

## **Mini case study – Chapter 1**

### **Netflix ready for primetime**

Shocked at the \$40 fee he incurred for a late return of *Apollo 13*, Netflix founder Reed Hastings decided that in the age of the Internet, there had to be a better way to rent videos for home viewing. Thus, in 1997, he started an Internet-based, DVD rental service that offered direct-to-home deliveries with no late fees. A mere decade and 4 million subscribers later, Netflix has taken on established video rental companies such as Blockbuster, Hollywood Video and Wal-Mart and emerged as the leader in innovation and customer service. In addition to betting that the Internet would be the future of video rental marketing, Hastings made a few other key predictions that helped him develop a company with almost US\$700 million in revenue in under 10 years. He watched as moviegoers left public theatres for the comfort of home theatre systems, and he observed those same customers embracing the features, capacity and high-quality format of the DVD. Realising that the Internet could allow those same convenience seekers 24-hour browsing and selection access to an unprecedented volume of movie titles in a single digital catalogue, Hastings shrewdly designed a service that outperforms traditional, store-based video rentals. Netflix allows consumers to choose from a variety of subscription plans. The most popular plan offers three DVDs for \$17.99 per month. Once a subscriber builds a list of favourite movies and TV shows from a selection of over 60 000 titles, Netflix mails out the three titles at the top of the list, along with return-addressed prestamped envelopes. After viewing the DVDs, the customer simply mails them back to Netflix in the supplied packaging. When the titles are scanned in at one of the distribution warehouses, the customer is simultaneously sent the next selections on the favourites list. With 34 strategically placed distribution centres, Netflix can deliver 92 per cent of its movies within one day of being ordered. That outstanding delivery service is just the tip of the iceberg. Netflix's website takes personalisation to new levels through high-powered recommended software, called Cinematch. Cinematch users over a million lines of code and over half a billion customer supplied ratings to suggest rental choices upon request. Amazingly, over 60 per cent of the titles added to users' favourites lists come from Cinematch recommendations, and over a million ratings are sent to Netflix every day. Just how effective is Cinematch? Netflix uses fewer than 50 customer service reps to support its entire customer base! Of those, 10 are authorised to make direct callbacks to customers with complaints to find out how the problem could have been prevented in the first place. It's that kind of attention to customers that forced retail giant Wal-Mart to give up and turn over its entire customer list to Netflix.

Netflix even added two key features to its service in response to customer requests. The first is the ability to generate multiple favourites lists for a single account, allowing families to build multiple wish lists that can differ as much as *Steel Magnolias* and *Old School*. The second is the addition of a community feature called 'Friends'. Friends enables users to share the titles, ratings and preferences for recently viewed shows with those they invite to be part of their network. Always looking to the future, Hastings wants to diversify Netflix by adding high-definition DVD rentals to its current service, selling previously rented DVDs in the rapidly growing used-DVD market, and developing an on-demand video download service. Though it's impossible to tell exactly what blockbuster service Netflix will deliver next it's a safe bet its customers will applaud.

### **Questions**

1. Describe the elements of the exchange process as they occur between Netflix and its customers.
2. Which marketing management philosophy does Netflix subscribe to?
3. How does Netflix's approach to relationship marketing increase customer satisfaction?

### Mini case study – Chapter 2

**Ballet: dancing on a tightrope** The Boston Ballet's *Nutcracker* is one of the longest running shows in North America. The seasonal offering plays about 40 performances in a seven-week period each year and attracts over 100 000 fans. Almost 30 per cent of the Boston Ballet's US\$20 million annual budget comes from *Nutcracker* performances. For 35 years, the ballet has been performed at the Wang Centre for the Performing Arts, a nonprofit facility located in the heart of Boston's Theatre District. For the 2003 holiday season, however, the Wang Centre chose to book the Radio City Rockettes rather than the Boston Ballet's performance of the *Nutcracker*, citing an uncertain economy and commercial competition. With 3600 seats, the Wang Center is the largest of many performing arts venues in Boston, including the 1700-seat Colonial Theatre, the 1100-seat Wilbur Theatre, the 500-seat Charles Playhouse and the newly renovated 2600-seat Opera House, not to mention numerous smaller venues. After being replaced by the Rockettes, the Boston Ballet moved to the Colonial Theatre. Because arts institutions typically rely on holiday sales to support less profitable artistic ventures during the rest of the year, the choice of venue has a direct impact on the revenue a show expects to generate. The move to the Colonial Theatre, which has less than half the seats of the Wang Centre, cost the Boston Ballet US\$2.2 million. The cheapest ticket to the *Nutcracker* costs US\$25; for the Rockettes, US\$18.50. The Boston Ballet is only one of many classical performing arts institutions (ballet, opera, symphony) struggling to maintain revenues in the face of increased competition from more popular theatre blockbusters, many of which are part of national touring companies. (The venerable Boston Pops had to cancel three holiday concerts the year the Rockettes came to town.) Often national shows like Radio City Holiday Spectacular, *The Lion King*, and *Blue Man Group* are better attended than traditional fine arts performances, including the ballet, which also faces competition from new trends in dance and in entertainment in general. In response, bastions of professional classical ballet training are offering a broader curriculum to prepare dancers for a wider range of opportunities. The director of the School of Nashville Ballet tells students 'never be in a situation where a teacher or choreographer asks you to do something, and you say "I can't do that," either technically or artistically.' At the School of Nashville Ballet, classes in hip-hop and jazz are increasingly popular, especially as a means of attracting boys to dance. In the United States, ballet suffers from a lack of interest among boys, who are more apt to begin dance through a contemporary dance class than anything else. In part, this explains the rise of male Hispanic dancers through the ranks of many US ballet companies. Lorena Feijoo, a Cuban-trained principal with the San Francisco Ballet, says, 'In Cuba, you grow up around people singing and dancing all the time. Ballet is the same kind of thing, only more refined.' The artistic director of the San Francisco Ballet agrees, 'In this country, young men have to struggle to become a dancer. In Spain and Latin countries, like Cuba, dance is something that's accepted.' Changes are occurring among the population of female dancers as well. Throughout the history of ballet, it was rare for ballerinas to have children. That is changing, however, as more of today's thirty-something dancers are opting to have children and return to their careers afterward. Beyond trends in dance, general trends in entertainment are affecting the popularity of ballet and other fine arts. At its inception, television channel A&E (Arts & Entertainment) broadcast fine arts performances and related programming from around the world. The network was successful because it offered a broader range of shows than any regional market could provide. By 2005, however, A&E's main offerings demonstrated a dramatic shift in programming. Such nonscripted programs as *Dog the Bounty Hunter*, *Growing Up Gotti*, *Airline*, *Family Plots*, *The First 48*, *Team Kniewel* and *Intervention* make up the bulk of A&E's schedule, complemented by off-network programs like *24*, *CSI: Miami*, and *The Sopranos*. Robert Di Bitetto, A&E's executive vice president of programming, explained the changes by saying, 'If you were to do, say, behind the scenes at the Metropolitan Museum of Art, it just wouldn't work. It may be one of the greatest museums in the world, but I guarantee you, it's a 65-year-old audience – and regrettably so. If we could do those programs and attract an 18–49 audience, we would. But the unfortunate reality is that it's not the thing viewers are looking for.' A&E is not alone in its move away from so-called upscale programming: Bravo has switched from arts programming to more commercial fare; and Discovery Channel has moved away from documentary programming and toward a more entertainment-oriented format. And fine arts aren't competing only with popular television programming – there are also the likes of PlayStation and Xbox to contend with.

### Questions

1. Outline the external marketing environment for the Boston Ballet.
2. Think about the marketing environment for the ballet (or other fine arts organisations) in your area. Is it the same as the one you outlined for the Boston Ballet? If not, account for any differences.
3. Can ballet troupes manage their environment? How? 4. How can ballet troupes modify their marketing mix to be more competitive?

### **Mini case study – Chapter 3**

Deli Depot is a new franchise opportunity offering cold and hot sandwiches, soup, chilli con carne, fresh and frozen yoghurt, cakes and biscuits. It is positioned to compete with Subway and similar sandwich restaurants. Its unique advantages include special sauces on sandwiches, supplementary menu items such as soup and cakes, and quick delivery within specified zones. The franchise package offered to franchisees includes information on the factors that typically influence consumers' selection of casual eating places. These selection factors, in order from most important to least important, include food taste, food variety, value for money, restaurant reputation, friendliness of employees and convenience of location. Robert Powell and a group of investors purchased the right to all franchise locations in the Brisbane metropolitan area. His group estimates that five units can be opened successfully in the first year and that a total of 30 can be opened in the first five years. Because this is a new franchise, potential customers must first be made aware of Deli Depot and then convinced to try it. Over the long run, a loyal customer base must be established to make each Deli Depot a success.

#### ***Questions***

1. Are Deli Depot's unique advantages strong enough to attract customers from Subway and other sandwich competitors? Why or why not?
2. Are all the important customer selection factors for sandwich restaurants included in the list? Do you agree with the importance rankings? Explain your answers.
3. How can Robert and his group make potential customers aware of the new Deli Depot locations and menu selections?
4. How can Robert and his group convince individuals who try Deli Depot to become regular customers?

### **Mini case study – Chapter 4**

Dan White is an independent video producer whose biggest client is the Queensland Department of Primary Industries (QDPI). Although this account is big enough to support the entire business, Dan has developed other lines of business to eliminate the risks involved with having only one customer. Dan has also landed a sizable account through a high school friend who is the manager of Good Hands Insurance. This also happens to be the company that underwrites Dan's life insurance. Additionally, Dan is hired to work on various projects for large production companies. Dan generated this business through long-term relationships. In the coming year, he is contemplating several strategic changes. Because of the increasing speed at which the video industry is evolving, Dan has observed two important trends. First, he is finding it increasingly difficult to own the latest video equipment that his customers are demanding. Second, Dan's clients are not able to keep up with the recent developments in the industry and would be willing to pay more for his expertise. Dan is looking into a lease for new equipment and is contemplating an increase in his prices.

#### ***Questions***

1. What Australian New Zealand Standard Industrial Classification (ANZIC) code would you assign to Dan's business?
2. Is Dan's choice to use Good Hands Insurance ethical? Why or why not?
3. How can Dan use the inelasticity of demand to his advantage?
4. Would you advise Dan to lease or buy the new equipment? Why?

### **Mini case study – Chapter 5**

Judy Brown has always loved working with animals. She has experience in pet grooming, boarding and in-home pet sitting. Judy wants to open a full-service business utilising her skills that is uniquely positioned in relation to the traditional pet grooming/boarding businesses that operate in the town where she lives. Customers who use these current pet services deliver their pets to the organisations and later pick them up. Most are open between 9 a.m. and 6 p.m. from Monday to Friday. Judy lives in a medium-sized city that is close to a major airport. Many high-tech industries are located in or near her city, so many people are employed in managerial and information technology positions, and they frequently travel as part of their jobs. A lot of families have pets, so Judy thinks there is a market for pet-related services, despite the current competition.

#### **Questions**

- 1 How should Judy segment the market for pet services?
- 2 What targeting strategy should Judy use to start her business? Should this strategy change as her business prospers and grows?
- 3 How should Judy position her pet services business against her competition?

### **Mini case study –Chapter 6**

Corinne and Daniel Orset are thinking about opening an independent fast-food restaurant specialising in deli-style sandwiches and quiches. Daniel recently ran across some marketing research information, as described here. Consumers claim that fast service is less important than the convenience of getting to the restaurant in the first place. Twenty-six per cent of adults surveyed by XYZ Marketing Research Organisation say that a convenient location is the most influential factor in their choice of fast-food restaurants. Men are more likely than women to value convenience, at 31 per cent compared to 23 per cent, and those aged 65 and older value it less than younger adults. The thing average Australians value most highly after location is the fast food itself. Twenty-five per cent of respondents say that quality of food is the deciding factor in their choice of restaurant. This may mean they consider the food superior, but it could also mean that they appreciate the consistency of knowing they'll get the same thing every time, every place. Women, young adults and seniors are more likely than average to claim that quality is the key ingredient. Only 12 per cent of adults say they make fast-food choices based on speed of service, and just 8 per cent say price is the key. Adults under age 25 have lower than average incomes, and they are more likely than those with average incomes to cite price as the most important reason for their restaurant choices. Middle-aged adults worry less about menu selection, maybe because they are often accompanied by children who tend to want the same thing every time. Just 3 per cent of those aged 35 to 44 claim that their choice is most influenced by children's preferences, yet the presence of offspring may explain why they are less likely than any other age group to care about selection and food quality. They do care about money and time. This age group ranks second after young adults in valuing reasonable prices and second after 55- to 64-year-olds in caring about fast service. The middle-aged are also most likely to make decisions based on brand names, again possibly because of their children.

#### **Questions**

- 1 How might Corinne and Daniel use the preceding information?
- 2 Is this research performing a: (a) descriptive function; (b) diagnostic function; or (c) predictive function
- 3 Is the preceding research basic or applied? Explain your answer.
- 4 The above research is part of a report by XYZ Marketing Research Organisation, which regularly conducts telephone surveys of a nationally representative sample of 1000 adults. Comment on the representativeness of its research.

### **Mini case study – Chapter 7**

The Baker family owns one of the largest barramundi farms in northern Western Australia, and is known for raising the best barramundi in the area. After graduating from university with a degree in marketing, Frank Baker returned to the farm with a lot of ideas on new ways to cash in on the farm's reputation. At the time, the family allowed the local supermarket to use the Baker name on their barramundi sold in the store. Frank, eager to put his degree to work, convinced his family that they could make money from their name by selling their barramundi products already packaged to supermarkets. After hearing the idea, the family met to formulate a plan to begin selling Baker Farms Barramundi.

#### ***Questions***

- 1 What type of product is the Baker family selling? List your reasons.
- 2 What type of branding is the Baker family using? List your reasons.
- 3 How should Baker Farms Barramundi be packaged?
- 4 Assuming that the Baker family wishes to reposition its barramundi products, what would be an optimal strategy and what brand personality should they adopt and why?

### **Mini case study –Chapter 8**

Joyce Strand removed the newest batch of home-spun wool from the dye bath where she was colouring it before knitting it into home-made jumpers and vests that she would later sell to the Highland Craft Store. To her surprise, she had added too much dye to the bath, and the wool had become a completely different colour than she expected. The darker dye had also accentuated the chunky nature of the home-spun wool, making some parts lighter than others. Although the colour and apparent texture were much different, the wool still had its soft feel, so Joyce decided to use it anyway. She made three jumpers and two vests from it, which she then took to the Highland Craft Store to let the customers decide whether they liked the new look. The new look became a huge success in the store. Because of her recent success, Joyce began experimenting with other different colours and textures of wool that she makes into new items to sell at the store. Realising that innovation can be very profitable, Joyce now actively looks for new ways to please her customers.

#### ***Questions***

1. How might Joyce ensure that proper attention is paid to developing new products?
2. What factors should she be aware of that might lead to product failure?
3. Prepare a list of criteria that Joyce might use to evaluate whether her new-product ideas should be developed further

### **Mini case study –9**

Peterson House has owned and operated a small sparkling wine organisation in the Hunter Valley region of Australia for about 13 years ([www.petersonhouse.com.au/](http://www.petersonhouse.com.au/)). Peterson House has also experimented with preparing and selling several sparkling wine varieties. For the most part the wine is sold locally at the cellar door, by mail order, or through the Peterson House Society club membership. Peterson's most recent product has been a huge success locally, and several enquiries have come from other distributors about the possibilities of selling the product regionally and perhaps nationally. No research has been conducted to determine the level or scope of demand for the wine.

#### ***Questions***

- 1 What should Peterson House do to help the firm decide how best to market the new wine?
- 2 Should Peterson House sign a contract with one of the distributors to sell the wine, or should the firm try to sell the product directly to one or more of the major distributors?

### **Mini case study 2 – 10**

Ron Johnson is developing a retail strategy to open up his new athletic footwear and sports equipment store. He has decided to carry Nike and Converse as his two lines of athletic footwear. This will give him top-of-the-line merchandise (Nike) and a lower-priced, high-quality alternative (Converse). He obtained permission from one of his former university lecturers to hold brainstorming sessions in a couple of his classes. From these sessions, he identified the following evaluative criteria customers might use in selecting particular athletic footwear to purchase: (1) attractiveness/style/colour; (2) brand name; (3) comfort; (4) price; (5) endorsement; and (6) quality. He also determined that location, friends' recommendations, brands carried and store atmosphere are important in selecting a place to purchase athletic footwear.

#### ***Questions***

- 1 What type of retailing strategy should Ron use?
- 2 Which elements of the retailing mix are relatively more important?

### **Mini case study – 11**

Morgan's is a retail clothing store offering high-quality, reasonably priced merchandise. Its target markets include students at the local university and working individuals, primarily in the age range 18 to 35. The location is about five kilometres from the campus in an upscale strip shopping centre next to a small, local shopping complex. For several years the owner has been using several students as part-time salespersons and assistant managers. He has been able to find good workers, but turnover is high and training new employees takes a lot of time. Also, his sales training has consisted mostly of asking new students to review the reports of former student employees. To reduce these problems he has considered hiring a university graduate full time and fewer part-time students. The full-time employee should reduce turnover and the need for repeated training and be able to help him develop a better sales training approach. He pays the students between \$10 and \$16 per hour, depending on their experience. University graduates would have to be paid between \$44 000 and \$54 000 per year plus benefits.

#### ***Questions***

1. What factors must be considered in making this decision?
2. Should the owner hire a university graduate as a full-time employee? Why?

### **Mini case study – 12**

Quality of service is increasingly the basis for deciding where to do business. Customers are five times more likely to return to a particular business if they perceive that it is providing higher-quality service than the competition. The Student Copy Centre is a local business competing with Kinko's and a couple of other national franchise copy centres. Its owner, Mack Bayles, has just attended a Small Business Administration workshop on customer service. He learned that when people say they expect good customer service, they most often mean they want prompt and accurate service from friendly, knowledgeable and courteous employees. The presenter also emphasised that all market segments, even the most price-conscious, expect good customer service. Mack wants to use this knowledge to develop an effective advertising campaign. Mack has no idea what his customers think about either his copy business or that of his competitors. He decides, therefore, to ask his customers to complete a brief survey while in his store. From his survey he learns that the Student Copy Centre is considered friendlier and more courteous than the major competitors, but is rated lower on speed of service.

#### ***Questions***

1. What should Mack do before developing his advertising campaign?
2. Should Mack use comparative ads? 3. What advertising appeal would be most effective for Mack? Why?

### Mini case study – 13

Scentwise is a small Australian distributor of a line of quality women's perfumes to intermediate- and high-priced department and speciality stores. It has recently decided to add a new lower-priced line to its product mix in order to capture a slightly different segment of the market. The new product is called 'Aussie Scent'. For an exercise, assume that a recent market test revealed the following estimated total demand for the product at the quoted prices.

Price (\$)	Number of units
15.00	25 000
20.00	20 000
22.50	19 000
25.00	11 000
27.50	10 000

The accounting department figured that the average variable cost for the new perfume would be \$13 per unit. Fixed costs are estimated at \$40 000.

### Questions

1. Assuming that the market research studies are accurate, what price should be charged for the perfume?
2. What kind of market research study could have been done to determine the demand schedule for the perfume? Assume that fixed costs are \$140 000 rather than \$40 000. Should the company have produced for the short run? For the long run?
3. Discuss the advantages and disadvantages of break-even analysis.
4. What is the break-even point for this perfume? Of what significance is that point?

### Mini case study – 14

Yucca, also known as cassava or manioc, is a plant that produces a starchy root that is a subsistence staple for farmers in the Amazon and other tropical areas. The processed root is also widely used as animal feed, but in its raw form, yucca is poisonous (a natural source of cyanide). Despite its bland taste and toxic potential, yucca has inspired Gerald Ritthaler to start a new venture. Ritthaler is determined to turn the lowly yucca into an upscale 'natural' snack in the form of the beloved chip. He has bought land in Venezuela, purchased an abandoned government yucca flour mill and imported chip-making production equipment from Michigan, in the United States. His new company, Ritz Foods, packages the yucca chips in a glossy, black, seven-ounce bag that retails for US\$3.79. Ritthaler has already obtained a vending chips have received an enthusiastic response from Linda Palermo, the manager and owner of The Boy's Farmers Market in Florida, where the unusual chips are selling well. However, there is already competition. Dana Alexander, Inc., has produced a fancy, multicolour root mix called Terra Chips, which is 10 per cent yucca (and also happens to come in glossy black bags). Additionally, Frito-Lay is marketing fat-free chips and toying with the idea of 'alternative roots'. Ritthaler is undeterred, citing the immense size of the potato-chip market.

### Questions

- 1 What is an appropriate mission statement for Ritz Foods?
- 2 What specific objective would you suggest that it achieve?
- 3 What are the strengths, weaknesses, opportunities and threats in this situation?
- 4 What strategic growth options can Ritz Foods pursue?
- 5 What should the target market be, and should Ritthaler consider an international marketing strategy? Why?
- 6 What are the elements of Ritz Foods' marketing mix, and how would these differ with an international strategy? Describe a brief strategy for each of the four Ps for both the domestic and international markets.

### **Mini case study - 15**

With the raised awareness of global warming and the need to reduce electricity usage governments are encouraging householders to move to compact fluorescent bulbs. The incandescent light bulb is on notice in the United States by 2012, Australia 2010, and the Canadian province of Ontario will do the same by 2012. The advantages of the compact fluorescent bulb are numerous, including:

- Compact fluorescent lights are the most energy efficient form of lighting commonly available today.
- They fit into the same lamp sockets as ordinary incandescent globes but use only about one-fifth of the energy to produce the same amount of light. They are also now available in downlight fittings.
- They also last much longer with a lamplife of around 8000 hours compared to 1000 hours for an ordinary bulb.
- Although they cost more to buy, compact fluorescent lights cost less to run, so they are best used to light areas where they will be on for long periods. Most compact fluorescent lights pay for themselves in around 1000 operating hours.

Further recent developments have introduced the use of different gases so that other lighting is available including 'warm white' and other 'colour temperature' models. These models will give the same colour light as incandescent globes. However, many homes in Australia have lights with dimmer switches. Generally it can be said that dimmer switches and fluorescent lighting are not a good mix and can burn out the switch or the bulb. The cost of removing the switch could be expensive as qualified electricians are needed.

### ***Questions***

1 What steps would you take to develop a marketing strategy for a new globe manufacturer that produces dimmable LED lights (that can also change colour) to compete with the currently available compact fluorescent globes and the dimmable compact fluorescent globes.