
APPENDIX B

GUIDE TO CASE ANALYSIS

A case presents a situation involving a managerial problem or issue that requires a decision. Typically, cases describe a variety of conditions and circumstances facing an organization at a particular time. This description often includes information regarding the organization's goals and objectives, its financial condition, the attitudes and beliefs of managers and employees, market conditions, competitors' activities, and various environmental forces that may affect the organization's present or proposed marketing strategy. Your responsibility is to sift carefully through the information provided in order to identify the opportunity, problem, or decision facing the organization; to carefully identify and evaluate alternative courses of action; and to propose a solution or decision based on your analysis.

This appendix provides an overview of the case method. It begins with a discussion of the role that cases play in the teaching/learning process. This is followed by a series of guidelines for case analysis. After carefully reading this material, you should be prepared to tackle your first case analysis. Even if you have had previous experience with cases, the discussion will provide a useful review.

Why Cases?

The case method differs substantially from other teaching/learning approaches such as lecture and discussion. Lecture- and discussion-oriented classes provide students with information about concepts, practices, and theories. In contrast, cases provide an opportunity to *use* concepts, practices, and theories. The primary objective of the case method is to give you a hands-on opportunity to apply what you have learned in your course work.

Consider this analogy: Suppose that you want to learn to play a musical instrument. Your instruction might begin with several classes and reading assignments about your particular instrument. This could

include information about the history of the instrument and descriptions of the various parts of the instrument and their functions. Sooner or later, however, you would actually have to play the instrument. Eventually you might become an accomplished musician.

Now suppose you want to become a marketing professional, instead of a musician. You started with classes or courses that introduced you to the foundations of marketing management. Your prior studies may have also included courses in areas of specialization such as marketing research, buyer behavior, and promotion, as well as other business disciplines such as management, finance, accounting, economics, and statistics. You need practice and experience to become a professional. This is precisely the purpose of the case method of instruction. The cases in this book will give you opportunities to apply your knowledge of marketing and other business subjects to actual marketing situations.

Case studies help to bridge the gap between classroom learnings and the practice of marketing management. They provide us with an opportunity to develop, sharpen, and test our analytical skills at

- Assessing situations.
- Sorting out and organizing key information.
- Asking the right questions.
- Defining opportunities and problems.
- Identifying and evaluating alternative courses of action.
- Interpreting data.
- Evaluating the results of past strategies.
- Developing and defending new strategies.
- Interacting with other managers.
- Making decisions under conditions of uncertainty.
- Critically evaluating the work of others.
- Responding to criticism.

In addition, cases provide exposure to a broad range of situations facing different types and sizes of organizations in a variety of industries. The decisions that you encounter in this book will range from fairly simple to quite complex. If you were the managers making these decisions, you would be risking anywhere from a few thousand to several million dollars of your firm's resources. And you could be risking your job and your career. Obviously the risk, or the cost of making mistakes, is much lower in the classroom environment.

A principal difference between our earlier example of learning to play a musical instrument and the practice of marketing lies in what might be called consequences. A musician's expertise is based on his or her ability to perform precisely the same series of actions time after time. The outcome of perfect execution of a predetermined series of actions is the sought consequence: a beautiful melody. Marketing, on the other hand, is often described as a skillful combination of art and science. No two situations ever require exactly the same actions. Although the same skills and knowledge may be required in different situations, marketing executives must analyze and diagnose each situation separately and conceive and initiate unique strategies to produce sought consequences. Judgment, as opposed to rote memory and repetition, is one key to marketing success. When judgment and a basic understanding of the variables and interrelationships in marketing situations are coupled, they form the core of an analysis and problem-solving approach that can be used in any marketing decision-making situation.

The Case Method of Instruction

The case method of instruction differs from the lecture/discussion method that you have grown accustomed to since you began your formal education 14 or more years ago. It is only natural that you are a bit anxious and apprehensive about it. The methods of study and class preparation are different, your roles and responsibilities are different, and the "right" answers are much less certain. The case method is neither better nor worse than alternative methods; it is just different.

The case method is participative. You will be expected to take a more active role in learning than you have taken in the past. The case method is based

on a philosophy of learning by doing as opposed to learning by listening and absorbing information. Case analysis is an applied skill. As such it is something you learn through application, as opposed to something someone teaches you. The more you practice, the more proficient you will become. The benefit you receive from case analysis is directly proportional to the effort you put into it.

Your Responsibilities. Your responsibilities as a case analyst include active participation, interaction, critical evaluation, and effective communication.

Active Participation. We have already noted that the case method is participative. It requires a great deal of individual participation in class discussion. Effective participation requires thorough preparation. This entails more than casually reading each case before class. The guidelines in the next section of this appendix will assist you in preparing case analyses. Also, keep in mind that there is a difference between contributing to a class discussion and just talking.

Interaction. Interaction among students plays an important role in the case method of instruction. Effective learning results from individual preparation and thinking combined with group discussion. Whether you are assigned to work independently or in groups or teams, most instructors encourage students to discuss cases with other students. This, of course, is common practice among managers facing important business decisions. Case discussions, in and out of class, are beneficial because they provide immediate feedback regarding individual perspectives and possible solutions. Other important benefits of case discussions are the synergism and new insights produced by group brainstorming and discussion.

Critical Evaluation. One of the most difficult responsibilities of student case analysts is learning to critique their peers and to accept criticism from them. Typically, students are reluctant to question or challenge their classmates or to suggest alternatives to the perspectives proposed by others in the class. Students find this difficult because they are generally inexperienced at performing these functions and are also unaccustomed to being challenged by their peers in the classroom. However, the case method of instruc-

tion is most effective when all parties engage in an open exchange of ideas. Good cases do not have one clear-cut superior solution. Don't be shy about expressing and defending your views. Moreover, the reasoning process you use and the questions you raise are often more important than the specific solution that you recommend.

Effective Communication. Each of the three responsibilities discussed above requires effective communication. It is important that you organize your thoughts before speaking. You will develop and refine your communication skills by making class presentations, participating in case discussions, and writing case analyses. Furthermore, the focus of the case method is the development and sharpening of quantitative and qualitative analytical skills. Your analytical skills will improve as you organize information, diagnose problems, identify and evaluate alternatives, and develop solutions and action plans.

Case analysis plays an important role in your overall education. What you learn in a course that uses the case method may be your best preparation for securing your first job and launching your career. If you ask a sample of recruiters to assess the students who are completing undergraduate and graduate programs in business administration today, you will probably hear that these students are extremely well-trained in concepts and quantitative skills but that they lack verbal and written communication skills and decision-making skills. The case method offers students an excellent opportunity to enhance and refine those skills.

A Guide to Case Analysis

There is no one best way to analyze a case. Most people develop their own method after gaining some experience. As with studying, everybody does it a little bit differently. The following suggestions are intended to give you some ideas of how others approach cases. Try these suggestions and make your own adjustments.

Begin by reading each case quickly. The purpose of the first reading should be to familiarize yourself with the organization, the problem, or the decision to be made, the types and amount of data provided, and in general to get a feel for the case. Your second

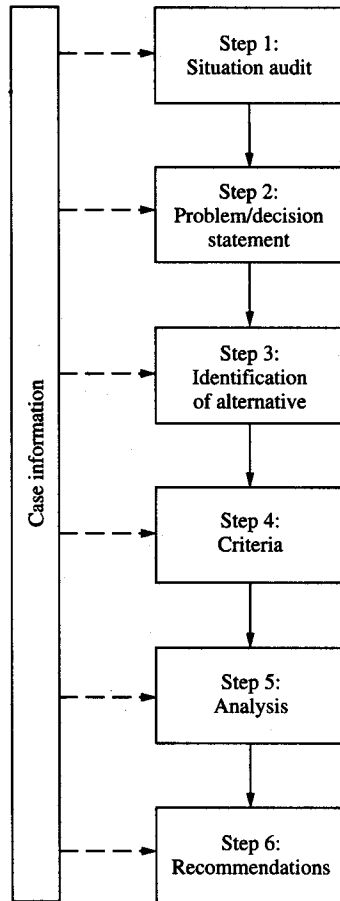
reading of the case should be more careful and thorough. Many students find it helpful to underline, highlight, and make notes about symptoms, potential problems and issues, key facts, and other important information.

Now you should be in a position to investigate the tabular and numerical data included in the case. Ask yourself what each figure, table, or chart means, how it was derived, whether or not it is relevant, and whether further computations would be helpful. If calculations, comparisons, or consolidations of numerical data appear useful, take the necessary action at this time.

A large part of what you will learn from case analysis is how to define, structure, and analyze opportunities and problems. The following information is intended to provide you with a general framework for problem solving. In essence, it is the scientific method with some embellishment. If your instructor does not assign a preferred analytical framework, use the approach shown in Exhibit B-1. A discussion of each step follows, and a detailed outline of analytic issues and questions is provided in this appendix.

Step 1: Situation Audit The situation audit phase of the problem-solving process is basically a synopsis and evaluation of an organization's current situation, opportunities, and problems. This phase of case analysis is typically handled in a worksheet form rather than as a formal part of the written case. The primary purpose of the audit is to help you prepare for problem definition and subsequent steps in the problem-solving process. The situation audit interprets and shows the relevance of important case information. Thus it is important that your situation audit be diagnostic rather than descriptive.

It is descriptive to recognize that, "Company A's current and quick ratios are 1.03 and 0.64, respectively." A diagnostic look at these figures indicates that Company A may not be able to meet maturing obligations. The poor quick ratio shows that without inventory, the company's least liquid asset, short-term obligations could not be met. In other words, Company A is insolvent. If you have information about a number of different problems or challenges facing Company A, knowing that the company is insolvent helps you to focus your attention on those that affect the firm's short-term survival needs.

EXHIBIT B-1*An Approach to Case Analysis*

The breadth and depth of an appropriate situation audit are determined by the nature and scope of the case situation, and your instructor's specific instructions. Each case will require a situation audit that is a little different from any of the others because of the information available and the decision to be made.

There are at least two philosophies regarding the appropriate depth and scope of a situation audit. One philosophy holds that the situation audit should include a thorough and comprehensive assessment of the organization's mission and objectives; each business unit of interest; present and potential customers and competitors; the organization's market-target objectives and strategies; its marketing program positioning strategy; its product, distribution, pricing and promotion strategies; current planning,

implementation, and management activities; its financial condition, and an overall summary of the organization's situation. If your instructor favors a thorough and comprehensive situation audit, you will find the outline for case analysis in this appendix quite helpful in organizing your work.

Some instructors, however, feel that the situation audit need not be a thorough and comprehensive study, but rather a short, concise analysis of the organization's major strengths, weaknesses, opportunities, and threats—reserving the comprehensive effort for the analysis step. Some call this a SWOT analysis, and recommend including only information that is crucial in preparing to analyze the case. The emphasis here is on *analysis, diagnosis, synthesis, and interpretation* of the situation. In a written assignment

you should be able to present this in less than two pages.

A Note on Gathering More Data and on Making Assumptions. Students often feel that they need more information in order to make an intelligent decision. Decision makers rarely, if ever, have all the information they would like to have prior to making important decisions. The cost and time involved in collecting more data are often prohibitive. Decision makers, like you, therefore have to make some assumptions. There is nothing wrong with making assumptions as long as they are explicitly stated and reasonable. Be prepared to defend your assumptions as logical. Don't use lack of information as a crutch.

For example, an assumption that Company A, mentioned previously, cannot borrow large sums of money is both reasonable and defensible. To assume that it could borrow large sums of money would require a clear explanation of why some lender or investor would be willing to lend money to, or invest money in, a firm with a quick ratio of 0.64.

Step 2: Problem/Decision Statement Identification of the main problem, opportunity, or issue in a case is crucial. To paraphrase from *Alice in Wonderland*, if you don't know where you are going, any solution will take you there. If you don't properly identify the central problem or decision in a case, the remainder of your analysis is not likely to produce recommendations necessary to solve the organization's main problem.

You may become frustrated with your early attempts at problem/decision identification. Don't feel alone. Most students and many experienced managers have difficulty with this task. Your skill will improve with practice.

A major pitfall in defining problems/decisions occurs in confusing symptoms with problems. Such things as declining sales, low morale, high turnover, or increasing costs are symptoms that are often incorrectly identified as problems. You can frequently avoid incorrectly defining a symptom as a problem by thinking in terms of causes and effects. Problems are causes, and symptoms are effects. The examples cited above are the effects or manifestations of something wrong in the organization. Why are sales declining? Why is morale low? Why is turnover high? Why

are costs increasing? The key question is *why*. What is the cause? Sales may be declining because morale is low and turnover is high. Why is morale low, and why is turnover high? These effects may be caused by an inadequate compensation plan, which in turn may be caused by inadequate profit margins. Profit margins may be low because products have been incorrectly priced or because the distribution system is outdated. As you can see, symptoms may appear in one part of the overall marketing program, and the true problem may lie elsewhere in the program. Keep asking why, until you are satisfied that you have identified the problem (cause) and not just another symptom (effect).

Think about this analogy. You are not feeling well, so you make an appointment to see your physician. The physician will ask you to describe what is bothering you. Suppose you say you have a headache, a sore throat, chills, and a fever. The physician will probably take your temperature, look in your throat, and perhaps examine you in other ways. The goal, of course, is to diagnose your problem so that a remedy can be prescribed.

How does this relate to case analysis? Your headache, sore throat, chills, and fever are symptoms of something wrong. They are signals to you to seek help. This information also assists your physician in making his or her diagnosis. These symptoms are similar to the declining sales, poor morale, high turnover, and increasing costs that we discussed earlier. They are the effects of some underlying cause. Your role in case study, like the role of your physician, is to analyze the combination of symptoms that can be identified, and then to determine the underlying problem.

Let's carry the analogy a bit farther. Suppose the physician's diagnosis is that you have a common cold. Since there is no cure for a cold, all he or she can do is prescribe medication to treat the symptoms. The cold will cure itself in a matter of days.

Now suppose the diagnosis of the cause is incorrect. Instead of just a common cold, you contracted malaria during a recent vacation in Southeast Asia. If the physician treats the symptoms or effects, they will be temporarily reduced or eliminated, but they will soon reappear. Each time they reappear they will be more severe, until the ailment is properly diagnosed or you die. This is precisely what will happen in an organization if a symptom is incorrectly

identified as a problem. Treating the symptom will temporarily reduce its dysfunctional impact on the organization, but sooner or later it will reappear. When it reappears it will probably be more severe than it was previously. This is why carefully identifying the root problem, decision, or issue in your case analysis is so important.

When you identify more than one major problem or decision in a case, ask yourself whether or not the problems or decisions are related enough to be consolidated into one problem/decision statement. You may not yet have reached the central problem. If, however, you have identified two or more problems that are not directly associated with one another, we recommend that you rank them in the order of their importance and address them in that order. You may find that although the problems do not appear to be closely linked, the solutions are related. One solution may solve multiple problems.

A final suggestion regarding defining problems or decisions is to state them concisely and, if possible, in the form of a question. Try to write a one-sentence question that is specific enough to communicate the main concern. For example,

- Should Brand A be deleted from the product line?
- Should General Mills implement a cents-off campaign, or should it use coupons to stimulate trial of its new cereal Gold Rush?
- Which two of the five sales candidates should be hired?
- How should L.A. Gear define its marketing planning units?
- What is the best marketing program positioning strategy for Rollerblade?

In addition to your problem/decision statement, you may find it useful to provide a brief narrative describing the main parameters of the problem/decision. This is helpful when you have a compound problem/decision that can be subdivided into components or subproblems.

Step 3: Identification of Alternatives. Alternatives are the strategic options or actions that appear to be viable solutions to the problem or decision situation that you have determined. Often, more than

two seemingly appropriate actions will be available. Sometimes these will be explicitly identified in the case, and sometimes they will not.

Prepare your list of alternatives in two stages. First, prepare an initial list of alternatives that includes all the actions that you feel might be appropriate. Group brainstorming is a useful technique for generating alternatives. Be creative, keep an open mind, and build upon the ideas of others. What may initially sound absurd could become an outstanding possibility.

After you have generated your initial list of alternatives, begin refining your list and combining similar actions. Use the information that you organized in your situation audit regarding goals, objectives, and constraints, to help you identify which alternatives to keep and which to eliminate. Ask yourself whether an alternative is feasible given the existing financial, productive, managerial, marketing, and other constraints and whether it could produce the results sought. That is, does the alternative directly address the problem or decision you identified in Step 2? If your problem/decision statement and your alternatives are inconsistent, you have erred in one step or the other. To help avoid this mistake, be explicit in showing the connections between the situation audit, the problem/decision statement, and the final set of alternatives.

Doing nothing and collecting more data are two alternatives often suggested by students with limited case experience. These are rarely the best actions to take. If you have identified a problem or a decision that must be made, ignoring the situation probably will not help. Likewise, recommending a survey, hiring a consultant, or employing some other options associated with gathering more data is rarely a viable solution to the central problem or issue. In some cases, a solution may include further study, but this will normally be part of the implementation plan rather than part of the solution. Most cases, at least those included in this book, are based on real business situations. You have the same information that was available to the decision maker when the decision was made. The major difference is that your data are already compiled and organized. If complete information were available, decisions would be easy. This is not the case in business situations, so it may help you to become familiar with making decisions

under conditions of uncertainty. Executives, like case analysts, must rely on assumptions and on less-than-perfect information.

Step 4: Criteria. Next you should develop a list of the main criteria that you will use to evaluate your strategic options. By expressly stating the criteria you intend to use in evaluating alternatives, you make clear the measures you plan to use in assessing and comparing the viability of your alternative courses of action.

Perhaps the best place to start in identifying criteria is to ask yourself what factors, in general, should be considered in making a strategic decision regarding this particular problem. For example, assume that your task is to identify the most attractive product-market niche. Your alternatives are niches X, Y, and Z. Your question then would be, What criteria should be employed in assessing the choices of product-market niches? An appropriate set of criteria might include (for each niche) potential sales volume, variable costs, contribution margins, market share, total niche sales, business strength, and niche attractiveness. This will provide an evaluation relative to the market and to competition.

The single most important factor in many decisions is profitability. Since profits are a principal goal in all commercial organizations, nearly every marketing decision is influenced by monetary considerations that ultimately affect profits (or expected profits). Sometimes several profit-oriented criteria are involved. These may include future costs and revenues, break-even points, opportunity costs, contribution margins, taxes, turnover, sales, and market share, for example.

Many criteria are only indirectly linked to profits. Such things as the impact of a decision on employees, the local economy, the environment, suppliers, or even customer attitudes may not directly affect profits. Because profits are almost always the overriding criterion, all factors bearing on them, directly or indirectly, must be considered.

Step 5: Analysis. Analysis is the process of evaluating each alternative action against the issues that were identified in Step 4. Often, analysis includes assessment of advantages and limitations associated with each issue. A tendency exists when first starting

a case analysis to identify important issues carefully and then to analyze each issue superficially. The consequence is a weak analysis. Your analysis will be much more penetrating and comprehensive if you use the same criteria in assessing each alternative.

One way of assuring that you assess each alternative in terms of each critical issue is to organize your analysis in outline form as follows.

Step 5 Analysis

Alternative A: (Specify the alternative)

1. Identify the criterion and thoroughly discuss Alternative A in terms of criterion number 1.
2. For the remaining criteria, follow the same procedure.

Alternative B: (Specify the alternative)

1. Criterion 1. Thoroughly discuss Alternative B in terms of critical issue number 1.
2. Criterion 2–n. Follow the same procedure.

Following is a brief, unedited example from a student paper. The problem/decision was whether Wyler Foods, a powdered soft-drink subsidiary of Borden, should introduce a new line of unsweetened powdered drink mixes to compete with the market leader, Kool-Aid. One alternative was to introduce the product and attempt to compete head-to-head with Kool-Aid. Criteria identified by the student were

1. Projected profit impact.
2. Long-term growth implications.
3. Competitor reactions.
4. Resource requirements.
5. Competitive advantages and/or disadvantages.

Analysis of the alternative in terms of each criterion follows. (*Note that exhibits identified in the analysis are not included.*)

Step 5 Analysis

Alternative A. Head-to-head competition with Kool-Aid

- 1.1 *Projected profit impact.* The profit potential for head-to-head competition with

Kool-Aid does not seem promising. Assuming that the product will perform nationally as it did during test marketing, it should achieve a 4 percent share of the \$143.51 million unsweetened powdered drink mix (UPDM) market (see Exhibit 1).

This represents sales of \$5.74 million. Long-term share could be as low as 2.5 percent of the overall market. A retail price of 12 cents per packet, and cost of goods sold of 9.4 cents per packet will produce a contribution margin of approximately \$1.24 million (see Exhibit 2). This level of contribution margin will not be sufficient to cover advertising and sales promotion expenditures, which will exceed \$4 million, and could rise to \$8–10 million.

Quantity allowances to stimulate grocer acceptance will have to be in the \$800,000 area. Adopting this alternative would lead to substantial first-year losses, minimally in the \$4–5 million range, and possibly much higher (see Exhibit 3).

1.2 *Long-term growth implications.* Long-term corporate growth factors are dependent upon how deeply the new product can penetrate the Kool-Aid-dominated UPDM market. If the product performs no better than the test market results indicate, this strategy would be a long-term money loser. The product will have to capture roughly 15.4 percent of the UPDM market to break even (see Exhibit 4).

1.3 *Competitor reactions.* Kool-Aid can be expected to spend \$10–12 million more on advertising and sales promotion than is proposed for the new product in its first year. Kool-Aid can also be expected to emphasize its traditional position as the favored UPDM. The leading brand is able to exercise considerable influence in established distribution channels to keep the new product line off the grocers' shelves, necessitating huge quantity allowances to achieve penetration. Through 50 years of acclimation, the consumer is now at the point of utilizing the Kool-Aid product as the taste benchmark; this imperils the new

product line even before the contest starts. Perhaps of greatest importance, Kool-Aid may opt for price competition. Because of sales volume considerations, Kool-Aid can cut prices and maintain profitability. Wyler simply could not afford to match Kool-Aid's potential price cuts. To do so would further darken its bleak profit outlook (see Exhibit 5).

1.4 *Resource requirements.* Wyler seems to be short on financial resources necessary to implement this alternative (see Exhibit 5). Substantial cash infusions would be needed for some time before any cash outflows would be generated. Wyler's personnel seem to be capable of executing the strategy.

1.5 *Competition advantages and/or disadvantages.* Implementation of this alternative involves doing battle with Kool-Aid on Kool-Aid's home ground. Rather than exploiting a key Wyler strength, this alternative seems to favor Kool-Aid's strengths and Wyler's weaknesses. Wyler will be playing by Kool-Aid's rules, which isn't likely to produce a successful outcome.

Although this is a fairly simple example without any financial comparisons, it illustrates a useful approach for evaluating alternative actions. Note that each alternative should be evaluated in terms of each criterion. After the alternatives are analyzed against each criterion, you should complete your analysis with a summary assessment of each alternative. This summary will provide the basis for preparing your recommendations.

One approach that students sometimes find useful in preparing their summary analyses is illustrated in Exhibit B-2. Its preparation involves the following five steps:

- Step 1: List criteria on one axis and alternative actions on the other axis.
- Step 2: Assign a weight to each criterion reflecting its relative importance on the final decision. For convenience, assign weights that add up to one.
- Step 3: Review your analysis and rate each alternative on each criterion using a

EXHIBIT B-2 ABC Company Summary Assessment

Criteria	Relative Weights	Alternatives (ratings)		
		(1)	(2)	(3)
Corporate mission and objectives	(.2)	(5)	(2)	(3)
Market opportunity	(.3)	(2)	(3)	(5)
Competitive strengths/weaknesses	(.2)	(2)	(3)	(2)
Financial considerations	(.3)	(1)	(1)	(4)
Index: Relative weight \times Rating		2.3	2.2	3.7

scale of one to five with one representing very poor and five representing very good.

Step 4: Multiply the weight assigned to each criterion by the rating given to each alternative on each issue.

Step 5: Add the results from Step 4 for each alternative.

It is important to understand that this type of analytical aid is *not* a substitute for thorough, rigorous analysis, clear thinking, and enlightened decision making. Its value is in encouraging you to assess the relative importance of alternatives and criteria, and helping you to organize your analysis.

Step 6: Recommendations. If your analysis has been thorough, the actions you recommend should flow directly from it. The first part of your recommendations section addresses what specific actions should be taken and why. State the main reasons you believe your chosen course of action is best, but avoid rehashing the analysis section. It is important that your recommendations be specific and operational. The following example of a recommendation deals with whether a manufacturer of oil field equipment (OFE) should introduce a new product line.

The key decision that management must make is whether viscosity-measurement instrumentation represents a business venture that fits into the overall mission of the firm. The preceding analysis clearly indicates that this would be a profitable endeavor. If OFE concentrates on the high-accuracy and top end of the intermediate-accuracy range of the market, sales

of \$500,000 appear feasible within two to four years, with an estimated contribution to overhead and profits in the \$145,000 range. This is assuming that manufacturing costs can be reduced by 20 to 25 percent, that effective marketing approaches are developed, that further product development is not extensive, and that price reductions per unit do not exceed 10 percent.

The second part of your recommendations section addresses implementation. State clearly who should do what, when, and where. An implementation plan shows that your recommendations are both possible and practical. For example,

OFE should initially offer two instruments. One should provide an accuracy of 0.25 percent or better; the second should be in the accuracy range of 0.1 to 0.5 percent. Top priority should be assigned to inland and offshore drilling companies. Next in priority should be R&D laboratories in industry, government, and universities, where accuracy needs exist in the range offered by OFE. Based on experience with these markets, other promising targets should be identified and evaluated.

OFE needs to move into the market rapidly, using the most cost-effective means of reaching end-user markets. By developing an original-equipment-manufacturer (OEM) arrangement with General Supply to reach drilling companies and a tie-in arrangement with Newtec to reach R&D markets, immediate access to end-user markets can be achieved. If successful, these actions will buy some time for OFE to develop marketing capabilities, and they should begin generating contributions from sales to cover the expenses of developing a marketing program. An essential element in the OFE marketing strategy is locating and hiring a person to manage the marketing effort. This person

must have direct sales capabilities in addition to being able to perform market analysis and marketing program development, implementation, and management tasks.

The last part of your recommendations section should be a tentative budget. This is important because it illustrates that the solution is worth the cost and is within the financial capabilities of the organization. Too often, students develop grandiose plans that organizations couldn't possibly afford even if they were worth the money. Budgeting and forecasting are discussed in Appendix A.

Your instructor realizes that the numbers used in your tentative budget may not be as accurate as they would be if you had complete access to the records of the company. Make your best estimates and try to get as close to the actual figures as possible. The exercise is good experience, and it shows that you have considered the cost implications.

Students often ask how long the recommendations section should be and how much detail they should go into. This question is difficult to answer because each case is different and should be treated that way. In general it is advisable to go into as much detail as possible. You may be criticized for not being specific enough in your recommendations, but you are not likely to be criticized for being too specific.

An Outline for Case Analysis

The outline shown here is an expanded version of the approach to case analysis discussed in this appendix. Although reasonably comprehensive, the guide can be shortened, expanded, and/or adapted to meet your needs in various situations. For example, if you are analyzing a business unit that does not utilize channels of distribution, section VIIIB of the outline will require adjustment. Likewise, if the salesforce represents the major part of the marketing program, then section VIIIE should probably be expanded to include other aspects of salesforce strategy.

This guide is not intended to be a comprehensive checklist that can be applied in every case. Instead, it is illustrative of the broad range of issues and questions you will encounter in analyzing the strategic decisions presented in this book and elsewhere. The key is to *adapt the outline to the case*, not the case to the outline.

Step 1. Situation Audit

- I. Corporate mission and objectives.
 - A. Does the mission statement offer a clear guide to the product markets of interest to the firm?
 - B. Have objectives been established for the corporation?
 - C. Is information available for the review of corporate progress toward objectives, and are the reviews conducted on a regular (quarterly, monthly, etc.) basis?
 - D. Has corporate strategy been successful in meeting objectives?
 - E. Are opportunities or problems pending that may require altering marketing strategy?
 - F. What are the responsibilities of the chief marketing executive in corporate strategic planning?
- II. Business unit analysis.
 - A. What is the composition of the business (business segments, strategic planning units, and specific product markets)?
 - B. Have business strength and product-market attractiveness analyses been conducted for each planning unit? What are the results of the analyses?
 - C. What is the corporate strategy for each planning unit (e.g., growth, manage for cash)?
 - D. Does each unit have a strategic plan?
 - E. For each unit, what objectives and responsibilities have been assigned to marketing?
- VIII. Buyer analysis.
 - A. Are there niches within the product market? For each specific product market and niche of interest to the firm, answer items B through I.
 - B. What are estimated annual purchases (units and dollars)?
 - C. What is the projected annual growth rate (five years)?
 - D. How many people/organizations are in the product market?
 - E. What are the demographic and socioeconomic characteristics of customers?
 - F. What is the extent of geographic concentration?

- G. How do people decide what to buy?
 1. Reason(s) for buying (What is the need/want?).
 2. What information is needed (e.g., how to use the product)?
 3. What are other important sources of information?
 4. What criteria are used to evaluate the product?
 5. What are purchasing practices (quantity, frequency, location, time, etc.)?
- H. What environmental factors should be monitored because of their influence on product purchases (e.g., interest rates)?
- I. What key competitors serve each end-user group?
- IV. Key competitor analysis. For each specific product market and each niche of interest to the firm, determine
 - A. Estimated overall business strength.
 - B. Market share (percent, rank).
 - C. Market share trend (five years).
 - D. Financial strengths.
 - E. Profitability.
 - F. Management.
 - G. Technology position.
 - H. Other key nonmarketing strengths/limitations (e.g., production cost advantages).
 - I. Marketing strategy (description, assessment of key strengths and limitations).
 1. Market-target strategy.
 2. Program positioning strategy.
 3. Product strategy.
 4. Distribution strategy.
 5. Price strategy.
 6. Promotion strategy.
- V. Market-target strategy.
 - A. Has each market target been clearly defined and its importance to the firm established?
 - B. Have demand and competition in each market target been analyzed, and key trends, opportunities, and threats identified?
 - C. Has the proper market-target strategy (mass, niche) been adopted?
- D. Should repositioning or exit from any product market be considered?
- VI. Market-target objectives.
 - A. Have objectives been established for each market target, and are these consistent with planning-unit objectives and the available resources? Are the objectives realistic?
 - B. Are sales, cost, and other performance information available for monitoring the progress of planned performance against actual results?
 - C. Are regular appraisals made of marketing performance?
 - D. Where do gaps exist between planned and actual results? What are the probable causes of the performance gaps?
- VII. Marketing program positioning strategy.
 - A. Does the firm have an integrated positioning strategy made up of product, channel, price, advertising, and sales-force strategies? Is the role selected for each mix element consistent with the overall program objectives, and does it properly complement other mix elements?
 - B. Are adequate resources available to carry out the marketing program? Are resources committed to market targets according to the importance of each?
 - C. Are allocations to the various marketing mix components too low, too high, or about right in terms of what each is expected to accomplish?
 - D. Is the effectiveness of the marketing program appraised on a regular basis?
- VIII. Marketing program activities.
 - A. Product strategy.
 1. Is the product mix geared to the needs that the firm wants to meet in each product market?
 2. What branding strategy is being used?
 3. Are products properly positioned against competing brands?
 4. Does the firm have a sound approach to product planning and management, and is marketing involved in product decisions?

5. Are additions to, modifications of, or deletions from the product mix needed to make the firm more competitive in the marketplace?
6. Is the performance of each product evaluated on a regular basis?

B. Channels of distribution strategy.

1. Has the firm selected the type (conventional or vertically coordinated) and intensity of distribution appropriate for each of its product markets?
2. How well does each channel access its market target? Is an effective channel configuration used?
3. Are channel organizations carrying out their assigned functions properly?
4. How is the channel of distribution managed? What improvements are needed?
5. Are desired customer service levels reached, and are the costs of doing this acceptable?

C. Price strategy.

1. How responsive is each market target to price variation?
2. What roles and objectives does price have in the marketing mix?
3. Does price play an active or passive role in program positioning strategy?
4. How do the firm's price strategy and tactics compare to those of competition?
5. Is a logical approach used to establish prices?
6. Are there indications that changes may be needed in price strategy or tactics?

D. Advertising and sales promotion strategies.

1. Are roles and objectives established for advertising and sales promotion in the marketing mix?
2. Is the creative strategy consistent with the positioning strategy that is used?

3. Is the budget adequate to carry out the objectives assigned to advertising and sales promotion?
4. Do the media and programming strategies represent the most cost-effective means of communicating with market targets?
5. Do advertising copy and content effectively communicate the intended messages?
6. How well does the advertising program meet its objectives?

E. Salesforce strategy.

1. Are the roles and objectives of personal selling in the marketing program positioning strategy clearly specified and understood by the sales organization?
2. Do the qualifications of salespeople correspond to their assigned roles?
3. Is the salesforce the proper size to carry out its function, and is it efficiently deployed?
4. Are salesforce results in line with management's expectations?
5. Is each salesperson assigned performance targets, and are incentives offered to reward performance?
6. Are compensation levels and ranges comparable to those of competitors?

IX. Marketing planning.

A. Strategic planning and marketing.

1. Is marketing's role and responsibility in corporate strategic planning clearly specified?
2. Are responsibility and authority for marketing strategy assigned to one executive?
3. How well is the firm's marketing strategy working?
4. Are changes likely to occur in the corporate/marketing environment that may affect the firm's marketing strategy?
5. Do major contingencies exist that should be included in the strategic marketing plan?

- B. Marketing planning and organization structure.
 - 1. Are annual and longer-range strategic marketing plans developed and used?
 - 2. Are the responsibilities of the various units in the marketing organization clearly specified?
 - 3. What are the strengths and limitations of the key members of the marketing organization? What is being done to develop employee skills? What gaps in experience and capability exist on the marketing staff?
 - 4. Is the organizational structure for marketing appropriate for implementing marketing plans?
 - X. Financial analysis.
 - A. Sales and cost analyses and forecasts.
 - B. Profit contribution and net profit analyses and projections.
 - C. Liquidity analyses.
 - D. Break-even analyses.
 - E. Return on investment.
 - F. Budget analyses.
 - G. Pro forma statements.
 - XI. Implementation and management.
 - A. Have the causes of all performance gaps been identified?
 - B. Is implementation of planned actions taking place as intended? Is implementation being hampered by marketing or other functional areas of the firm (e.g., operations, finance)?
 - C. Has the strategic audit revealed areas requiring additional study before action is taken?
 - XII. Summary of the situation.

Has the situation audit revealed opportunities that would enable the organization to gain a competitive advantage based upon its distinctive competencies?

 - A. What are the major opportunities available to the organization?
 - B. What are the major threats facing the organization?
 - C. What are the requirements for achieving success in selected product markets?
 - D. What are the organization's and the principal competitors' distinctive competencies regarding these requirements? Do these areas of strength complement a given opportunity, or do strategic gaps exist that serve as barriers to pursuing the opportunity?
 - E. What strategic gaps, problems, and/or constraints relative to competitors appear?
 - F. What time and resources are required to pursue an opportunity or close a strategic gap?
 - G. Does the organization's mission (or objectives) need to be redefined?
 - XIII. Opinions and assumptions.
 - A. Are opinions or assumptions provided by others? Are they reasonable, given the source?
 - B. Is it necessary to make assumptions about the organization's objectives, competition, the environment, or something else?
- Step 2. Problem/Decision Statement**
- A. What are the symptoms that suggest a problem exists?
 - B. What is the major problem or decision that must be addressed?
 - C. Are there secondary problems or decisions?
- Step 3. Identification of Alternatives**
- A. What actions might provide viable solutions to the problem or decision?
 - B. Can actions be combined?
 - C. Can actions be eliminated without further consideration?
- Step 4. Criteria**
- What criteria should be used to evaluate the strategic options? Any of the items listed in the situation audit may be relevant issues in analyzing the alternatives.
- Step 5. Analysis**
- A. Examine each alternative in terms of each criterion.

- B. What are the relative advantages and disadvantages of each choice in terms of each of the criteria?

Step 6. Recommendations

- A. What specific actions, including the development of marketing or other plans, should be taken and why?

- B. Who should do what, when, and where?
- C. What are the expected costs and returns associated with your recommendations?
- D. What contingencies may alter the attractiveness of your recommendations?