> |
| Sharon M. Doherty
<i>Northeastern University</i> | Eric Nyman
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| James J. Dowd
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| Neil M. Ford
<i>University of Wisconsin at Madison</i> | Marie Pribova
<i>Czechoslovak Management Center</i> |
| Jennifer Fraser
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| Laura Gow
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International Management Center, Budapest

Joseph Wolfe
University of Tulsa
 William R. Woolridge
University of Colorado at Boulder
 Thomas R. Wotruba
San Diego State University

In addition to the important contributions made to the book by case authors, we would like to acknowledge several others who have contributed to the development of this project. We appreciate the assistance that Andrea Hlavacek-Rhoads and the guidance that Steve Patterson, our sponsoring editor, have provided during the development of this edition and previous editions of the book.

We were fortunate to have the input of the following colleagues in developing this edition and previous editions of *Strategic Marketing Management Cases*:

C. L. Abercrombie
University of Memphis
 Seymour T. R. Abt
McGill University
 Scott Alden
Purdue University
 Robert P. Allerheiligen
Colorado State University
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Hofstra University
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Suffolk University
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Kirk Smith
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Theodore F. Smith
Old Dominion University

Ravi Sohi
University of Nebraska

Sudhir Tandon
Prairie View A&M University

Jennifer Tarbell
Davenport College

Peter K. Tat
University of Memphis

James W. Taylor
California State University at Fullerton

R. Viswanathan
University of Northern Colorado

Several of our research assistants have made essential contributions to this edition of the book, especially Peter Tsvetkov at Texas Christian University and David Angus at Boston College. Special thanks to Fran Eller and Lisa Wills at TCU and Elizabeth Shanley at Boston College for typing the manuscript and for their assistance in other aspects of the project. We appreciate the support and encouragement of our deans, H. Kirk Downey and John J. Neuhauser, and our colleagues in the marketing departments at TCU and Boston College.

Finally, we would like to acknowledge the support and suggestions that we have received from adopters of the previous five editions of this book. Many features of this edition were implemented in response to advice and counsel from colleagues around the world.

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Charles W. Lamb, Jr.
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CONTENTS

PART I

MARKET-DRIVEN STRATEGY

- Case 1-1 Enterprise Rent-A-Car 14 
- Case 1-2 Coca-Cola (Japan) Company 27 
- Case 1-3 Battered Women Fighting Back! 36 
- Case 1-4 Wind Technology 45
- Case 1-5 The Metropolitan Museum of Art 51
- Case 1-6 California Valley Wine Company 66

PART II

MARKET ORIENTATION AND ORGANIZATIONAL LEARNING

- Case 2-1 Navistar International Transportation Corporation 87 
- Case 2-2 Floral Farms 97
- Case 2-3 Quality Plastics International S.A. de C.V. 104
- Case 2-4 Food Lion, Inc. 111
- Case 2-5 Banco Nacional de Comercio Exterior, S.N.C. 122
- Case 2-6 Optical Fiber Corporation 132

PART III

GROWTH STRATEGIES

- Case 3-1 Golden Valley Microwave Foods, Inc. 152 
- Case 3-2 Blockbuster Entertainment Corporation 159
- Case 3-3 SystemSoft Corporation 172
- Case 3-4 Angostura Bitters, Inc. 183
- Case 3-5 The Bacova Guild, Ltd. 191
- Case 3-6 The Faith Mountain Company 206

PART IV

MARKET TARGET STRATEGIES

- Case 4-1 Amtech Corporation 238 
- Case 4-2 Düring AG (Fottle) 250
- Case 4-3 Murphy Brewery Ireland, Limited 264
- Case 4-4 Shorin-Ryu Karate Academy 279
- Case 4-5 LoJack Corporation 295 
- Case 4-6 Algonquin Power and Light Company 307

PART V

MARKETING RELATIONSHIP STRATEGIES

- Case 5-1 ABB Traction Inc 323 
 Case 5-2 Ambrosia Corporation-San August 332
 Case 5-3 Electro-Products Limited 347
 Case 5-4 Southern Home Developers 354
 Case 5-5 Konark Television India 365
 Case 5-6 Powrtron Corporation 375
 Case 5-7 Taurus Hungarian Rubber Works 385

PART VI

MARKETING PROGRAM DEVELOPMENT

- Case 6-1 Dunkin' Donuts 411 
 Case 6-2 Rollerblade, Inc. 418 
 Case 6-3 L'Oréal Nederland B.V. 424
 Case 6-4 Apache Power, Inc. 434
 Case 6-5 Capital 440

- Case 6-6 National Breweries 461
 Case 6-7 Chemical Additives Corporation-Specialty Products Group 469

PART VII

PLANNING, ORGANIZING, AND IMPLEMENTING MARKETING PLANS AND ASSESSING PERFORMANCE

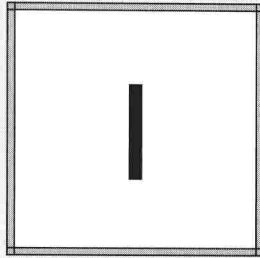
- Case 7-1 CUTCO International 491 
 Case 7-2 Yoplait USA 521 
 Case 7-3 Cima Mountaineering, Inc. 527
 Case 7-4 Longevity Healthcare Systems, Inc. 544
 Case 7-5 La-Z-Boy Chair Company 559
 Case 7-6 Bear Creek Golf Range 576
 Case 7-7 Wentworth Industrial Cleaning Supplies 591

Appendix A Marketing Financial Analysis 606

Appendix B Guide to Case Analysis 612

Index of Cases 623

PART



MARKET-DRIVEN STRATEGY

Gaining competitive advantage in marketing is a continuing process. An important part of this challenge is analyzing and strategically responding to changing environmental opportunities and threats. To do this, managers need to develop effective strategic analysis, planning, implementation, and control skills.

Analysis of successful business strategies points to the central importance of market-based strategies. These strategies start with a clear understanding of the market and how it is likely to change. A market-driven orientation becomes the basis for deciding how, when, and where to compete.

Southwest Airlines is an interesting example of a company that has performed very well using a market-driven strategy. 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 competing airlines. The entire Southwest work force is market-driven, being guided by a culture committed to customer satisfaction. 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 so it does not meet the needs of passengers who want these amenities. Nonetheless, the economy airline has developed a substantial customer base which consistently reports high levels of customer satisfaction.

Market-Driven Strategy and Performance

The market-driven era of business practice offers several different opportunities and challenges compared to previous periods. Market-driven organizations are customer-oriented, understand the relationships between strategy and performance, and stress ethical marketing behavior.

Customer Orientation

Market-driven strategy places the customer at the center of attention for everyone in the organization. This means that all business strategy decisions start with the market and the objective of matching company capabilities with customers who perceive value in what the company offers. Southwest's avenue to value is low operating costs

in providing point-to-point airline services. Its market segments consist of business and pleasure travelers who want reliable service at economy prices.

Our traditional view of competition is changing. Increasingly, market-driven companies are partnering with other companies in seeking to deliver superior customer value by combining the capabilities of two or more organizations. For example, Dell Computer's remarkable success in the personal computer market is due in part to its partnering with other companies in the design, production, distribution, and servicing of its products.

Industry and market structures are becoming increasingly complex and interrelated, creating new opportunities and challenges for companies developing market-driven strategies. Moreover, these interlinked product markets are experiencing rapid, often turbulent, change. For example, markets for computers, telecommunications, software, and home electronics are interlinked by digital technology.

Strong organizational performance is essential to survival. Weak performers will be acquired by their competition or pursue other avenues to exit from the marketplace. Western Union's failure to recognize changes in telecommunications had a drastic impact on this century-old company. Encyclopedia Britannica experienced similar problems by discounting the potential impact of CD-ROM technology on the reference book market.

Strategy and Performance

There is persuasive evidence from business practice and academic studies that superior strategies lead to superior performance, regardless of the attractiveness of the business environment.¹ High performance is more difficult to achieve in a demanding environment but the evidence suggests that organizations with sound strategies outperform their competition.

Environmental factors clearly impact performance, both negatively and positively, but companies with effective strategies sustain their competitiveness and perform better than their competitors.² For example, Singapore Airlines has an impressive record of performance even though many international airlines report major losses.

Strategy for Competitive Advantage

Competitive advantage results from offering superior value to customers through (1) lower prices than competitors charge for equivalent benefits and/or (2) unique benefits that more than offset a higher price.³ Competitive advantage often occurs within specific segments rather than spanning an entire product market. For example, Dell Computer quickly obtained a position in the personal computer market by targeting selected organizational buyers. Founded in 1984, Dell's sales in 1997 exceeded \$10 billion. Dell's targeting strategy is to sell PCs by mail at competitive prices. The company offers a 30-day money-back guarantee, a one-year warranty, and guaranteed 24-hour on-site service.⁴ These service features give Dell an important competitive advantage with small and medium-size business buyers. Other mail order PC marketers do not offer comparable services.

Compressing the length of time necessary to develop new products, enter new markets, keep products in inventory, and move products through distribution channels offers a potentially powerful competitive advantage. Speed as an element of strategy is important because⁵

- Shorter life cycles impose pressures to move products quickly into the marketplace.
- Speed allows companies to more quickly obtain profits from new products.
- Competitive threats can be avoided or reduced by doing things faster.

Time compression requires analysis of the activities that make up a process like new product development. The objective is to eliminate unnecessary activities and to reduce the time required to perform essential activities. Boeing, for example, substantially cut development time for the Boeing 777 by eliminating paper drawings and testing by use of a computerized design process. Caylx and Corolla (C&C), a fresh flower retailer, moves flowers from growers to consumers in less than three days compared to nine or more days via conventional flower distribution. C&C receives orders by phone from catalog displays and the order is transmitted to the grower and picked up the next day for delivery by Federal Express.

Ethics in Marketing

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.”⁶ 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 encountered most frequently are those described as amoral management.⁷ 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 those 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:⁸

- 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?