

TEXT CASES

SUGGESTED SOLUTION TO CASE 1:

DORI'S DIAMONDS

1. *If you were Dorian, what steps would you take to grow the business?*

Right now the business relies solely on Dorian, and there is only so much of her to go around. While she does get assistance from several of her contractors, she needs to add management capacity to the various parts of her business to free her up to plan and execute a growth plan.

The diamond business is growing well through the channels she has chosen. There appears to be limited potential with Dori's Dolls, but the marketing services business would seem to have great potential.

2. *What do you see as the greatest challenges facing Dorian as she moves her business forward?*

Dorian's biggest challenge is how to develop management capacity to help run the various businesses. While she is clearly the architect of her own success, she is also the limiting factor in growing the business. Her strengths lie in the artistic and strategic sides of the business, so the logical first employee would be an operations manager to help organize the various events and marketing activities. Other business functions, such as bookkeeping and accounting, can be contracted out.

Establishing mainstream business credibility for the marketing services business is the second challenge. As a relatively new business, it lacks a big-name "reference" customer that would generate that credibility. One route to get this would be to leverage her work with charities by providing some services for free or at cost in return for their endorsement.

3. *How does Dorian's approach to marketing differ from that of traditional jewellery retailers? Do you think this approach is more successful or less?*

Traditional jewellers rely on bricks-and-mortar locations, conventional advertising, and sometimes trade shows, such as bridal fairs. They attempt to serve several market segments. Dorian's approach started with targeting a specific younger demographic with quality, but less expensive, products. Her channels have been direct channels. Starting with displays at college and university student centres, expanding to event-based marketing, and using the Internet, Dorian has made a firm decision to avoid the challenges and costs of a physical store.

SUGGESTED SOLUTION TO CASE 2:

DILLON'S SMALL BATCH DISTILLERS

1. *How would you classify the type of start-up idea that was present for Geoff Dillon?*

The start-up idea Dillon used could be considered a new benefit idea, which is to provide customers with improved and unique distillery products.

2. *Which factors and trends in the general and industry environment will be the most important for Dillon's?*

In terms of the general and industry environment, Dillon's can be affected by many. One significant general environment factor would be related to political/legal trends affecting the sale of craft distillery products in Ontario, where regulations reduce margins for the products compared to other alcohol products, such as wine.

Using social media to market takes advantage of technological trends as well as certain sociocultural trends.

In the industry environment, the two key factors to consider would appear to be the threat of substitute products and the threat of new competitors.

3. *How would you describe Dillon's competitive advantage? What type of strategy would be best to pursue based on that?*

One could describe Dillon's competitive advantage as delivering a quality distillery product that is constantly changing or improving over time.

The strategic focus in terms of product would be to maintain an active but broad-quality product line and continue to develop new tastes and experiences for the customer.

In terms of place considerations, the focus would continue being local but not missing opportunities to grow and expand.

The price focus must be to maintain margins while lobbying the Ontario government to reduce restrictions against distillers.

The promotional face would concentrate on building brand awareness through continued use of social media.

4. *What type of market segments exist for Dillon's? Which would you consider pursuing in the future?*

One could argue that Dillon has a niche strategy. While maintaining this connection with a growing target market of craft distillery product users, Dillon should not ignore the possible growing market on such a broader scale through online sales.

SUGGESTED SOLUTION TO CASE 3:

SMITTY’S LI’L HAULERS

Leo Donlevy prepared this teaching note as an aid to instructors in the classroom use of Case 3: Smitty’s Li’l Haulers. This teaching note should not be used in any way that would prejudice the future use of the case.

It was October 1998, and Jeff Malott, a young, aspiring entrepreneur, had just toured the rustic factory and retail store of Smitty’s Li’l Haulers, a Shedden, Ontario-based manufacturer of children’s toy wagons. Jeff was very impressed with what he had seen. Smitty’s was for sale, and Jeff wondered if this was the right opportunity for him.

Teaching Objectives

1. To illustrate the opportunity identification process
2. To introduce concepts required for opportunity analysis
3. To illustrate the need for a fit between the entrepreneur and the opportunity
4. To examine the buy versus start-up trade-offs

Immediate Issues

1. Jeffery Malott has been recommended to the owner of Smitty’s, John Smith, as a potential buyer. Jeff has toured the assembly facility and had extensive discussions with John and has to make a decision whether to look seriously at the Smitty’s opportunity.
2. Buying Smitty’s would mean abandoning a long-held dream, one for which he now has a full business plan, for a new bar/nightclub concept for London, Ontario.
3. Since being exposed to the idea of buying a business, Jeff is wondering if there might be better opportunities than Smitty’s out there.

Basic Issues

1. Looking at the entrepreneur’s process for finding opportunities
2. Examining the fit of the various options with the entrepreneur
3. Examining what information and process to go through to assess the different opportunities
4. Examining the trade-offs between buying and starting a business

Suggested Student Assignment

1. What do you think Jeff did well in looking for opportunities? How would you improve on this process?
2. What steps would you take to examine the Smitty’s opportunity and see if it might be worth entering into negotiations to buy the business?
3. How would you go about determining if the \$100,000 asking price is realistic?
4. If you were in Jeff’s shoes, which alternative would you choose? Why? What criteria or factors did you consider in making your choice?

Responses to Suggested Student Assignment

1. Jeff committed himself to the process by giving up his apprenticeship and taking a part-time job to have time to explore the bar/nightclub idea. He networked very well in the local business community. Jeff recognized the need for guidance and undertook to educate himself in the business skills

necessary to both assess opportunities and to run a business. However, he had become overly committed to bar idea, which blinded him to other possibilities until the Smitty's opportunity was presented to him

2. Jeff needed to understand the business more: the distribution network, the competition, the customers, and he needed to write a new business plan. He had only met the owner once, so he needed to spend more time with him and the business in order to assess his character.
3. If you look at Exhibit C3-1 and take an average of about \$200 per unit, the company only had normal revenues of around \$100,000. Since we don't have access to the financial statements (Jeff did at the time, but no longer has them), we have to do some rough estimation. If we assume a generous 5 percent net income of \$5,000 and use a rule-of-thumb of 3–5 times earnings, we get a price of \$15,000–\$25,000. The two large orders have no guarantee of repeat, but the owner is obviously factoring them in. If we do, then we get a net income of \$40,000 and a value of \$120,000–\$200,000. However, the big orders were likely heavily discounted, so the \$100,000 asking price may be on the high side.
4. In order to answer this, you could do a decision matrix and assess the options. Criteria would be things like riskiness, ability to finance, profit potential, growth potential, fit with Jeff's background, etc. The bar is inherently risky and Jeff's father is not in favour, so love money may not be available for the bar. It should be for Smitty's. Smitty's also has current sales and a motivated vendor, and Jeff sees lots of ways to improve the product and to grow the business. It appears to be a fit, given his mechanic's background.

SUGGESTED SOLUTION TO CASE 4:

TWO MEN AND A TRUCK®/INTERNATIONAL, INC.

1. *Limiting sales territories is one of the common restrictions that franchise contracts impose on franchisees. Do an Internet search for TWO MEN AND A TRUCK franchises in your immediate area. How many are there? Does this number reflect the company's population requirements?*

Students' answers should demonstrate that they accurately identified the number of franchisees and the relevant population for the area. If there are no Two Men and a Truck companies in the local area, the instructor could propose an alternative location or an alternative company to investigate.

2. *Which moving companies compete with TWO MEN AND A TRUCK in your area? Are there differences in their rates of success? How could you measure those differences? Are there differences in their advertising? In their rates for items such as boxes and packing supplies? Which companies have an advantage, and why?*

This answer is similarly dependent on the local region. Students should be expected to identify leading firms in the moving industry serving the area and should be able to identify from their marketing approaches how the firms are attempting to differentiate themselves. The critical component of the student responses is their ability to justify their answers.

3. *Suppose that after owning a TWO MEN AND A TRUCK franchise for five years, you decided to go out on your own with a new moving company called Four Movers. What kinds of legal issues would you face?*

The essential response should address whether or not the franchisee signed a noncompete clause with the franchisor. If so, the former franchisee will face legal restrictions based on what is in the signed agreement. Typically, the restrictions are for the type of business started (should not be a direct competitor) and for a specified geographic territory (often equivalent to whatever the former franchisee's territory was but could be a city or state or some other relevant area) and will be limited to a period of time (usually 3 to 5 years, but there are exceptions). There may also be legal problems if the new business owner infringes on trademark or copyrighted material—copying the designs or verbiage of the franchisor too closely. And there could be a problem with patents or trade secrets if the former franchisee uses something that the franchisor is protecting as intellectual property.

SUGGESTED SOLUTION TO CASE 5: THE ULTIMATE GARAGE

1. *What marketing strategy is Ultimate Garage pursuing? Which target markets do you think the company is pursuing?*

Primary target market: garage owners in the Calgary area

There are several subsegments or niches within the overall target market:

- families
- car collectors
- carpenter hobbyists
- ultimate gardeners
- sports enthusiasts
- fitness buffs
- wine collectors
- games room players
- home-based business owners

Secondary target market: commercial work spaces

Tertiary target market: retail work spaces

Product

Garage transformations: cabinetry, storage, flooring

• <u>Garage Cabinets</u>	Redline, Baldhead, Challenger Designs, Geneva Garage Gear, Proslat Garage Cabinets , Ulti-Mate Garage Cabinets
• <u>Garage Storage</u>	Onrax Overhead Storage, Proslat Wall Storage, Tuff-E-Nuff Slatwall Wall Storage
• <u>Garage Flooring</u>	Floor coating

Price

- Varies depending on product/service selected
- 20-year guarantee offered on some products/services

Place

- Serve clients (garages and workspaces) from Calgary base extending to Red Deer (north), Medicine Hat (east), Lethbridge (south), and Banff (west)
- Use of skilled installers and contractors
- Computer-generated drawings

Promotion

- Trade shows
 - Website
 - Flyer (direct mail)
2. *Visit Ultimate Garage's website, and analyze its effectiveness. Which alternative promotional venues would you recommend?*

The website is very clean and visually appealing. Compared to competitor's web sites, the graphic quality and layout are excellent. There is some ability to move around in the graphics as if you were moving around in a garage. Web site enhancements would be possible in terms of allowing prospective customers to use some of the company's computer-generated drawing capabilities.

The URL has some issues as the link ultimategarage.com belongs to a U.S. company. The website has some issues of functionality on smartphones, although it views well on such browsers as IE, Netscape, and Firefox.

Detailed analysis of the website on key factors:

- *Accessibility:* content separate from navigation but lacks some text-based alternatives (within images and files); full-screen and normal versions available
- *Navigation:* some user-friendly movement available; only a few clicks to reach maximum depth; quick response to mouse clicks; visually easy to find things; readable and intuitive
- *Design:* aesthetically appealing; customers may want the ability to click on the pictures as opposed to the menu on top
- *Content:* succinct and informative; speaks well to target market; text size may be a bit small
- *Security:* may want a client/member area in the future
- *Technical:* loads quickly; all links are valid and active; scripts are free from errors; no site map function
- *Marketing:* Could be better optimized for search engines; no shopping cart or online purchasing ability

Alternative Promotional Venues

- Web 2.0/social media: blogs, Facebook, Twitter, online forums, and so on
- Television: national (Home and Garden TV [HGTV], DIY network), local (community stations)
- Radio: advertising during peak driving hours
- Referral programs
- Partnerships with major home/automotive retail establishments
- Corporate social responsibility: line of green products, more responsible/sustainable business practices

Recommendation

Budgetary issues may lead away from TV and radio. Referral programs are an easy adaptation, but the power of social media is something for Ultimate Garage to embrace.

Ultimate Garage could begin using Twitter, set up a Facebook page, monitor and contribute to online forums, and so on.

3. *Evaluate your local market to determine if a similar service is available. If so, compare the advertising communication. Which firm is more effective?*

Student answers will vary depending on the location of the market.

4. *How could Ultimate Garage expand its services?*

New product, same customers: offer such things as HVAC (heating, ventilation, and air conditioning), expand the line of accessories to include tools and equipment for the do-it-yourselfer, and so on

New product, new customers: offer services for customers with disabilities, such as wheelchair ramps, in-house mobility solutions, and so on

Same product, new customers: extend the area served by establishing a second location in a surrounding market, such as Edmonton

5. *Assess the franchising potential for the venture. Would you recommend that Ultimate Garage expand through franchising?*

Franchising potential can be assessed by looking at the key factors from the text:

Positives

- Increase the speed of expansion: a slower speed is fine for Ultimate Garage Inc.
- Reduction of capital requirements: being a capital-intensive business, it would lower the financial risk
- Increase in management motivation: the risk here is in management expertise lowering and affecting the reputation of the whole group; the success of the business is to a large extent the result of the experience and quality of the existing management and contractors.

Negatives

- Reduction in control: This is also an issue in terms of product/service quality.
- Sharing of profits: Given that capital investment risk would be lowered, this is likely not a bad trade-off.
- Increase in operational support: To ensure the standards are met, training and ongoing support would need to be increased.

Generally, it is recommended that more gradual growth would be advised rather than franchising, unless a senior contractor who has worked for a long time with Ultimate Garage Inc. wanted to set up a franchise.

6. *Design a CRM process for the company. Identify the benefits a CRM system would provide.*

CRM Process

It is important when designing a CRM system to design it from the inside-out as well as the outside-in. The internal focus relates to helping companies manage their relationships with their customers. The external focus of becoming more prominent with an eCRM initiative lets customers manage their relationships with the company.

The two building blocks from the text are

1. Outstanding transactional relationships with customers:
 - Customer service
 - Technology support
 - Customer information
2. Knowledge of customer behaviour:
 - Decision making
 - Psychological influences
 - Sociological influences

Many CRM systems are not designed with users in mind—the sales reps and customer support personnel who enter and maintain information in the system. Too often the systems simply add work without providing valuable information for managers and executives to analyze. Ensure that the users are involved in system design and deployment so that they will see how it will make their lives easier. It is important to understand the business processes that are to be automated. Starting with a more simple system at first and adding new capabilities later will ensure a more successful implementation.

CRM Benefits

- Acquisition costs for new customers are high; it pays to keep existing customers.
- Long-time customers spend more money than new ones.
- Happy customers refer their friends and colleagues.
- Order-processing costs are higher for new customers.
- Old customers will pay more for products.

CRM systems are not inexpensive, but they reduce overall customer costs in the long run and improve the overall relationship between the customers and the organization.

SUGGESTED SOLUTION TO CASE 6:

NAPIER ENTERPRISES

1. *What is Napier's current approach to market research? What is the company doing right? In which areas could the company improve?*

Napier is trying to balance the use of both secondary and primary research. The company is making use of secondary research from SEMA and the Outdoor Industry Foundation, which is a cost-effective approach in terms of obtaining industry-related data. However, it is not doing much in terms of accessing primary research, relying on the mail-in warranty cards that some customers send in for demographic information and conversations with customers at industry trade shows. There is nothing being done on a more in-depth level to gauge consumer opinion, attitudes, or lifestyles—information that could be valuable in terms of developing new products and knowing where to spend marketing dollars.

2. *What types of secondary data and primary data could Napier benefit from?*

Napier could benefit from more specific secondary research in a number of areas. Information specifically related to other potential geographic markets that may provide expansion opportunities for the company would be useful (such as the number of camping and outdoor enthusiasts, demographic profiles, competitors). The information from SEMA is strictly automotive related; therefore, more data relating to outdoor sports would be useful. In terms of primary research, more in-depth information from current customers would be helpful (purchase motivation, purchase criteria, lifestyle) to assist with the development of an in-depth customer profile and marketing strategy planning. The use of surveys and focus groups would be primary research considerations.

3. *How can market research help Napier in terms of sales forecasting?*

Market research that helps further define the company's target market will help the company in developing a sales forecast. In particular, market research may provide much needed insight into the Canadian market and help identify strategies that may be used to penetrate this somewhat elusive market.

4. *Could Napier benefit from a customer relationship management (CRM) strategy?*

A customer relationship management strategy would be helpful in dealing with retail customers; however, at this point, the costs involved would likely be better spent on market research aimed at improving sales in the consumer market.

SUGGESTED SOLUTION TO CASE 7:

RODGERS CHEVROLET

Activity

Purpose: The case gives students the opportunity to apply their understanding of consumer behaviours to create a program to prevent customer defection to a competing product.

Setting It Up: The first activity can be used either as a small-group activity or as an individual project with work in and out of class. As a small-group activity, allow students 15 minutes to do items 1 to 3; item 4 is something that is probably best created outside class. The visual can then be turned in or presented to the class. You may use the completed assignment as the starting point for a class discussion on customer satisfaction and retention.

For this activity, imagine that you are the customer service manager at Rodgers Chevrolet. You have begun sorting customer comments into groups based on the type of vehicle owned. Going back through a couple of years of feedback, you have discovered that Corvette owners do not feel they are being served as well as their friends who own foreign sports cars. Many comments mention the service level of Lexus and indicate that customers may be considering changing to a Lexus SC just to get the white glove service. In this activity, you will develop a way to serve your high-end clients better (base price of a Corvette is \$45,000, compared with \$10,500 for a Chevy Aveo).

1. Identify the elements of consumer behaviours affecting your situation.

The elements of consumer behaviours that affect a dealership trying to retain its high-end customers include the influence of *reference groups* and *opinion leaders*. The customers have provided feedback that they are being swayed by their friends who own other luxury cars. Those friends are part of the Corvette owners' reference groups. Corvette owners also are working under the *perception* that a Corvette purchase is a luxury purchase, equal to the purchase of a foreign sports car, and should be accompanied by a high level of service. *Needs* are also influencing the reactions of the Corvette owners, who see their vehicle as helping fulfill their need for social status. Students may identify other factors as well.

2. Outline the criteria that car owners use to evaluate service to their vehicle. Do those criteria change as the vehicle sticker price rises? If so, how?

In any purchase, the consumer's principal objective is to establish evaluative criteria—the features or characteristics of the product or service that the consumer will use to compare brands. Students' lists of evaluative criteria will vary, but common items they may identify for the car itself include price, durability, styling, and speed. For the service support, students might list free rental cars, pick-up and delivery of the car for service, and a free car wash and/or detailing after every service.

As the sticker price of a vehicle rises, it moves closer to being a luxury vehicle targeted toward higher-income consumers and perhaps more attractive to different social classes. Social classes with higher levels of income and education may be more discriminating and have higher expectations of the service experience. Consumers accustomed to luxury experiences tend to expect luxury treatment in every purchase transaction they make. A driver who has spent \$50,000 on a car will likely expect to be treated better than if he or she spent only \$10,000 on a car. Whereas the owner of the Aveo may evaluate the dealership's service only on price, the owner of the Corvette may consider such things as the additional services of free car washes, free driver service when the car is in the shop, and online scheduling.