Marketing The Core (Canadian) 5th edition Kerin Solutions Manual

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STUDENT LEARNING OBJECTIVES

After reading this chapter students should be able to:

- Explain the importance of an environmental scan and how it is used to improve marketing programs.
- Describe the elements of an environmental scan and summarize the trends affecting each area.
- Outline the current demographic and socio-cultural influences that affect marketing approaches.
- Explain how changes in the economic environment can influence consumer purchase behaviour.
- Discuss the technological developments shaping current marketing practices.
- Describe the different forms of competition and the regulatory forces that shape the marketing industry**.**
- List the steps in an environmental scan.

KEY TERMS AND CONCEPTS

baby boomers
binge viewing
competitive forces
demographics
direct competitors
discretionary income
disposable income
Do Not Call List (DNCL)
economy
environmental scan
Generation X
Generation Y
Generation Z
gross income
indirect competitors
inflation
macroeconomic forces
microeconomic forces
millennials
monopoly
monopolistic competition
oligopoly
online behavioural advertising
perfect competition
recession
regulations
showrooming
socio-cultural forces
social TV
spam
SWOT analysis
technological forces

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MARKETING TIP

For this particular chapter we look to Deepak Chopra, President and CEO, Canada Post for his MARKETING TIP. You may wish to use this at the start of a class, after a break, or to summarize the material at the end of a session. The quote for this chapter is as follows:

"Ubiquitous and always connected smart devices have rendered old-fashioned paper-based mail, and Canada Post's exclusive privilege to deliver it, far less meaningful."

LECTURE NOTES
CHAPTER 2 OPENING VIGNETTE – CANADA POST

The chapter uses Canada Post as an example of how marketers respond to changes in the external environment and consumer behaviour. The *external environment* refers to demographics, socio-cultural factors, the economic environment, technology, the competition, and regulatory forces. This vignette is summarized as follows:

Canada Post has the sole responsibility for letter mail delivery in Canada. The range of external factors that Canada Post needs to consider, now and going forward are:

- **Demographic factors:** The number of homes in Canada continues to grow each year. From Canada Post's perspective, the number of postal addresses has grown by 1.5 million since 2006. That means more homes to deliver mail to. Canada Post does not receive taxpayers' money, but it has an obligation to provide mail delivery to all postal addresses in Canada. The increase in addresses puts a significant strain on the company's profitability. In response, in 2014, Canada Post began to convert the one-third of addresses with mail delivered to the door to delivery to a community mailbox, which would reduce costs. This initiative ended in late 2015, to await the outcome of a review of the postal service by the federal government.
- **Socio-cultural factors:** Between 2007 and 2015, the volume of letter mail per address declined by 38.7%. This places significant pressure on Canada Post's finances. Less mail but more homes to deliver to means less revenue, but higher costs: this does not add up to a successful future. However, the same Internet that is eroding the mail business is driving Canada Post's highest growth – which is in its parcels business. Consumers are gravitating towards online shopping. About 76% of Canadian households shop online. Consumers are shopping online more often, and buying items of greater variety and higher value, every year. And when Canadians do spend money online, they want a sense of control over the delivery of purchases – they want accurate shipping costs provided at checkout, with precise shipping times, and they want to be able to track purchases throughout the delivery cycle so they always know where their order is.
- **Economic factors: C**anadian spending levels are somewhat volatile, up one month and down the next. Consumers are still a bit nervous about spending too much. However, higher growth in spending has been seen on items such as clothing and shoes. By 2019, it is estimated that Canadians will spend $39 billion online. Statistics Canada has estimated that only 13% of Canadian businesses are selling online. This number will grow rapidly in the short term. To avoid falling behind other markets, the push is on for Canadian companies to set up e-commerce platforms for their businesses.

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- **Technological factors:** Canadians are more likely to have access to the Internet than people in any other G20 country. In fact, 87% of Canadian households are connected to the Internet and the majority of Canadians have access to high speed Internet. As a result, there has been a steady movement to e-billing and online banking, which has drastically reduced the volume of mail. The impact of the digital movement is evident in the advertising field as well. Over the last 10 years digital advertising has grown 10-fold while physical direct mail has decreased. In a digital world, Canada Post has a major challenge to remain relevant and profitable, given that half of its revenue comes from paper bills, statements and letters, and another 19% comes from direct mail advertising.
- **Competitive factors:** By law, Canada Post has a monopoly to deliver letters. But the parcel delivery business is another story. There, Canada Post faces stiff competition. Companies that are larger on a global scale, such as FedEx and UPS, are investing in Canada. Barriers to entry have historically been high in the national parcel delivery business since broad distribution networks and sophisticated tracking technology have been required, and brand recognition has been important to customers. Other Canadian companies are also competing for more business. There are also emerging or potential threats, such as Uber. Finally, e-commerce retailers themselves are eager to reduce their delivery costs, using such initiatives as ship-from-store or promoting in-store pickup of online orders. In this tough business environment, Canada Post grew to become the country's No. 1 parcel company in 2015 (by revenue). It is also the majority owner of the second-largest parcel company, Purolator.
- **Regulatory factors:** Mail delivery in Canada is regulated under the Canada Post Corporation Act. All other delivery is not regulated. The Government of Canada has recognized the importance of keeping Canadians connected and has developed the Digital 150 plan, which includes investments in making high speed internet available in all areas of the country, and providing support to small businesses to help them integrate digital technology into their businesses.

This *marketing environment* prompted Canada Post to focus on delivery of parcels and direct marketing.

Reality Check

As you read Chapter 2, refer back to this opening vignette to answer the following questions:

1. Which major environmental changes have impacted Canada Post?

Answer: Canada Post has been impacted by all of categories of environmental change, but particularly technological evolution and socio-cultural changes with online purchasing.

2. What new services do you think that Canada Post should offer to continue to meet customer needs?

Answer: The responses to this question will vary.

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I. The MARKETING ENVIRONMENT

Chapter 2 focuses on understanding the environment which affects marketing decisions. It explains how marketers channel their ideas and programs to meet changes in the consumer and the environment in which they function. Marketers continually acquire information on trends, opportunities and threats to their businesses to mold their products and programs to meet evolving consumer needs.

II. ENVIRONMENTAL SCAN

An environmental scan is the process of continually acquiring information on events occurring outside an organization to identify trends, opportunities, and threats to a business. Marketers use this knowledge to ensure that their products, services, and ideas are relevant, meaningful, and competitive. An environmental scan looks at demographic forces, socio-cultural forces, economic forces, technological forces, competitive forces, and regulatory forces.

A. Demographic Forces

The statistical study of populations is referred to as demographics. It looks at age, gender, ethnicity, income, education, and occupation. Marketers need to clearly understand changes that occur in this area to ensure marketing efforts are well placed. The following changes are evident today:

- **Aging Population -** For the first time in census history, the population over the age of 65 outnumbers children under 14.

- **Diverse Generations -** there are four main generational groups of consumers - baby boomers, generation X, generation Y, and generation Z. Baby boomers and Gen Ys each represent 27% of the Canadian population.

- **Big-City Growth –** two-thirds of the Canadian population live close to the U.S. border, with 35.5 percent of the population living in Toronto, Montreal, or Vancouver.

- **Ethnic Diversity -** Canada is a multicultural society with two thirds of its growth in coming from immigration.

- **World Markets -** The world population is showing growth. China and India alone are home to 2.7 billion people and stand as future business opportunities.

- **Changing Household Composition -** The most common household structure is the one-person household, surpassing couples with children, driven by an aging population, an increase in the economic independence of Canadians, and an increase in separation/divorce rates. Canada has also seen a growth in the number of couples living without children, the number of common-law relationships, the number of same-sex couples, and the number of multi-generational families.

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B. Socio-Cultural Forces

Socio-cultural forces include cultural values, ideas, and attitudes. Marketers are currently responding to socio-cultural changes in areas related to communications and media, food consumption, healthy living, and ethical consumption as identified below:

- **Media -** The wide spread use of the Internet and people's reliance on mobile devices to communicate and search for information is changing how consumers interact and how marketers communicate with consumers. Consumers are spread across multiple communication channels and devices, (tablets, smartphones, laptops, and TV's) and use websites, blogs, mobile apps, and social media through Facebook, YouTube, Twitter, Pinterest, and Instagram to search for information and communicate.

- **Food Consumption -** Consumers in Canada are interested in nutritious, fresh, and easy to prepare foods. They are enjoying a wide variety of international foods and in response marketers are providing a wide range of ethnic foods as well as foods that are fresh and nutritious. Meatless meals, gluten free products, organic offerings, local produce, and small indulgent gourmet brands and increasingly popular.

- **Healthy Living -** Canadians are concerned about health, nutrition, and obesity with an increased focus on making healthier lifestyle choices.

- **Ethical Consumption –** Canadians are showing an interest in being less wasteful, and purchasing products that do not negatively impact the environment.

Ask Yourself

1. What do we mean by *"cutting the cord"*?

Answer: "Cutting the cord" is when people cancel TV cable or satellite and focus on online viewing.

2. What are the marketing implications of ethnic diversity in Canada?

Answer: Products may have to be redesigned to reflect this societal change since each diverse group has unique purchasing patterns.

3. How are important values such as health and fitness, and environmental awareness reflected in the marketplace today?

Answer: Concern for health and fitness is reflected in the market through an increased number of healthy food products, the growth of the gym/fitness industry, and the heightened media interest in this topic. Concern for the environment is reflected in the purchase of products that are environmental friendly and the evolution of a sharing economy.

C. Economic Forces

Marketers are interested in consumers' ability to purchase products and how the economy impacts purchase behaviour. There are macroeconomic forces and microeconomic forces as explained below:

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- **Macroeconomic Forces -** macroeconomic forces refer to the state of the country's economy as a whole. Key economic indicators are inflation, unemployment, economic growth, and consumer confidence.
- **Microeconomic Forces -** microeconomic forces refer to the supply and demand of goods and services and how this impacts on the buying power of individuals, households, and companies. Key indicators are gross income, disposable income, and discretionary income.

D. Technological Forces

Technological forces refer to innovations that stem from scientific or engineering research. The availability of new technology needs to be understood by marketers and incorporated into their products and communications programs. The widespread use and availability of the Internet, the increase in e-commerce sales, the proliferation of cloud-based services, the use of beacons/trackers and mobile payment technology have changed the marketing environment.

E. Competitive Forces

There are various types of competition which a marketer must consider. There are direct competitors who offer very similar products in the same category, and there are indirect competitors who compete for the same buying dollar in a slightly different market.

1. Types of Economic Competition

- *Monopoly* - only one company selling in the market
- *Oligopoly* - a few companies control the market
- *Monopolistic Competition* - a large number of sellers offering similar or substitute products.
- *Perfect Competition* - many sellers withidentical products.

Ask Yourself

1. What is the difference between a consumer's disposable and discretionary income?
Answer: Disposable income is the money left after paying taxes to use for food, clothing, and shelter. Discretionary income remains after paying for taxes and necessities.

2. What type of competition is found in the gasoline industry?
Answer: Oligopoly.

3. What are the indirect competitors to Monster energy drinks?
Answer: Other drinks such as coffee or water are indirect competitors.

F. Regulatory Forces

A marketer needs to be aware of any restrictions placed on its marketing practices by government and industry associations. These regulations protect consumers from unscrupulous business practices, and set acceptable standards of practice. The key regulatory

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groups that affect marketing practices in Canada are the Competition Bureau, the Canadian Radio-Television and Telecommunications Commission (CRTC), Advertising Standards Canada, (ASC), and the Canadian Marketing Association (CMA). New regulatory areas have surfaced due to mobile communications with the Canadian Wireless Telecommunications Association (CWTA) and the Mobile Marketing Association (MMA). Health Canada has jurisdiction over the Consumer Product Safety Act.

- **The Competition Bureau** is responsible for the administration and enforcement of the Competition Act, the Consumer Packaging and Labelling Act, the Textile Labelling Act, and the Precious Metals Marking Act. It is also part of the Canadian Anti-Fraud Centre. The role of the Competition Bureau is to promote and maintain fair competition. Failure to abide by these acts can result in fines and jail time if appropriate. Visit http://www.competitionbureau.gc.ca.

- **Advertising Standards Canada (Ad Standards)** is a self-regulatory non-profit body supported by advertising, media, and marketing companies. It sets regulations and standards of professional practice for the advertising industry that has agreed to abide by its leadership, code, process, and rulings. A single complaint will trigger a review of advertising with its eventual withdrawal if changes are required and not made. Ad Standards also provides advice and pre-clearance services for advertisers. Visit www.adstandards.com.

- **The Canadian Radio-Television and Telecommunications Commissions (CRTC)** administers the Broadcasting Act, the Telecommunications Act, setting guidelines for broadcast standards, monitoring the ownership of media outlets, and approving broadcast licences for TV and radio stations. It sets guidelines for the broadcast of Canadian content and sets the number of minutes of advertising permitted hourly on TV. It also manages Canada's Do-Not-Call list and administers the Wireless Code that regulates wireless telecommunications sector. Visit http://www.crtc.gc.ca.

- **The Canadian Marketing Association (CMA**guides the practices of the marketing industry in Canada. Its members need to abide by its Code of Ethics and Standards of Practice. . It provides the industry with guidelines related to topics such as native advertising, anti-spam legislation, digital marketing, privacy compliance, telemarketing, promotional contests, fundraising, marketing lists and data, and marketing to children and teenagers. Visit http://www.the-cma.org.

- **The Canadian Wireless Telecommunications Association (CWTA)** provides resources on the wireless industry in Canada. It deals with the government on issues related to cellular, personal communication devices, text messaging, wireless and mobile satellite carriers, and represents companies working in that space. Its website provides useful statistics on the industry as well as regulations which control the sector. Visit www.cwta.ca and www.txt.ca.

- **The Mobile Marketing Association (MMA)** is a global association that sets standards and guidelines, and shares best practices on mobile marketing. It has a resource centre for marketers and publishes a code of conduct, a best practices guide, privacy policy templates,

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and the International Journal of Mobile Marketing which periodically includes a section on Mobile Marketing in Canada. Visit www.mmaglobal.com.

Privacy, spam and online behavioural advertising have undergone considerable scrutiny over the past few years. The Personal Information Protection and Electronic Documents Act (PIPEDA) governs the collection of personal data by private sector companies. This legislation is constantly being reviewed and updated. Visit www.priv.gc.ca for the latest information. Canadian Anti-Spam Legislation (CASL) is enforced by the CRTC, the Competition Bureau, and the Office of the Privacy Commissioner of Canada.

Ask Yourself

1. What role does the Canadian Radio-television and Telecommunications Commission (CRTC) play in Canadian marketing regulations?

Answer: The CRTC helps set standards of acceptable broadcast standards and regulates the telecommunications industry.

2. What government body oversees privacy issues in Canada?

Answer: The Office of the Privacy Commissioner of Canada oversees privacy in Canada.

3. Does self-regulation work? Why or why not?

Answer: Self-regulation works when the industry is committed to supporting and enforcing these regulations. The threat of government intervention and negative publicity helps support self-regulation.

G. Steps in an Environmental Scan

Environmental scans are conducted routinely by marketers, often with the help of other departments in an organization to ensure that products and marketing approaches stay relevant and resonate with consumers. An environmental scan is often conducted annually as part of the marketing planning process, but marketers should be monitoring changes and developments in each area on an ongoing basis. Steps in the process are:

(1) Collect the facts and identify trends
(2) Determine the impact that these facts/trends will have on the business
(3) Brainstorm, evaluate, and implement ideas to meet business objectives.

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QUESTIONS AND ANSWERS TO END-OF CHAPTER MATERIAL

Hands-on…Apply Your Knowledge
Focus on Demographic Forces

Focus on demographic forces. The Marketing Newsflash in this chapter focused on the efforts of grocery chains to meet the needs of ethnic consumers. There are many articles that have been written on the topic of ethnic marketing. Do some research on the topic and choose a company that has adopted ethnic marketing strategies. Outline its strategies and tactics. Has it been successful? What should the company do next?

Answer: This assignment gives students the opportunity to apply chapter material to a real-life example, using the Marketing Newsflash as a foundation. There are no specific answers.

Video Clip…Questions

Review the Canada Post: This Is Our Time video and answer the following questions:

1. What are the changing behavioural factors, outlined in the video, that have impacted Canada Post's business?
Answer: The major behavioural changes impacting Canada Post are the evolution of online shopping and changing consumer expectations.

2. What do Canada Post's customers want?
Answer: Consumers want convenience, choice, and control, with hassle-free shipping.

Infographic ... Data Analysis

Research new products that have been introduced in the automotive industry. Use recent data from Canadian newspapers (National Post, Globe and Mail), as well as other reputable business sources such as Canadian Business, Maclean's, and the DesRosiers Automotive Consultants website (www.desrosiers.ca).

Review the "How Well Do You Know Gen Y vs. Gen Z?" Infographic. If you were an automobile manufacturer, what impact would this information have on the following?
- The products that you develop to target each generational group
- The way that you communicate with each group

Answer: The students' recommendations should refer to the differences between the Gen Y and Gen Z with respect to ads, spending, and brands. Answers may vary.

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QUESTIONS AND ANSWERS TO ONLINE ACTIVITIES: APPLYING MARKETING CONCEPTS AND PERSPECTIVES

1. **Taco Bell is a fast food restaurant that sells Mexican food including tacos, burritos, and enchiladas. Conduct an environmental scan on the fast food industry and identify two trends or factors that may significantly affect its future business. Suggest how Taco Bell could respond to these changes.**

   Answer: Two trends that may affect Taco Bell are: (1) growing health concerns, and (2) environmental consciousness.

   a. Growing health concerns are making people more conscious of the number of calories they consume and the ingredients included in products they purchase. Taco Bell may need to introduce healthier products that are not high in fat and calories.

   b. Environmental trends may lead Taco Bell in to examining its environmental foot print and consider changing its processes to reduce its impact on the environment. It may also want to examine the recycling choices it provides its consumers.

2. **Describe what features you would add to an automobile designed for baby boomers. What advertising media choices would you use to appeal to this target market?**

   Answer: A marketing environmental scan reveals that this generally well-educated, aging yet active and brand loyal group appreciates their leisure time.

   a. Items such as Bluetooth, large dashboards and screen, GPS navigation systems, iPod compatible speakers system may appeal to this generation.

   b. Advertising messages should be sent via the Internet, TV programming, and radio that focus on lifestyle, music, sports, and current events.

3. **In recent years two large companies have dominated the beer industry, Labatt and Molson. They now compete with many small regional brands and microbreweries. Where would you place the brewing industry on the continuum of competition? What marketing environmental forces and trends would help explain this increased competition?**

   Answer: In terms of the continuum of competition, the brewing industry was historically oligopolistic. A few large producers accounted for the bulk of sales. In recent years, the brewing industry has moved to a position of monopolistic competition. There are a large number of micro-breweries where the unique aspect of their beer is their point of difference. Marketing environmental factors that have brought this about are a more sophisticated consumer who desires a greater variety of products.

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4. **One of the world's largest producers of baby and children's furniture, Storkcraft Baby has been in business for more than 50 years. With the recent population and age shifts in North America, how may this Canadian firm view the opportunities and threats for the future?**

   Answer: The decreasing birth rate among North Americans would be perceived as a potential threat to this company. However, Canada and North America rely heavily on immigration to maintain positive population growth. This influx may represent a new opportunity for the company. The increasing globalization of the world will also open up markets where they can conduct business.

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QUESTIONS AND ANSWERS TO ONLINE ACTIVITIES: DISCUSSION FORUM

Do you have a digital camera? What is the impact of technology on the digital camera market? Visit the corporate site of Canon and review its current products and services (http://www.canon.ca).

1. **What do you think the future holds for Canon's digital camera line? What are the threats and opportunities that exist?**
2. **If you were the marketing manager of Canon's digital cameras what suggestions would you recommend for the upcoming year?**

Note: These discussions are meant to generate class discussion and a lively debate of issues raised, as well as a general review of the opening case or concepts discussed within the chapter. There are no correct or incorrect answers.

QUESTIONS AND ANSWERS TO ONLINE ACTIVITIES: INTERNET EXERCISE

The Government of Canada provides a wealth of data. Websites such as Industry Canada at http://www.ic.gc.ca/, Canada Business network at http://www.canadabusiness.ca/, and Statistics Canada at http://www.statcan.gc.ca/ provide accurate and reliable data. Navigate to these websites to see what they offer and gather the following information:

1. **What is the current population of Canada?**
   Answer: Statistics Canada notes the population of Canada is 35.2 million (the latest 2016 census).
2. **What is a patent?**
   Answer: A patent is a document protecting the rights of the inventor and a repository of useful technical information for the public.
3. **What economic indicators are used to measure Canada's performance?**
   Answer: There are many economic indicators in Canada used to measure economic performance. The most important are listed below:

   Economic Performance Indicators
   - GDP rates
   - Unemployment rates
   - Inflation rates
   - Consumer confidence levels
   - Housing starts
   - Stock market indexes
   - Interest rates
   - Retail purchase levels
   - Exchange rates

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BRING IT TO LIFE: VIDEO SYNOPSIS & TEACHING SUGGESTIONS CANADA POST – THIS IS OUR TIME

Synopsis

As outlined in the chapter's opening vignette, Canada Post has experienced a range of challenges to its business model based upon changing consumer and technological trends. In the video, Canada Post specifically zeros in on the changing retail environment and the increased demand for the shipping of parcels and packaging from online retailers to the consumer.

This is a very different business model than the traditional Canada Post was used to operating under.

Teaching Suggestions

This video regarding the changing external environment and its impact on Canada Post is provided to supplement the learning from the Chapter's opening vignette and the sample Environmental Scan for Canada Post provided in the chapter.

Ask your students how often they send or receive letter mail. Then ask them the last time they ordered something online for delivery. This exercise should help to illustrate the shift in consumer behaviour away from letter mail to email and the significant growth in online shopping.

Then show the video and ask the students to work in pairs to answer the questions. These questions can then be reviewed in class. Students can also refer to the opening vignette and the Canada Post Environmental Scan (Figure 2-8) when formulating their responses.

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BRING IT TO LIFE: VIDEO CASE – PRINTOUT
CANADA POST: THIS IS OUR TIME

The digital world is evolving rapidly and this is a significant issue for Canada Post. For the last 250 years, Canada Post has had the sole responsibility for letter mail delivery in Canada. Two major external influences have impacted its business: a shift from letter mail to email and online statements and the increase in online shopping, which expanded the parcel delivery industry. With the volume of letter mail declining at a rapid pace, Canada Post needed to determine how to ensure a consistent revenue stream going forward.

Ultimately, Canada Post didn't only need to monitor external environmental trends; it needed to understand its customers and their needs. Canada Post has two main customer groups: consumers and retailers. With the shift to online shopping, consumers and retailers demanded convenience, choice and control over their purchases and shipping options.

Canada Post listened to its consumers and developed a seamless channel for purchases to be delivered from the retailer and the consumer.

Questions

1. **What changes has Canada Post made to its business to give it a competitive advantage?**
2. **What future challenges do you see for Canada Post? Give recommendations for further changes that Canada Post should make to remain successful.**

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BRING IT TO LIFE: VIDEO WORKSHEET
CANADA POST: THIS IS OUR TIME

Name:
Section:

Review the video *Canada Post: This Is Our Time* and answer the following questions:

1. What changes has Canada Post made to its business to give it a competitive advantage?

2. What future challenges do you see for Canada Post? Give recommendations for further changes that Canada Post should make to remain successful.

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BRING IT TO LIFE: VIDEO CASE – ANSWERS TO QUESTIONS
CANADA POST: THIS IS OUR TIME

1.What changes has Canada Post made to its business to give it a competitive advantage?

Answer: Canada Post has introduced new services and capabilities including SMART technology which ensures state-of-the-art delivery services.

2. What future challenges do you see for Canada Post? Give recommendations for further changes that Canada Post should make to remain successful.

Answer: Students responses could refer to increasing competition, continued decreased revenue from letter mail, the introduction of drones, increasing consumer expectations etc. Recommendations should be aligned with the challenge.

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BRING IT TO LIFE: NEWSFLASHES/FOCUS ON ETHICS SYNOPSIS AND DISCUSSION QUESTIONS

The NewsFlash/Focus on Ethics boxes for this chapter focus on *Understanding the 'Big 3' – Ethnic Shoppers* and *The Little Black Book of Scams*. Discussing these topics in class can bring the material to life for the students in an interesting, relevant, and timely fashion. They can be used as ice-breakers to launch into a relevant subject. Many of the topics are interesting to students and may be familiar.

A. UNDERSTANDING THE 'BIG 3' – ETHNIC SHOPPERS

Chinese, South Asian, and Filipino shoppers will make up 7.3 million of the country's population by 2031, and over the next decade, more than 70 percent of retail sales growth will come from ethnic shoppers. Grocery chains have begun to better understand the needs of the ethnic customer.

Questions

1. What other strategies could grocery stores adopt to attract more ethnic shoppers?
2. What other industries do you believe should target ethnic consumers?

Answers:

1. Stores can provide special offers for products in demand, they can expand their ethnic food sections, and they could develop communications and promotions that are in a variety of languages.
2. The industries most commonly impacted by cultural differences, would benefit from targeting ethnic shoppers. These could include clothing, personal products, and food. Students may make the argument that due to the large growth in immigration rates in Canada, almost any industry could benefit from targeting ethnic consumer groups.

B. THE LITTLE BLACK BOOK OF SCAMS

The Canadian Anti-Fraud Centre provides consumers with a website to report scams, scareware and other fraudulent activities at www.antifraudcentre.ca. It works with law enforcement around the world to foil fraudulent activities and bring the perpetrators to justice.

Questions

1. Do you think the number of scams and cons will continue to rise in Canada? Why or why not?
2. Many consumers are unaware of the frequency of scamming in Canada. How can social media help increase awareness of these practices?

Answers:

1. The ubiquitous nature of technology sets the stage for the continued rise in fraud in Canada.
2. The Canadian Anti-Fraud Centre can use Facebook and Twitter to provide news alerts on the latest fraudulent activities. It can also post ads on these social media sites to raise awareness.

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BRING IT TO LIFE: NEWSFLASH PRINTOUT AND WORKSHEET

Name:
Section:

UNDERSTANDING THE 'BIG 3' – ETHNIC SHOPPERS

The largest ethnic consumer groups are called the "Big 3"—Chinese, South Asian, and Filipino shoppers will make up 7.3 million of the country's population by 2031, and over the next decade, more than 70 percent of retail sales growth will come from ethnic shoppers. Grocery store chains are clamouring to determine the needs of this large segment of the population and to meet those needs.

What motivates the ethnic consumer? In a Brandspark study completed with 8,800 Canadians of Chinese, South Asian, and East Asian heritage, the following unique characteristics of ethnic consumer were discovered:

- Value for the dollar is the most important factor in each buying decision.
- Word-of-mouth feedback drives purchase decisions.
- Web searches are often used to research nutritional information.
- These consumers are early adopters of tablets and smartphones.
- They are more likely to eat frozen or takeout food.

Of extreme interest to grocery store chains is where ethnic shoppers currently spend their grocery dollar. Ethnic consumers prefer to shop at two or more stores each week—usually one traditional grocery store and one ethnic grocery store—often topping up with one or two trips per month to a big box store such as Costco.

Loblaw has established strategies to entice shoppers to include a Loblaw-owned store in their shopping routine. Loblaw has taken a three-pronged approach. First, Superstore formats are being piloted that include more fresh foods and global flavours. These stores are meant to attract a more diverse population but also bring in a broader market that is becoming more adventurous with their food choices. Next, recognizing that the ethnic consumer prefers to visit ethnic food stores each week, Loblaw has invested in this market as well. In 2009, Loblaw purchased the T&T Supermarket grocery store chain, and in 2014, it expanded into Middle Eastern cuisine by purchasing Arz Fine Foods. The last strategy Loblaw has taken is boosting the amount of ethnic food choices in each of its traditional grocery stores; in fact, it has been able to expand T&T-branded products to its Superstore locations.

Loblaw is not alone. Sobey's has also launched FreshCo store formats focused on the South Asian population. These stores carry authentic Indian sweets, fresh produce popular in South Asian recipes, and large sizes of food staples. This customized store ensures that a portion of the staff is able to speak Punjabi and Hindi.

The lesson for marketers is to maximize the opportunities that evolve as Canadian demographics shift.

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Questions

1. What other strategies could grocery stores adopt to attract more ethnic shoppers?

2. What other industries do you believe should target ethnic consumers?

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BRING IT TO LIFE: FOCUS ON ETHICS
PRINTOUT AND WORKSHEET

Name:
Section:

LITTLE BLACK BOOK OF SCAMS

Scams are a big business. They can come to you in many different ways—mail, online, over the phone. It is estimated that in 2016, Canadians lost $90 million to scams. As technology infiltrates our lives, the ease of carrying out a scam also increases. The Competition Bureau of Canada is taking this seriously and is focused on ensuring Canadians are aware of these dangers. "The Little Black Book of Scams" was first published in 2012, and with the continual influx of new types of scams, the book is available online and is updated regularly. What type of cons should Canadians be aware of? Here are just a few:

Internet scams most commonly take the form of phishing e-mails. Have you ever received an e-mail from your bank asking you to click on a link to its website and re-enter your personal information? This is phishing! Phishers may send millions of copies of the same e-mail, and all they need is for a few to respond to make it worth their efforts.

Dating and romance scams netted almost $17 million from Canadians in one year. Online dating has become the norm for many singles. It is estimated that at least 20 percent of online dating profiles are fake. The scam begins when a person meets someone wonderful online and after ongoing communication, they ask for money and then disappear.

Lottery scams begin with an e-mail telling you that you have won an amazing prize. In order to claim the prize, you need to pay a fee or the taxes on the funds.

Investment scams, sometimes referred to as pyramid or Ponzi schemes, steal millions from Canadians every year. Investors are promised really high rates of return but never pay the money back.

Follow these tips to protect yourself: Protect your personal details and only give out personal information to people you know and trust. Don't send money to anyone that you don't know, and never pay fees to claim prizes or obtain a job. Never reply to spam e-mails or open attachments from any suspicious e-mails. Install security software on your computer. If you think you have been the victim of a scam, act immediately to limit your damages and report it to the appropriate authority. "The Little Black Book of Scams" can be downloaded from the Competition Bureau website at www.competitionbureau.gc.ca.

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Questions

1. Do you think the number of scams and cons will continue to rise in Canada? Why or why not?

2. Many consumers are unaware of the frequency of scamming in Canada. How can social media help increase awareness of these practices?

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BRING IT TO LIFE: IN-CLASS ACTIVITY
INSTRUCTIONS – COCA-COLA ENVIRONMENTAL SCAN

Learning Objectives

1. To understand the purpose of an environmental scan.
2. To conduct a brief environmental scan

Description of In-Class Activity

- Provide students with a list of drinks available from The Coca-Cola Company and ask them to conduct an environmental scan that identifies trends, opportunities and threats in the market. Students will then brainstorm on marketing ideas that address these trends.

- Once the groups have completed the activity, a spokesperson for each group should share their ideas with the class.

- This activity should only be conducted in groups. Estimated class time: 45-60 minutes.

Preparation before Class

- Review the products that Coca-Cola sells in Canada at https://www.coca-cola.ca/. If possible, visit one a retail store or the school's cafeteria to understand the number of different products sold by Coca-Cola and its competitors in this industry.
- If you have an Internet capable classroom, consider linking to the Coca-Cola Canada website at the start of this activity at https://www.coca-cola.ca/.

In-Class Implementation

- **Relevant Chapter Content –** Prior to conducting this in-class activity, review the following chapter material with your students:

    - Explain the concept of an environmental scan – the process of continually acquiring information on events occurring outside the organization to identify trends, opportunities, and threats to a business. Marketers use this knowledge to ensure that their products, services, and ideas are relevant and meaningful.

    - Ensure students understand the following factors:

      Demographic forces – these are characteristics of a population such as age, gender, ethnicity, income, and occupation.

      Socio-cultural forces – these refer to cultural values, ideas, and attitudes that are learned and shared among a group of people. It also includes society's morals and beliefs.

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Economic forces – these refer to consumers' willingness and ability to purchase a product. Inflation rates, unemployment rates, economic growth rates, and consumer confidence levels are all areas that need to be monitored by marketers.

Technological forces – these refer to changes in how technology is evolving.

Competitive forces – these refer to alternative products that can satisfy a specific market's needs.

Regulatory forces – these refer to restrictions placed on marketing practices by different levels of government and industry associations.

- **In-Class Instructions** – Show a visual of Coca-Cola's products by linking to their website (https://www.coca-cola.ca/). Ask students which soft drink companies compete with Coca-Cola and if there have been any changes in the industry over the last few years in terms of the types and variety of products available. Briefly and informally explain the activity and then ask students to get into groups of four. Distribute the handout to each group and then formally review the activity with them. Break the activity up in to three segments:
  (1) ask the student to determine the facts in the environmental scan (students can use some of the sources outlined in Figure 2-7, or school databases, or Google searches) – 20 minutes,
  (2) determine the impact that these facts and trends will have on Coca-Cola's business and come up with one recommendation to Coca-Cola based on this analysis – 20 minutes, and
  (3) allocate 20 minutes for a spokesperson from each group to briefly share one marketing idea and rationale with the class.

- **Handout –** Distribute the handout and worksheet for students to complete.

- **Evaluation** – Collect the worksheets for evaluation purposes. They can be evaluated for completion, or graded for quality of the work completed. Answers will vary for this activity and therefore an answer sheet is not provided.

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BRING IT TO LIFE: IN-CLASS ACTIVITY
COCA-COLA ENVIRONMENTAL SCAN– HANDOUT

Please review the products and brands sold by Coca-Cola. In Canada, Coca-Cola Canada offers five main product lines: sparkling soft drinks, water, juices, sports drinks, and iced teas. There are many changes occurring in this industry that can impact Coca-Cola's business. Use external sources and your own knowledge as a consumer to complete an environmental scan documenting the facts and trends that will affect Coca-Cola's business going forward.

Sparkling Soft Drinks	**Water**	**Iced Teas**
Coca-Cola Coca-Cola Zero Sugar Coca-Cola Life Diet Coke Fanta Sprite Barq's Fresca	Dasani SMART Water Vitamin Water	Gold Peak Nestea
Sports Drinks	**Juices**	
Powerade Core Power	Simply Beverages Fruitopia Minute Maid Five Alive Odwalla	

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BRING IT TO LIFE: IN-CLASS ACTIVITY
COCA-COLA ENVIRONMENTAL SCAN WORKSHEET

Name:
Section:

Conduct an environmental scan of the soft drink industry in which Coca-Cola competes. First, identify the trends and changes that are occurring in the market that impact Coca-Cola's consumers – (Step 1 Facts and Trends). Second, determine the impact that these facts and trends will have on Coca-Cola's business (Step 2 Determine Impact). Third, come up with recommendation for Coca-Cola of a marketing idea you believe will be successful based upon your analysis. Select a spokesperson for your group who will briefly and informally explain your idea to the class.

Factors Environmental Scan	Step 1 Facts and Trends	Step 2 Determine Impact	Step 3 Ideas for Implementation
Demographic factors			
Socio-cultural factors			
Economic factors			
Technological factors			
Competitive factors			
Regulatory factors			

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BRING IT TO LIFE: METRICS ASSIGNMENT AND WORKSHEET
GOOGLE TRENDS ANALYSIS
CAR INDUSTRY

Name:
Section:

As a marketing intern for Honda in Canada, you have been asked to review search trends for the Honda brand versus Nissan, and Toyota. You decide to gather data using Google Trends and present it using PowerPoint as a springboard for discussion.

Create a marketing dashboard and draw some general conclusions about the data that you find.

Tasks:

1. Honda Search volume – 12 month trend
Go to Google Trends at http://www.google.ca/trends/.

- On the Google Trends home page, add Honda to the search box and hit enter
- On the next screen, drop down the *Worldwide* tab and select *Canada*.
- Select *Past 12 months.* Collect and review the data for Honda.

2. Competitor Search volume – 12 month trend
After completing your data gathering for Honda, gather search volume data for the competition by adding Nissan and Toyota to the *Compare* box, separately.

Scroll down the screen and take a look at the differences in search volume between Honda, Toyota, and Nissan. Make note of regional differences and any other related search terms that are popular.

3. PowerPoint Presentation
Visually represent this data on PowerPoint slides using graphs and charts. On a separate slide, list the conclusions you have drawn from your analysis.

4. Discussion
Be prepared to discuss the trends.

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BRING IT TO LIFE: METRICS ASSIGNMENT
GOOGLE TRENDS ANALYSIS
CAR INDUSTRY
ANSWERS AND TEACHING NOTE

This assignment familiarizes students with how to use Google Trends to gather online trend data. It also requires students to represent data visually and draw conclusions.

To be successful, it is beneficial if the instructor can demonstrate the use of Google Trends. Perhaps a different topic can be used to illustrate the search process and to analyze the results. The instructor should demonstrate the following:

- Navigate to Google Trends at http://www.google.com/trends/
- Add search terms into the search box on this webpage and enter
- Drop down the *Worldwide* tab to select the region
- Select the time frame
- Enter in additional search terms in the compare box
- Review the results

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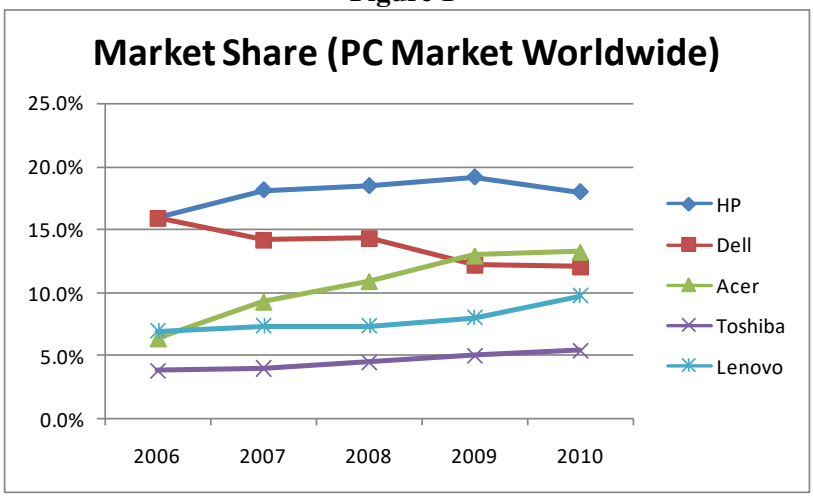
Marketing Metrics Case 1
Hewlett-Packard and the Personal Computer Market

Hewlett Packard Co. (HP®) is a multinational company competing in the personal computer (PC) industry. HP is organized into seven business segments[1]: (1) services, (2) enterprise storage and servers, (3) HP software, (4) the personal systems group, (5) the imaging and printing group, (6) HP financial services, and (7) corporate investments. This organization reflects an organizational structure change carried on in 2010.

The products/services within each business segment are as follows. The services business segment is composed by infrastructure technology outsourcing, technology and application service, and business process outsourcing. The enterprise storage and servers segment is integrated by industry standard servers, storage, and business critical systems. The HP software segment includes business technology optimization and other software. The personal systems group is integrated by notebooks, desktops, workstations, handheld, and other. The imaging and printing group is composed by supplies (e.g. toner, cartridges), commercial hardware, and consumer hardware. The HP financial services segment provides "value-added financial life cycle management;" and the corporate investments segment includes HP labs, mobile devices associated with Palm, licensing, among others.

Gartner Inc., a leader consulting company of the technology industry, defines the PC market as the market integrated by desktop computers, notebooks (also called mobile PCs), and mini-notebooks (media tablets such as the Ipad are not included in this definition of PC market). Worldwide, the PC market has growth a compound annual rate of 9.9% from 2006 to 2010. The main competitors of HP in the PC market worldwide are Acer, Dell Inc., Lenovo, Toshiba, and Asus among others. The leader of the PC market worldwide in 2010 was HP with a market share of 18%, the next one was Acer with approximately 13.2% of market share, Dell had a 12.1% of the total market, Lenovo achieved 9.7% and Toshiba 5.4% of worldwide market. The compound annual growth rate –from 2006 to 2010- of worldwide market share in the PC market of HP was 3.1%, of Dell -6.7%, of Acer 20.2%, and of Toshiba 8.9%. Apparently, Apple is not a big player in the PC market worldwide since it does not have a share higher than 5%. See figure 1 for details on how the PC market worldwide has moved.

Figure 1[2]



Focusing just on the PC market in U.S., the main competitors of HP are Dell Inc., Acer, Toshiba, Apple Inc. and others. Table 1 shows sales of HP and its competitors in the U.S. PC market for the years 2006 to 2010. According to this information the market grew annually 3.9%. HP, Apple, Acer and Toshiba grew

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above the market with 8.2%, 21.6%, 15%, and 23.5% respectively. Dell and other players in the U.S. PC market grew below the market, actually annual sales of these companies decline at the rate of 4.3% and 4.6% respectively.

Table 1: Sales and Growth of the PC Market players in U.S. (in thousands units)[3]

Company	2006	2007	2008	2009	2010	Compounded Annual Growth Rate of Sales
HP	13,871.00	16,459.60	16,500.60	18,445.08	19,030.98	8.2%
Dell	19,947.00	19,000.70	19,377.80	16,587.65	16,716.99	-4.3%
Apple	3,125.50	4,203.00	5,209.00	5,559.90	6,838.46	21.6%
Acer	4,990.00	6,295.30	6,349.80	9,224.67	8,725.66	15.0%
Toshiba	2,864.00	3,532.40	3,741.70	5,270.70	6,667.80	23.5%
Others	16,947.00	15,051.90	13,542.40	12,530.22	14,058.46	-4.6%
Total	**61,744.50**	**64,542.90**	**64,721.30**	**67,618.21**	**72,038.36**	**3.9%**

You are a new hire of Gartner Inc., one of the consulting leaders in the technology industry. You are part of a team in charge of analyzing the situation of the PC market in U.S. from 2006 to 2010 and making some recommendations to HP marketers and managers. For doing your analysis, you have been provided with information contained in table 1. Gartner has a well-structured procedure of reporting results. Particularly, the firm believes that if you are competent in answering some questions, then you can make an outstanding report. For this reason, you have been requested to answer the following questions:

1. Compute the annual market share in units of HP and its competitors in the U.S. PC market. Discuss your results. What can you say about the competition on this market? Take into consideration the following: market share is the percentage of a market accounted for by a specific brand/company[4]. Market share in units is the units sold by a particular brand/company as a percentage of the total market sales.

2. Compute the annual relative market share of HP and its competitors using the market shares calculated in question 1. Discuss your results. What can you say about the market strength of competitors in this industry? Take into consideration the following: relative market share is the result of indexing a company's /brand's market share against that of the leading competitor in the market[5].

3. Using the annual market shares calculated in question 1, compute the compound annual growth rate of market share from 2006 to 2010 of HP and its competitors in U.S. PC market. Discuss your results. To what extent do these results help you explain the year-over-year company's relative market shares? Take into consideration the following: the compound annual growth rate (CAGR) is[6]:

$$CAGR = \left[\sqrt[(last\ year - first\ year)]{\frac{Value\ in\ the\ last\ year\ of\ analysis}{Value\ in\ the\ first\ year\ of\ analysis}} \right] - 1$$

4. What would some of your recommendations to HP be in regards to grow by penetrating the U.S. market more? (hint: think about product-market growth strategies using the matrix, figure 15-4)

Fernando Angulo Ruiz wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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[1] Information taken from HP website and Security Exchange Commission, Edgar files. Accessed May 2, 2011.
[2] Figure 1 was developed aggregating data published by Gartner Inc. Data was downloaded from www.gartner.com
[3] Table 1 was developed aggregating data published by Gartner Inc. Data was downloaded from www.gartner.com
[4] Farris, Paul W., Neil T. Bendle, Phillip E. Pfeifer, and David J. Reibstein (2010), *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance*. Upper Saddle River, NJ: Pearson Education, Inc.
[5] Idem.
[6] Formula obtained in Stanford University website (http://www.stanford.edu/~mikefan/metrics/cagr.html); accessed May 5, 2011.

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"We were looking for a way to provide jobs and keep our graduates at home," said Dr. Aelred (Al) J. Kurtenbach, board chairman of Daktronics, Inc. So in 1968, Kurtenbach, then an engineering professor at South Dakota State University (SDSU), and fellow professor Duane Sander decided to start a business. "We started a biomedical engineering company, mainly because we'd both done research in this area," continued Kurtenbach.

But even college professors make bad decisions occasionally!

THE DAKTRONICS LAUNCH: DOWNSIDE, UPSIDE

"It was a dismal failure," explains Kurtenbach, "because the electronic thermometer and automated blood-pressure gauge we'd developed worked fine but simply cost too much to produce and sell." Also, he and Sander were concerned that by the time they went through the lengthy process to receive U.S. Food and Drug Administration approval, Daktronics would run out of money.

Enter: A miracle—in the form of the South Dakota State wrestling coach who needed a portable scoreboard near the wrestling mat to tell fans the time and score without blocking their view of action on the mat. At the time, wrestling teams had to use basketball displays that couldn't show the right wrestling information and were too high and far from the mat.

In response, Daktronics designed the Matside®, a pyramid-shaped scoreboard that sits on the floor and is still in use at wrestling matches around the United States today, 35 years later. The Matside also established Daktronics's reputation as a company that could get problems solved, and quickly.

From that low-key launch, Daktronics has emerged as the world-class designer of scoreboards and electronic displays used in the United States and around the globe. The reason for Daktronics's success? "Innovation," says Kurtenbach. *Fortune Small Business* describes the company as a "geek-rich workplace," with more than 230 degreed engineers out of its 900 full-time employees in its plant in Brookings, South Dakota—population 18,504.

To start Daktronics in 1968, Kurtenbach and Sander sold shares to family and friends at $5 per share, raising a bit less than $100,000. That limited initial funding also pushed Kurtenbach and Sander into finding products that customers would buy to generate revenue for Daktronics. The company still must stay alert because it faces global competitors such as Barco from Belgium and Mitsubishi from Japan.

TODAY'S MARKET SEGMENTS

Daktronics divides its markets into three segments: sports (70 percent of Daktronics's sales), business (20 percent), and government (10 percent). The company reaches these markets today through 35 U.S. regional sales and service offices and a recently opened office in Frankfurt, Germany, to reach European and Middle Eastern customers.

In the sports segment, if you watched the Kentucky Derby at Churchill Downs or the 2004 Olympics in Athens on television, you probably saw a sample of Daktronics electronic scoring and display systems. The same goes for 26 of 30 Major League Baseball parks, 26 of 31 National Football League stadiums, 19 of 28 National Basketball Association facilities, and 19 of 30 National Hockey League arenas, where Daktronics has created some or all of the displays. This also is true of displays at hundreds of colleges, universities, and high schools, where the prices can vary from millions of dollars to a few thousand.

A surprise to many: These displays can often pay for themselves in a year or two through the advertising shown on the units. Brad Mayne, president of the American Airlines Center in Dallas, where the NBA Mavericks and NHL Stars play, says that Daktronics's scoreboard (shown below) paid for itself in advertising by the second season.



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Daktronics's largest scoreboard? It's a 36-by-149-foot giant at the Cleveland Indians's stadium. The nine full-color displays installed throughout Jacobs Field provide live videos and replays, lineups, scores, pitch information, and so on.

In the business segment, probably the biggest and best known are Daktronics's electronic displays in New York City. It recently installed a 65-foot-high display in Times Square that shows video, animation, graphics, stock quotes, and news headlines in striking shades of color.

While that may be the best-known business display, hundreds of Daktronics programmable displays dot the United States in shopping malls and outside of stores and churches. These displays show everything from current times and temperatures to financial information, gas prices, and motel room rates. James (Jim) B. Morgan, president and chief executive officer of Daktronics, now puts greater emphasis on the business accounts to make the company less dependent on the sports segment.

Less well known are Daktronics displays for the government segment. Suppose that on the way to class today, a freeway sign told you that a crash in the right lane ahead means you should move to a left lane and slow down. It was probably a Daktronics-built sign, something like that for the Cumberland Gap Tunnel that connects Virginia, Kentucky, and Tennessee, shown on the next page. Besides highway signs, the government segment includes airport and train station displays announcing arrival and departure times.

To see what Daktronics sports, business, and government displays have been installed in your state, go to www.daktronics.com.

TECHNOLOGY

Exploiting the latest technology is critical to Daktronics's success. At the level of signage just needed to display words and numbers, a key company innovation is the Glow Cube® pixel, about the size of a Rubik's Cube. Black on one side and reflective yellow on the other, hundreds of these rotate to black or yellow to spell words or create shapes on scoreboards or highway signs. Glow Cube pixels are the building blocks you also see on traditional signs ranging from those on professional golf tour events to portable soccer scoreboards.

For the giant programmable video displays, the basic building blocks are thousands of LEDs (light emitting diodes). LED color breakthrough in the 1990s led to today's displays capable of showing 68 billion hues of color—largely replacing tiny incandescent lamps in these displays and using only about 10 percent of the electrical power needed for those lamps. Sophisticated computer programs and video and replay systems make these screens come to life at an athletic event. Because of the low power usage and high reliability, the LED pixel has replaced the Glow Cube pixel in most applications.



COMMUNICATIONS AND MANAGEMENT

With the engineering, manufacturing, and marketing departments housed in the same Daktronics building, many questions can be addressed with simple, direct water-cooler conversations. Kurtenbach sees this open communication as a huge competitive advantage for Daktronics.

Dr. Kurtenbach's transition from academics to business was surprisingly easy. To learn how businesses work and succeed, he checked out histories of large U.S. companies from the library. He uses what he calls his "waterboy" approach in managing—meaning that every manager is like a waterboy for the team, necessary but not the star. Kurtenbach developed this leadership style growing up as one of 13 children in a farm family that often involved his doing the essential tasks none of his brothers or sisters wanted to do.

STUDENT JOBS AND ECONOMIC DEVELOPMENT

How did Kurtenbach's original goal of starting a local business to help keep South Dakota State University graduates in the state turn out? Kurtenbach and Daktronics probably get a grade of A+. Not only does the company employ more than 900 full-time people in its Brookings facility, but it also provides more than 450 *paid* internships each year for students—mostly from SDSU. To help Daktronics continue to enhance its cutting-edge technology, SDSU has also responded by enhancing its graphic- and computer-design offerings.

And that $5 per share investment by family and friends in the disastrous Daktronics "biomedical device launch" in 1968? With stock splits, each share is worth about $2,700 today.[2]

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Questions

1 What are the reasons or appeals that might cause potential customers in the following markets to buy a Daktronics scoreboard, electronics display, or large-screen video display? (*a*) A Major League Baseball team, (*b*) a high school for its football field, (*c*) a local hardware store, and (*d*) a state highway department.

2 (*a*) Do a SWOT analysis for Daktronics. (*b*) For one entry in each of the four cells in your SWOT table (strengths, weaknesses, opportunities, and threats) suggest an action Daktronics might take to increase revenues.

3 Using Figure 2–5 in Chapter 2 as a guide, identify an action Daktronics might take to increase sales in each of the four cells: (*a*) current markets, current products; (*b*) current markets, new products; (*c*) new markets, current products; (*d*) new markets, new products.

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Chapter 7: Reaching Global Markets
Case 7-1: Pederssen Plastics Limited

Hans Pederssen started his plastics firm in Thunder Bay, Ontario soon after he immigrated to Canada from his native Denmark in 1995. He had an engineering background and had worked in the plastics industry in Denmark for five years prior to coming to Canada. His Canadian firm is a private enterprise, which started as a very small firm but which has now grown to two hundred employees, most of whom are employed in the manufacturing side. Soon after he began the company, he hired two assistants, Marni Theodore and Gerald Buscher, and together they formed the management team. They are still with him, and he relies heavily on both to help him with marketing, not an area of strength for him.

Pederssen Plastics Limited manufactures and markets plastic products for companies primarily in consumer goods industries. For example, they supply toy manufacturers with toy parts, beauty care companies with plastic bottles and jars, and home improvement retailers with brooms, pails, and snow shovels. They concentrate on small niche markets where they believe they can effectively compete on quality and innovativeness. They are careful not to bid on contracts which would force them to compete against some of the larger enterprises in the plastics industry where they know they would be "eaten alive." They also confine their activities to the domestic market – mainly because they have never considered venturing further – and they focus on sales to northwest Ontario and provinces west so that they can remain close to the customer.

One day Hans received an e-mail from a business acquaintance, Anna Jensen, in Denmark who wanted him to quote on some face plates for cellphones. She was in the plastics industry herself, and it was for a private label order that she had received from a large retailer in Germany. However, she was unable to fill it since she already had production booked for the next six months. Was Hans interested in the contract? The purchaser wanted high quality, quick delivery, and a good price, although Anna assured Hans that the buyer was aware that high quality came at a price.

Hans met with Marni and Gerald the next day to discuss the idea. By the end of the meeting, they all agreed that they needed to collect more information and to think over the proposition in more depth. They set their next meeting for one week later. Marni, assigned the task of collecting more information, wanted additional time to do her homework, but, as Hans reminded her, if they decided they did want the business, they had very little time flexibility.

At the appointed time one week later, Marni started the meeting with an analysis of the information she had collected. The first issue that Marni addressed was that, based on her calculations, Pederssen Plastics could manufacture and deliver the face plates, as per the retailer's requirements, at a tidy little profit. So, as a first step, she favoured bidding on the contract. Anna was going to support them in their bid, so she was sure they would win the contract. Everyone agreed, and so she proceeded to the heart of her agenda.

"We are never going to make a lot of money by selling just in Canada, even if we expand to Central and Eastern Canada. This contract gives us an entry point into international markets, and I believe we ought to exploit it. In fact, I really don't see much point in this contract if we do not use the experience we gain to actively pursue other international marketing opportunities. I have not researched all the possible market segments we could target, but I have looked at the cellphone face plate market, and it is very large and certainly enough to keep us busy for the foreseeable future."

She went on to present her arguments in support of her recommendation. She started by saying that there was a global market for cellphones. By that she meant that people all over the world had approximately the same needs and wants with respect to cellphones. Aside from these general needs and wants, however, there were some distinct segments, most notably the youth segment. The purchase behaviour of these consumers was strikingly similar across the globe: they bought cellphones primarily as a status symbol and secondarily as a fashion statement. Factors affecting their purchase decision included service offers that accompanied the

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telephone itself, the ring tones, games installed on the telephone, and, most importantly, the physical design, including the size, ease of use (location of the buttons, etc.), and, relevant to Pederssen, the face plate.

Marni reminded Hans and Gerald that the contract on which they intended to bid was for brightly coloured face plates, obviously targeted to the youth market. If this youth market existed all over the world, she argued, then this kind of face plate would be in demand elsewhere. She also pointed out that, since the youth market was highly fashion-conscious, then face plate designs would need to change frequently. Did this not mean a steady demand? She noted that designs would have to be innovative and creative to keep pace with fashion trends, but this seemed well within Pederssen's capabilities since they had two talented designers on staff.

Yes, she acknowledged that it would require an investment of time and energy and a strong commitment, but it was clearly an opportunity, "landing right in our lap," she said. Gerald concurred.

Marni and Gerald both looked at Hans. He was impressed with Marni's analysis, but he had also done some reading and thinking himself. The notion that the youth segment had similar demands globally was certainly appealing since this, of course, implied economies of scale for Pederssen. However, Hans was not at all sure this global demand was true. Based on his own research, there were indications that young people differed in their cellphone needs depending on their culture. If that meant widely different face plate designs, then the firm's potential for high profits was dramatically reduced since the financial benefits of economies of scale would be irrelevant to them.

To illustrate, Hans suggested some ideas for face plate designs: graphics based on movie themes, popular heroes, or fashion items such as tattoo designs, jewellery, even clothing. Were these not all culture-specific? Hans did not believe Pederssen Plastics had the resources, either manufacturing or human, to handle what he suspected were widely varying tastes in face plate designs. Moreover, he knew that different cultures utilized their cellphones differently. For example, text messaging was far more popular in Europe than in North America, and broadcast messages were becoming increasingly commonplace there. He had read that the Vatican marketed a cellphone service in which the Pope issued daily inspirational messages and that people, including youth, were subscribing to this service in record numbers. An Islamic organization was offering a service that sent Muslims a text message call to prayer five times a day on their cellphones. Was there really a global youth segment for cellphone face plates? Should Pederssen Plastics go ahead with the contract (assuming their bid is successful) and, thus, commit the firm to launch an international marketing strategy?

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