

CHRISTOPHER H. LOVELOCK  
AND CHARLES B. WEINBERG

# MARKETING CHALLENGES

CASES AND  
EXERCISES

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EXERCISES**

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## **MARKETING CHALLENGES**

### **Cases and Exercises**

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Case material is made possible by the cooperation of business firms and other organizations which may wish to remain anonymous by having names, quantities, and other identifying details disguised while maintaining basic relationships. Cases are prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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# PREFACE

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As in other fields of management, the study and practice of marketing are constantly evolving. Marketing texts and casebooks must reflect this evolution if they are to provide relevant training for future managers—or useful upgrading of skills for existing managers currently enrolled in business courses.

One of the most significant developments to take place during the 1980s has been the extension of marketing theory and practice to the service sector of the economy. Historically, the study of marketing focussed almost exclusively on manufacturing firms, with particular emphasis on those companies that marketed consumer goods. During the 1960s more attention was directed to the marketing problems of industrial manufacturing firms, and in the mid-70s both professional and academic marketers came to recognize that a marketing perspective could offer important insights to managers of public and nonprofit organizations. Even so, these extensions still ignored almost fifty percent of the economy, namely the marketing tasks and challenges facing managers of for-profit service businesses—a weakness in marketing curricula that this casebook helps to rectify by offering a balanced coverage of both the manufacturing and service sectors.

As the title *Marketing Challenges* suggests, marketing is both a demanding and exciting field. In this book, we've tried to select a mix of cases that would capture the breadth and depth of marketing management in the modern world. The materials embrace a broad cross-section of industries and types of organizations, both large and small, for-profit and nonprofit; the cases are set in a number of different countries and involve selling to both individual consumers and to industrial or institutional purchasers. The book is divided into nine parts, each focussing on a different aspect of marketing management, although there is, of course, some overlap between these parts. Each part comprises a brief textual introduction followed by four to six cases or other exercises. Complementing the textual notes is a glossary of selected marketing and management terms in Appendix 1. To help students understand some of the basic financial analyses required in marketing, we've included in Appendix 2 a short note on economic analysis of alternatives.

Another evolutionary change that affects both marketing practice and pedagogy is the use of computers for analytical and planning purposes. Although many marketing managers, especially in large- and medium-sized firms, have

long had access to computers, a growing number of managers now have their own personal computers. The same situation holds true at many business schools. This casebook breaks new ground by making available to instructors an optional package that enables students to undertake computer-assisted analysis of many of the materials. Details are provided in Appendixes 3 and 4. However, we do want to emphasize that with one exception—The Diffusion Game—all the cases and exercises in this book can also be prepared simply with the aid of a pocket calculator.

Over fifty percent of the cases in this book are drawn from the collections of the Harvard and Stanford Business Schools. The balance were prepared by authors at a wide variety of other institutions, including the University of British Columbia, the University of Western Ontario, IMEDE, and the London Business School. All the cases have been carefully classroom tested. Our thanks are due to the individual authors, who are acknowledged in the list of contributors as well as on the title page of each case. We thank the copyright holders, too, for giving us permission to reproduce their materials. In addition, we are grateful to the managements of the many organizations—sometimes disguised—that form the subjects of these cases, since it is only their willingness to share experience and data that made case development possible in the first place.

A great many people have assisted in the preparation and publication of *Marketing Challenges*. We're particularly grateful to our secretaries, Beverly Outram in Boston and Patricia Morison and Nancy Schell in Vancouver, and to the staffs of the word processing centers at both Harvard University and the University of British Columbia. Gerald J. Gorn provided excellent guidance, often under tight time constraints, Michael Ball ably did the programming for the optional computer disc that accompanies the book, and Karen Lindsey gave much valued editorial assistance. Reviewers Noel Capon, Columbia University; O. C. Ferrell, Texas A & M University; David J. Reibstein, University of Pennsylvania; and Ronald Stiff, University of Baltimore provided valuable feedback. We're also very appreciative of the important role played by the editorial and production staffs at the McGraw-Hill Book Company, especially for the assistance given by Cheryl Mehalik and Sheila Gillams.

Finally, we want to thank our many students. Over the years their critical and enthusiastic classroom discussions have helped us to sharpen and refine many of the cases, serving to remind us that much of the challenge and satisfaction of case teaching comes from the interaction between students and instructors.

Christopher H. Lovelock

Charles B. Weinberg

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# ANALYZING AND LEARNING FROM CASES

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Unlike methods of instruction which use lectures and textbooks, the case method of instruction does not present students with a body of tried and true knowledge about how to be a successful manager. Instead, it provides an opportunity for students to learn by doing.

For you, the student, dealing with cases will be very much like working with the actual problems that men and women encounter in their jobs as managers. In most instances, you will find yourself identifying and clarifying problems facing the management of a company or nonbusiness organization, analyzing qualitative information and quantitative data, evaluating alternative courses of action, and then making decisions about what strategy to pursue for the future. You will enjoy the process more—and probably learn more—if you accept the role of an involved participant rather than that of a disinterested observer who has no stake, or interest, in the resolution of the problems in question.

The goal in analyzing cases is not to develop a set of “correct” facts, but to learn to reason well with available data. Cases mirror the uncertainty of the real-world managerial environment, in that the information they present is often imprecise and ambiguous. You will find—and perhaps be frustrated by the fact—that there is no one right answer or correct solution to a case. Instead, you will see that there may be a number of feasible strategies management might adopt, each with somewhat different implications for the future of the organization, and each involving different trade-offs.

If you are using this book in a course or seminar, you will be exposed to a wide range of different management situations within a relatively short span of time. As a result, the cases presented in *Marketing Challenges* collectively will provide a much broader exposure to marketing problems than most managers experience in many years on the job. Recognizing that the problems with which managers must deal are not unique to a particular institution (or even to a specific industry) forms the basis for developing a professional sense of management.

## CASES AND THE REAL WORLD

It is important to recognize that even though case writers try to build realism into their cases, their cases differ from “real-world” management situations in several important respects. First, the information is prepackaged in written form. By contrast, practicing managers accumulate their information through such means

as memoranda, meetings, chance conversations, research studies, observations, news media reports, and other externally published materials—and, of course, by rumor.

Second, cases tend to be selective in their reporting because most of them are designed with specific teaching objectives in mind. Each must fit a relatively short class period and focus attention on a defined category of management problem within a given subject area. To provide such a focus—and to keep the length and complexity of the case within reasonable bounds—the writers may find it necessary to omit information on problems, data, or personnel that are peripheral to the central issue or issues in the case.

In the real world, management problems are usually dynamic in nature. They call for some immediate action, with further analysis and major decisions being delayed until some later time. Managers are rarely able to wrap up their problems, put them away, and go on to the next “case.” In contrast, discussing a case in class or writing an analysis of a case is more like examining a snapshot taken at a particular point in time. However, sometimes a sequel case provides a sense of continuity and the need for future decisions within the same organization.

A third, and final, contrast between case analyses and the realities of real-world management is that participants in case discussions and authors of written case reports are not responsible for implementing their decisions, nor do they have to live with the consequences. This does not mean, however, that you can be frivolous when making recommendations. Your instructor and classmates are likely to be critical if your contributions are not based upon a careful analysis and interpretation of the facts.

## **PREPARING A CASE**

Just as there is no one right solution to a case, there is also no single correct way of preparing a case. However, the following broad guidelines may help familiarize you with the job of case preparation. With practice, you should be able to establish a working style with which you feel comfortable. The guidelines on initial analysis and on developing recommendations should also serve you well for preparing written case reports or case-based exams.

### **Initial Analysis**

First, it is important to gain a feel for the overall situation by skimming quickly through the case. Ask yourself:

- What sort of organization is the case about?
- What is the nature of the industry (broadly defined)?
- What is going on in the external environment?
- What problems does management appear to be facing?

An initial fast reading, without your attempting to make notes or to underline, should provide you with some sense for what is going on and what information is

being presented for analysis. Then you will be ready to make a very careful second reading of the case. This time, seek to identify key facts so that you can develop a situation analysis and clarify the nature of the problem or problems facing management. As you go along, make some notes in response to such questions as:

- What decisions need to be made and who will be responsible for making them?
- What are the objectives of the organization itself and of each of the key players in the case? Are the objectives mutually compatible? If not, can the problems be reconciled or will it be necessary to redefine the objectives?
- What resources and constraints are present which may help or hinder attempts by the organization to meet its objectives?

You should make a particular effort to establish the significance of any quantitative data presented in the text of the case, or, more often, in the exhibits. See if new insights may be gained by combining and manipulating data presented in different parts of the case. But do not accept the data blindly. In the cases, as in real life, not all information is equally reliable or equally relevant. On the other hand, case writers do not deliberately misrepresent data or facts to try to trick you.

### **Developing Recommendations**

At this point in the analysis, you should be in a position to summarize your evaluation of the situation and to develop some recommendations for management. First, identify the alternative courses of action that the organization might take. Next, consider the implications of each alternative, including possible undesirable outcomes, such as provoking responses from stronger competitors. Ask yourself how short-term tactics fit with longer-term strategies. Relate each alternative to the objectives of the organization (as defined or implied in the case, or as redefined by you). Then, develop a set of recommendations for future action, making sure that these recommendations are supported by your analysis of the case data.

Your recommendations will not be complete unless you give some thought to how the proposed strategy should be implemented:

- What resources—human, financial, and other—will be required?
- Who should be responsible for implementation?
- What time frame should be established for the various actions proposed?
- How should subsequent performance be measured?

### **Small-Group Discussions**

The best results in the early stages of case preparation are generally achieved by working alone. But a useful step, prior to class discussion, is to discuss the case with a small group of classmates. (In some instances, you may find yourself assigned to a small discussion group as an integral part of the program experience,

or you may be required to work with others to develop a written report for possible group presentation.)

These small groups facilitate initial “testing” of ideas and help to focus the discussion on the main considerations. Within such a discussion group, present your arguments and listen to those of other participants. Except in the case of group projects, the aim of such a meeting is not to reach a consensus, but to broaden, clarify, and redefine your own thinking—and to help others do likewise.

Effective management of the marketing side of a business or other institution involves adjusting the organization’s resources to the changing character of the marketplace; this is different from just applying knowledge about what works and what doesn’t work in marketing. Accordingly, the focus of small-group discussions should be on analysis and decision making: What are the facts? What do they mean? What alternatives are available? What specifically should management do? How and when?

## CLASS DISCUSSIONS

Courses taught by the case method emphasize inductive learning, with conceptual frameworks and strategic guidelines being developed from the analysis of a variety of real-world situations. This approach contrasts sharply with the deductive approach to learning used in lectures where the concepts are presented first and must then be applied to actual situations.

### Role of the Instructor

In class, you may find that the role played by an instructor teaching the case method differs significantly from that of a lecturer. The instructor’s role in case discussions is often similar to that of a moderator—calling on students, guiding the discussion, asking questions, and periodically synthesizing previous comments. Teaching styles vary, of course, from one case instructor to another.

Many professors like to begin the class by asking a student to “lay out” the case, which may involve your being asked to identify key problems and opportunities, to present some preliminary data analysis, and perhaps to outline a possible plan of action.

Some instructors assign study questions in advance to help students with their case preparation, but others feel it is more realistic (albeit also more demanding) to let students define for themselves how they should approach each new case.

### Responsibilities of Participants

Instead of being a passive notetaker, as in lecture classes, you will be expected to become an active participant in case discussions. Indeed, it is essential that you participate; for if nobody participates there would be no discussion! If *you* never join in the debate, you will be denying the other participants the insights that you

may have to offer. Moreover, there is significant learning involved in presenting your own analysis and recommendations and debating them with your classmates—who may hold differing views or else seek to build on your presentation. But do not be so eager to participate that you ignore what others have to say. Learning to be a good listener is also an important element in developing managerial skills.

A few last words of general caution may be helpful. Avoid indiscriminate rehashing of the case facts in your presentations; the instructor and the other participants have already read the case, too. Work toward building a coherent class discussion rather than on repeating what others have said earlier or making random comments. Before jumping into the discussion, ask yourself if the points you plan to make are relevant to what has gone before, or if they will result in a significant redirection of the discussion.

Occasionally, it may happen that you are personally familiar with the organization depicted in a case. Perhaps you are privy to additional information not contained in the case, or perhaps you know what has happened since the time of the case decision point. If so, keep this information to yourself unless, and until, the instructor requests it. (This advice also holds true for written reports and case exams.) There are no prizes for <sup>20</sup>/<sub>20</sub> hindsight, and injecting extra information that nobody else has is more likely to spoil a class discussion than to enhance it.

Learning comes through discussion and controversy. In the case method of instruction, participants must assume responsibility not only for their own learning, but also for that of others in the class. Thus, it is important that you be well prepared, willing to commit yourself to a well-reasoned set of analyses and recommendations, and receptive to constructive criticism. If you do not accept this challenge, you are likely to find the case method aimless and confusing. On the other hand, if you do accept it, we are confident that you will experience in the classroom that sense of excitement, challenge, and even exasperation that comes with being a manager in real-world situations.

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## **THE NATURE OF MARKETING**

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Every reader of this book has been an active consumer for years, evaluating and purchasing a wide array of products from competing suppliers. But the cases in this book place the reader in a different role, that of the marketing manager in a diverse group of organizations, responsible for helping to develop, price, and distribute their products and encouraging customers to purchase them.

Purchases are transactions in which the customer offers something of value (typically money but also including time and personal effort) in exchange for the value represented by the product. Managing and facilitating these transactions lies at the heart of marketing management. Success in this endeavor requires an understanding of how individuals and organizations make decisions relating to purchase behavior and also of how this behavior may be influenced.

Historically, the study of marketing emphasized the purchase and sale of physical goods in the private sector of the economy. The greatest sophistication was achieved in consumer packaged goods, with attention later being directed to marketing consumer-durable and industrial goods. Today, the situation is different in that marketing expertise is now also highly valued by managers of service firms (whose output accounts for approximately half the gross national product). In the public and nonprofit sectors, too, there is widespread interest in developing a stronger marketing orientation among organizations as diverse as hospitals, transit authorities, museums, and performing-arts programs. Most nonbusiness organizations market services, but some sell goods through retail stores or mail order catalogs, and many promote social issues and behavior patterns—such as conserving scarce resources and voting in political campaigns. In this book, we will use the term *product* in its generic sense to include goods, services, and social behaviors.