

# 2

## THE MARKETING ENVIRONMENT

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## STUDENT LEARNING OBJECTIVES

After reading this chapter students should be able to:

- Understand the importance of a marketing environmental scan and how it is used to improve marketing programs.
- Describe the elements of a marketing environmental scan and summarize the trends affecting each element.
- Outline the current demographic and sociocultural influences that are affecting 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.
- Be able to conduct a marketing environmental scan with publically available information

## KEY TERMS AND CONCEPTS

baby boomers  
binge viewing  
competitive forces  
demographics  
direct competitors  
discretionary income  
disposable income  
economy  
Generation X  
Generation Y  
Generation Z  
greenwashing  
gross income  
indirect competitors  
inflation  
macroeconomic forces

marketing environment scan  
microeconomic forces  
millennials  
monopoly  
monopolistic competition  
oligopoly  
online behavioural advertising  
perfect competition  
recession  
regulation  
showrooming  
socio-cultural forces  
social media monitoring  
social TV  
technological forces

## MARKETING TIP

For this particular chapter we look to Mohammed Asaduallah, co-founder and CEO GrapeTrail 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:

“It's important to have a clear vision and understand what's important to the user. Including a cool feature is meaningless unless it adds value to the user's experience.”

## LECTURE NOTES

### CHAPTER 2 OPENING VIGNETTE – GRAPETRAIL

The chapter uses the mobile app GrapeTrail as an example of how marketers respond to changes in the marketing environment to design products. The *marketing environment* refers to demographics, socio-cultural factors, the economic environment, technology, the competition, and regulatory forces. This vignette is summarized as follows:

GrapeTrail is a new iPhone app, created for touring Ontario wine country. It allows users to discover local wineries, create itineraries, and have GrapeTrail guide them through the local wine country. Before creating this app, the following marketing environment factors were noted:

- **Demographic factors:** Aging baby boomers have the financial means and interest in travel and new experiences. Young couples enjoy local and international tourist destinations.
- **Socio-cultural factors:** Wine consumption is growing in Canada (4.5 percent per year). A foodie trend is making wine and culinary tours popular. Social media is commonly used.
- **Economic factors:** The Canadian economy is robust but the Euro crisis and US economic uncertainty makes Canadians cautious in their spending.
- **Technological factors:** Smartphone and tablet usage is strong with apps widely used. Three mobile platforms are widely used in Canada, iOS (Apple), Android, and BlackBerry,
- **Competitive factors:** There are no well-designed, highly functional apps for wine country tours. Local wine country associations lack the means to develop and maintain apps. Competitive wine tour apps are either free or priced at \$2.99 with no search or navigation within the app.
- **Regulatory factors:** People must be over 19 years to drink alcohol legally in most of Canada and so the app requires age restrictions. iPhone apps must pass Apple's approval process, which includes an annual \$99 fee with 30 percent of revenues generated through the app payable to Apple (paid downloads, in-app purchases and iAds).

This *marketing environment* prompted Asaduallah to launch GrapeTrail as a technically robust, intuitive free iPhone app with built-in navigation, social media integration, and the ability to easily explore all aspects of Ontario wine country.

#### Reality Check

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

- Which generations are targeted by GrapeTrail?  
Answer: GrapeTrail targets baby boomers, generation X, generation Y, and the millennials. All these generations are interested in new experiences.
- What new features do you think GrapeTrail should incorporate into its app to appeal to its target market and meet upcoming trends?  
Answer: The responses to this question will vary.

## 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. MARKETING ENVIRONMENTAL SCAN

A marketing 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. A marketing 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, 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** - the fastest growing age group is 60-64 years with a large portion of seniors over 65 years. Centenarians are posting large increases with over 17, 000 expected by 2031. The aging population is due to Canada's political stability, good living conditions, and strong health care services.
- **Diverse Generations** - there are four main generational groups of consumers - baby boomers, generation X, generation Y, and generation Z. Baby boomers are the main reason for the "greying" of North America. This group accounts for approximately 70 percent of the wealth in Canada.
- **Big City Dwelling** - 70 percent of Canadians live in one of Canada's 33 cities with 35 percent of the population living in either Toronto, Montreal, or Vancouver.
- **Ethnic Diversity** - Canada is a multicultural society with two thirds of its growth in 2006- 2011 coming from immigration – mainly from Asia and Pacific regions (47%).
- **World Markets** - The world population is showing growth in underdeveloped areas such as Africa, Asia, and India. China and India alone are home to 2.7 billion people, 37 percent of the world's population and stand as future business opportunities.
- **Non-Traditional Families** - over the years the traditional nuclear family of two parents and two children has changed with more single parent families, blended families, same sex marriages, and common law unions. Family size has also decreased to 1-2 children per family.

## B. Socio-Cultural Forces

Socio-cultural forces include society's morals and beliefs, and covers cultural values, ideas, and attitudes. Marketers are currently responding to socio-cultural changes related to communications and media, food, health and fitness, shopping, entertainment, the environment, and the modification of gender roles in society 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 YouTube, Facebook, 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. Consumers are increasingly snacking versus eating sit-down meals.
- **Health and Fitness** - Canadians are concerned about health, nutrition, and obesity with an increased focus on making healthier life-style choices.
- **Environmental Awareness** - The issue of global warming is influencing Canadians to reduce pollution, be less wasteful, and make choices that do not negatively impact the environment.
- **Evolving Gender Roles** - Increasingly, women are working full time and men are becoming more involved in household duties. This has resulted in dual income families who are time-starved.

### Ask Yourself

1. What do we mean by *time-starved*?  
Answer: Time-starved is when people do not have enough time in the day to complete all the necessary tasks.
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 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.

### 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:

- **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. Changes in how consumers use technology and integrate it into their lives must be understood by marketers and incorporated into their products and communications programs. Canadians are increasingly comfortable with digital communications and view computers and the Internet as essential tools. Marketers need to know not only what new inventions are coming on the scene but also how consumers are integrating technology into their lives.

### 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* - only a few companies control the market
- *Monopolistic Competition* - a large number of sellers offering similar or substitute products.
- *Perfect Competition* - many sellers with similar products and little differentiation.

#### 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 is the most common form of competition?  
Answer: Monopolistic competition.
3. What are the indirect competitors to a bag of Doritos chips?  
Answer: Other snack items such as nuts, pretzels, grapes, or cookies 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 groups that affect marketing practices in Canada are the Competition Bureau, the Canadian Radio-Television and Telecommunications Commission (CRTC), Advertising Standards Canada, (ASC), the Canadian Marketing Association (CMA), and the Better Business Bureau (BBB). New regulatory areas have surfaced due to mobile communications with the Canadian Wireless Telecommunications Association (CWTA) and the Mobile Marketing Association (MMA)

- **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.cb-bc.gc.ca>.
- **Advertising Standards Canada (ASC)** is a self-regulatory non-government association run by advertising, media, and marketing professionals. It sets regulations and standards of professional practice for the advertising industry that has agreed to abide by its policies. A single complaint will trigger a review of an ad with its eventual withdrawal if it does not meet the guidelines. The ASC also provides advice and pre-clearance services for advertisers.
- **The Canadian Radio-Television and Telecommunications Commissions (CRTC)** administers the Broadcast and 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 telemarketing list and administers the Wireless Code that regulates wireless telecommunications sector. Visit <http://www.crtc.gc.ca>.
- **The Canadian Marketing Association (CMA)** represents the marketing industry in Canada. Its members need to abide by its code of ethics. It provides the industry with guidelines related to topics such as mobile marketing, telemarketing, email marketing, social media marketing, privacy compliance, promotional contests, fundraising, database marketing, marketing to children and teenagers, Canada's anti-spam legislation, and online behavioural advertising. Visit <http://www.the-cma.org>.
- **The Better Business Bureau (BBB)** is a voluntary alliance of businesses which provides information to help businesses and consumers follow fair and honest business practices. Visit <http://www.bbb.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, 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](http://www.cwta.ca) and [www.txt.ca](http://www.txt.ca).
- **The Mobile Marketing Association (MMA)** is a global association driven to create growth and efficiency within the industry. It sets standards and guidelines that regulate mobile messaging, mobile advertising, and to mobile marketing promotions. It has a resource centre for marketers and publishes a code of conduct, a best practices guide, privacy policy templates, and the International Journal of Mobile Marketing which periodically includes a section on Mobile Marketing in Canada.

Privacy, spam and online behavioural advertising have undergone considerable scrutiny over the past few years with new anti-spam legislation and online behavioural guidelines put in place to guide the industry and protect consumers. Privacy legislation has been update to reflect these areas.

#### **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 a Marketing Environment Scan**

Marketing environment scans are conducted by marketers to ensure products and marketing approaches are relevant. A marketing environment scan is often conducted annually as part of the marketing planning process, and also periodically when new ideas and approaches are needed. Steps in the process are:

- (1) Collect the facts and identify trends
- (2) Brainstorm on marketing ideas to build the business
- (3) Assess, evaluate, and implement ideas

Mohammed Asaduallah shared the marketing environment scan that was conducted prior to designing and launching GrapeTrail. It highlighted the importance of creating an app that is:



- Technically robust and easy to use
- Free to download
- Contains in-app navigation and social media integration
- Uses beautiful images

## QUESTIONS AND ANSWERS TO END-OF CHAPTER MATERIAL

### Hands-on...Apply Your Knowledge Marketing Environment Scan Assignment

Assume GrapeTrail is expanding its business to create an app for foodies. Review this chapter's opening vignette on GrapeTrail and the steps required to conduct a marketing environment scan at the end of this chapter. Create a new marketing environmental scan to determine what ideas and opportunities exist for targeting food enthusiasts. Follow the steps in a marketing environment scan and outline your work in the format outlined in Figure 2–6.

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

### Video Clip...Questions

Review the two Statistics Canada Census videos on CONNECT and answer the following questions:

- What are the top three immigrant languages in Canada?

Answer: Chinese languages, Punjabi, and Spanish

- How many aboriginal languages are spoken in Canada?

Answer: 60

- What percentage of the population is bilingual in English and French?

Answer: 17.5%

- What percentage of the population is between 15 – 64 years?

Answer: 69%

- What is the growth rate of the 0-4 year age segment?

Answer: 11%

- What is the fastest growing age group and what is its growth rate?

Answer: 60-64, 29%

### Infographic ... Data Analysis

Review the infographic on car sales in Canada and update the chart using the latest data from Canadian newspaper articles from The Toronto Star, The National Post, and The Globe and Mail, as well as other reputable business sources such as Canadian Business, Maclean's, and the DeRosiers automotive website that specializes in the car industry. Create your own infographic and write a short analysis of industry changes that occurred over the last year. (Infographic tip: use Excel and Word to create charts and place them in a single PowerPoint slide to combine the visuals).

Answer: All major newspapers provide updated annual data on the automobile industry every January. This is an excellent source of information for students and they are advised to check the articles from three major newspapers. The information will be sourced from DeRosiers Automotive Consultants.

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

- 1. Kentucky Fried Chicken (KFC) is a fast food restaurant that sells mainly breaded chicken products such as drum sticks, nuggets, chicken wings, chicken breast and sandwiches as individual or family meals. Conduct a marketing environment scan on KFC and identify two trends or factors that may significantly affect its future business. Suggest how KFC could respond to these changes.**

Answer: Two trends that may affect KFC 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. KFC may need to introduce healthier products that are not breaded or fried and in the long term look at repositioning the fast food company.
- b. Environmental trends may lead KFC 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 generation Y. What advertising media choices would you use to appeal to this target market?**

Answer: A marketing environment scan reveals that this technology savvy market appreciates recreational activities and is not willing to generally put work before self-fulfillment.

- a. Items such as hands-free cellular phones, iPod compatible sound systems, GPS navigation systems, DVD players, and wireless internet capabilities may appeal to this generation.
- b. Advertising messages should be sent via the Internet, newspapers, and TV programming that focus on music, sports, technology, lifestyle, 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.

**4. When the Canadian long-distance telephone industry was deregulated, how did this change the competitive nature of this industry? How would each component of the marketing mix change and why?**

Answer: When the telecommunications industry was deregulated this allowed new competitors to enter the market. This in turn drove down consumer prices and encouraged the development of new products and services which addressed consumer needs.

The marketing mix changed as follows:

- a. **Product** - product development encouraged competitors to add more services such as call waiting, caller I.D and voice messaging to stay ahead of competitors. Services were also bundled with other products to provide value to loyal consumers.
  - b. **Price** - price wars for long distance calling became common with marketers offering discounts and rebates for monthly packages. Packaging of services into “service bundles,” all for one price, also became common.
  - c. **Place** - after deregulation, new stores and booths in shopping malls and grocery stores opened. This was an attempt by the carriers to come to the consumer rather than the reverse. By being more accessible, suppliers attempted to achieve a competitive edge.
  - d. **Promotion** - all of the previously mentioned elements of the marketing mix were heavily advertised. Ads ran on TV, online, in print, and out-of home together with rebates and low-priced introductory offers to encourage consumers to switch carriers.
- 5. 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.

## QUESTIONS AND ANSWERS TO ONLINE ACTIVITIES: DISCUSSION FORUM

**Do you have a digital camera? What is the impact of technology on traditional photography companies? Visit the corporate site of Blacks Photography and review its current products and services (<http://www.blackphoto.com/>).**

- 1. What do you think the future holds for the company? What are the threats and opportunities that exist for this company?**
- 2. If you were the marketing manager of Blacks Photography 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 33.5 million (the latest 2011 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

## **BRING IT TO LIFE: VIDEO SYNOPSIS & TEACHING SUGGESTIONS**

### **STATISTICS CANADA - AN OVERVIEW OF LANGUAGE DATA, 2011 CENSUS**

### **STATISTICS CANADA - AN OVERVIEW OF AGE AND SEX DATA, 2011 CENSUS**

#### **Synopsis**

There are two videos for this chapter that are from Statistics Canada and focus on the latest census information. In Canada a census of the population is conducted in Canada every five years and the latest census information is from 2011. It shows some interesting trends in terms of age. Specifically, Canada has an aging population with significant growth in the 65+ age group and specifically with centenarians (people over 100 years). Children under age 11 also showed an unexpected increase.

Language trends are also of interest. Specifically, English and French still dominate as the official languages used in Canada. The main immigrant languages areas the Chinese languages, followed by Punjabi, Spanish, Tagalog, Arabic, Italian, Urdu and German.

#### **Teaching Suggestions**

Two short videos from Statistics Canada are provided for use with this chapter. They succinctly summarize the 2011 census findings on age and language in Canada.

You may want to start by directly your students to the infographic on the 2011 census shown in chapter 2 of the text book and discuss what they find interesting or surprising. Then ask your students to read the video case without answering the questions. Then show the two Statistics Canada videos and ask the students to work in pairs to answer the questions. These questions can then be reviewed in class.

**BRING IT TO LIFE: VIDEO CASE – PRINTOUT**  
**STATISTICS CANADA - AN OVERVIEW OF LANGUAGE DATA, 2011 CENSUS**  
**STATISTICS CANADA - AN OVERVIEW OF AGE AND SEX DATA, 2011 CENSUS**

A census of the population is conducted in Canada every five years and the data is analyzed and released to the public in the two subsequent years. Canada's latest census was conducted in 2011 and shows interesting data on language and age. The population stands at over 33.5 million people.

**Language**

Canada is a nation of diverse origins. The 2011 census reports over two hundred different mother tongues with one-fifth of Canada's population, about 6.6 million people, speaking a language other than English or French at home. The most prevalent immigrant home languages are the Chinese languages, followed by Punjabi, Spanish, Tagalog, Arabic, Italian, Urdu and German. Over 60 different Aboriginal languages are also spoken in Canada, the most frequented noted as Cree languages, Inuktitut and Ojibway.

Canada's two official languages are English and French and 98 percent of the population is able to conduct conversations in either one of these languages. 58 percent of the population reports English as its mother tongue and 22 percent report it as French. Bilingual speakers of both English and French account for 17.5 percent of the population.

**Age**

Canada's population is changing largely due to the aging of the population with a greater proportion of older people living in Canada. This is mainly due to a combination of good living conditions and strong health care services that exist in a politically and geographically stable society. Working age Canadians between 15 - 64 years are the largest segment of the Canadian population at 69 percent, followed by children 0 -14 years at 17 percent, and seniors over 65 years at 15 percent of the population.

When comparing 2011 to the 2006 census data, some interesting facts surface within these broad age groups:

- The 0 - 14 year age group is relatively stable
- The 15 - 64 year old group has grown 6 percent
- The 65+ age group increased 14 percent

When diving deeper into the data, more detailed population trends are evident and need to be noted:

- The 4 years and under age group jumped 11 percent
- The 60 to 64 year age group increased 29 percent
- Centenarians, (people over 100 years) grew 26 percent

There are currently 6 thousand centenarians living in Canada with projections reaching 18 thousand by 2031 and 80 thousand by 2061.

**Questions:**

- 1. What government services do you think will be impacted by these population changes?**
- 2. What new opportunities does the language and population data present to a company such as Netflix?**

**BRING IT TO LIFE: VIDEO WORKSHEET**  
**STATISTICS CANADA - AN OVERVIEW OF LANGUAGE DATA, 2011 CENSUS**  
**STATISTICS CANADA - AN OVERVIEW OF AGE AND SEX DATA, 2011 CENSUS**

**Name:**

**Section:**

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The videos will review information from Statistics Canada on language and population in Canada. Please answer the following questions once you have watched the videos and read the case:

**1. What government services do you think will be impacted by these population changes?**

**2. What new opportunities does the language and population data present to a company such as Netflix?**



## **BRING IT TO LIFE: VIDEO CASE – ANSWERS TO QUESTIONS STATISTICS CANADA**

### **1. What government services do you think will be impacted by these population changes?**

Answer:

Federal, provincial and municipal services will be impacted by the population changes seen in Canada's 2011 census. Healthcare services such as hospitals, retirement homes, and long-term care, home care, and palliative care facilities will need to be examined to ensure they keep pace with the aging population and its needs for geriatric services. This will require considerable forward planning as sometimes new structures are required, existing services may need to be reorganized, and funding will be needed.

Other government services will also be impacted such as standards for renewing drivers' licenses and old age security funds which may need to be revisited.

From a language perspective, government agencies will need to ensure services continue to be available in Canada's two official languages and to consider translation services for the highly used immigrant languages.

Looking at the growth in young children under age 4, this may impact local school and daycare services. Federal and municipal agencies will need to examine access and capacity issues in this area.

### **2. What new opportunities does the language and population data present to a company such as Netflix?**

Answer:

There are many ideas that Netflix could consider implementing to meet Canada's changing population. Offering services in immigrant languages including movies and TV programs may prove profitable, particularly as these services are currently offered by cable TV providers such as Rogers at premium prices. It may also want to consider a service for the elderly which automatically defaults to larger screen sizes, large type closed captioning, and higher sound levels. For people concerned about aging and the brain, it may want to create services and work with experts to help stimulate brain activity.

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

The NewsFlashes for this chapter are on *Millennials - Facebook Addicts?* and *You've Been Hacked*. Discussing these NewsFlashes 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. MILLENNIALS - FACEBOOK ADDICTS?**

The millennials are avid users of Facebook and text messaging and are interested in social causes. They are focused on finding quality jobs, and are concerned about paying for retiring baby boomers. They are price conscious and frequently check online sources and e-commerce options in-store before purchasing a product - they are *showroomers*.

#### **Questions**

1. How can stores best deal with the practice of showrooming?
2. Why do you think Instagram and Facebook are so popular with the millennials?

#### Answers:

1. Stores can provide special offers for in-store purchases and use database marketing and loyalty programs to reach consumers.
2. Facebook and Instagram have easy-to-use apps that are very visual. This makes these social media sites popular.

### **B. YOU'VE BEEN HACKED**

The Canadian Anti-Fraud Center provides consumers with a website to report scams, scareware and other fraudulent activities at [www.antifraudcentre.ca](http://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 Canadian Anti-Fraud Center will reduce the amount of Internet crime that exists in Canada? Why or why not?
2. Many consumers are unaware of the Canadian Anti-Fraud Center. How can social media help increase awareness of the centre and encourage consumers to report fraud?

#### Answers:

1. This reporting centre should help reduce Internet crime as people become more familiar with its existence.
2. The Canadian Anti-Fraud Center 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.

## BRING IT TO LIFE: NEWSFLASH PRINTOUT AND WORKSHEET

Name:

Section:

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### Millennials - Facebook Addicts?

The millennials are coming of age in a wired world and seamlessly integrate technology into their lives. While researchers do not necessarily agree on the exact boundaries of this generation, it generally covers those born between 1980 and 2000 and focuses on people between the ages of 18 and 30. The millennials are fearless users of software and digital devices. Many do not have landline phones, they frequently use the Internet to watch TV, and they keep smartphones constantly within reach. Avid users of apps, millennials use Facebook and Instagram to stay connected and often consider gaming a fun pastime.

The millennials live at home longer than previous generations. They are interested in social causes, are focused on finding quality jobs, and are concerned about paying for the retiring baby boomer generation. They see personal debt as a challenge and view marriage and children as relevant. They value service and respectability more than money and status. Millennials are not proficient in face-to-face networking.

Marketers need to know how to connect with this generation, so here are some facts to consider:

#### **Social media**

Millennials are social media addicts—90 percent use Facebook and 80 percent of users check it daily. Facebook is their top communication tool to share noteworthy events with friends, followed by text messaging. While e-mail is the least likely form of communication with friends, it is used regularly for work, school, and communicating with parents. The millennials are the most likely of all generations to share information online.

#### **Branding**

The millennials are price conscious, assessing product value before purchasing. Loyalty programs are very important to them, with 78 percent more likely to purchase a brand that has a rewards program. Rewards programs are seen as a good reason to share personal information with marketers. Millennials expect rewards to accumulate quickly and to receive their first reward within three months.

#### **Shopping**

The millennial generation accesses copious amounts of online information before making a purchase. Many read product reviews, get advice from social networks, and check prices on mobile devices while in store. This has coined the term **showrooming**, the practice of using mobile devices in store to check competitive online product reviews and prices and to then purchase the cheaper product online. Daily-deal and location-based offers do not strongly resonate with the millennial generation.

Marketers keep these facts in mind when targeting the millennials.



## **BRING IT TO LIFE: NEWSFLASH PRINTOUT AND WORKSHEET**

**Name:**

**Section:**

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### **You've been hacked!**

Did your computer just freeze and a pop-up message from the RCMP announce that your computer is locked as it is linked to child pornography? The logo looks authentic and a fine needs to be settled to pay for the offence. The Canadian Anti-Fraud Centre warns that this is a *scareware* scam, designed to frighten users into immediately paying the purported \$100 fine (or more) through the visible online payment button. This scam is cleverly designed, understanding that some recipients may prefer to pay the fine, rather than report it to police and incur additional hassles. Nonetheless, over 1,500 people in Canada logged complaints with the Canadian Anti-Fraud Centre on this very issue, which also surfaced in the U.K. The solution is to rid your computer of the malware that immobilized the device, not pay the fraudsters, and report the incident to the Canadian Anti-Fraud Centre at [www.antifraudcentre.ca](http://www.antifraudcentre.ca).

Scareware scams infect computers through malware that comes from infected links, attachments, or downloads often associated with spam messages or pop-up ads. Canadian law enforcement recently cooperated with the FBI and other authorities in Sweden, Denmark, the U.K., France, Germany, Romania, Lithuania, Latvia, Ukraine, the Netherlands, and Cyprus to help foil another scareware scam where pop-up ads sold fake anti-virus software for \$129 per download. Over 950,000 unsuspecting victims were defrauded of over \$71 million. Eventually, one of the European perpetrators was extradited to the U.S. and sentenced to four years in jail and fined \$650,000.

The Canadian Anti-Fraud Centre advises us to turn on pop-up blockers and to never open spam e-mail or unknown attachments. In addition, consumers should not click on spam pop-up images to download anti-viral programs and always use up-to-date, trusted, anti-virus software. If you are the recipient of a scareware scam, you are asked to contact your local police department and the Canadian Anti-Fraud Centre.

### **Questions**

- 1. Do you think the Canadian Anti-Fraud Center will reduce the amount of Internet crime that exists in Canada? Why or why not?**
  
- 2. Many consumers are unaware of the Canadian Anti-Fraud Center. How can social media help increase awareness of the centre and encourage consumers to report fraud?**

## **BRING IT TO LIFE: IN-CLASS ACTIVITY**

### **INSTRUCTIONS – HARVEY’S MARKETING ENVIRONMENT SCAN**

#### **Learning Objectives**

1. To understand the purpose of a marketing environment scan
2. To conduct a brief marketing environment scan

#### **Description of In-Class Activity**

- Provide students with a list of menu choices available at Harvey’s fast-food restaurants and ask them to conduct a marketing environmental scan that identifies trends, and opportunities and threats in the market that affect Harvey’s consumers. 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 Harvey’s menu at <http://www.harveys.ca/eng/index.php>. If possible, visit one of their fast-food restaurants to understand the restaurant ambiance and product offerings.
- Determine whether you will be showing a visual of the fast-food restaurant. If you have an Internet capable class-room, consider linking to the Harvey’s website at the start of this activity at <http://www.harveys.ca/eng/index.php>. An alternative is to show a visual of Harvey’s from Google Images.

#### **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 a marketing environment 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.

*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 consumers use technology and how technology is being integrating into their daily lives.

*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 a Harvey's product or restaurant. Briefly describe the types of products sold at these outlets. Linking to the Harvey's website (<http://www.harveys.ca/eng/index.php>) may be useful. Ask students which fast-food companies compete with Harvey's and if there have been any changes in the fast food industry over the last few years in terms of menu items and store ambiance. 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 marketing environment scan – 20 minutes, (2) ask the students to brainstorm on marketing ideas that address the marketing environment factors they have identified – 20 minutes, and (3) allocate 20 minutes for a spokesperson from each group to briefly share their marketing ideas 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.

## **BRING IT TO LIFE: IN-CLASS ACTIVITY**

### **HARVEY'S – HANDOUT**

Please review the selection of menu choices that Harvey's fast food restaurants provide to their patrons. Then review of the changes that are occurring in the marketing environment that affect consumers' willingness and ability to buy these items. Formalize your findings with a marketing environmental scan that identifies these changes and outlines your ideas on how to better market Harvey's in this environment. An example of a marketing environment scan for GrapeTrail is attached as a reference.

### **HARVEY'S MENU**

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#### **Burgers - Singles**

Original Bacon  
Cheeseburger  
Original Cheeseburger  
Original Hamburger

#### **Burgers - Doubles**

Double Original Bacon  
Cheeseburger  
Double Original  
Cheeseburger  
Double Original  
Hamburger

#### **Burgers - Angus**

Angus Burger with Cheese  
and Bacon  
Angus Burger with Cheese  
Angus Burger

#### **Chicken**

Grilled Chicken Sandwich  
Grilled Chicken BLT  
Sandwich

#### **Salads and Veggies**

Veggie Burger  
Entree Garden Salad

#### **Kids**

Burger or Cheeseburger  
Hot Dog  
Chicken Strips

#### **Sides**

French Fries  
Onion Rings  
Garden Salads  
Poutine

#### **Soft Drinks**

Pepsi, 7UP, MUG Root  
Beer, Brisk Ice Tea  
Bottled Water  
Milk and Juice  
Coffee and Tea



## BRING IT TO LIFE: IN-CLASS ACTIVITY HARVEY'S: WORKSHEET

**Name:**

**Section:**

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Conduct a marketing environment scan of Harvey's fast food restaurants. First, identify the trends and changes that are occurring in the market that impact Harvey's consumers – (FACTS). Second, brainstorm on marketing ideas that address these changes and meet changing consumer needs – (FACTS). Third, select a spokesperson for your group who will briefly and informally explain your ideas to the class.

### Marketing Environment Scan – GrapeTrail

<b>Factors Marketing Environmental Scan</b>	<b>Step 1 Facts and Trends</b>	<b>Step 2 Brainstorming Ideas</b>	<b>Step 3 Ideas for Implementation</b>
<b>Demographic factors</b>	→	→	
<b>Socio-cultural factors</b>			
<b>Economic factors</b>			
<b>Technological factors</b>			
<b>Competitive factors</b>			
<b>Regulatory factors</b>			

**BRING IT TO LIFE: IN-CLASS ACTIVITY**  
**EXAMPLE MARKETING ENVIRONMENTAL SCAN**  
**GRAPETRAIL**

**Marketing Environment Scan – GrapeTrail**

<b>Factors Marketing Environmental Scan</b>	<b>Step 1 Facts and Trends</b>	<b>Step 2 Brainstorming Ideas</b>	<b>Step 3 Ideas for Implementation</b>
<b>Demographic factors</b>	<ul style="list-style-type: none"> <li>• A well-educated aging population exists in Canada</li> <li>• Baby boomers are active, relatively affluent, and interested in travel and new experiences</li> <li>• Young couples are having children later in life, freeing up leisure time to enjoy local and international tourist destinations</li> </ul>	<ul style="list-style-type: none"> <li>• Create apps that allow users to more easily explore local travel destinations</li> <li>• Create apps that allow baby boomers to explore eco-tourism and edu-tourism interests</li> <li>• Include good quality information in the apps to appeal to well-educated baby boomers</li> <li>• Create apps for wine country tours for the millennials</li> <li>• Create apps for culinary food tours for the millennials</li> </ul>	<ul style="list-style-type: none"> <li>• Develop local wine tour apps</li> <li>• Ensure wine tour apps have better features and more functionality than the competition. Include:               <ul style="list-style-type: none"> <li>- Local wine regions, including emerging regions</li> <li>- Winery information such as trading hours, contact details and types of wines produced</li> <li>- Options for users to create their own personal itineraries</li> <li>- Navigation within the app</li> <li>- Social media login</li> </ul> </li> <li>• Visit local wineries and get their feedback to improve the app</li> </ul>
<b>Socio-cultural factors</b>	<ul style="list-style-type: none"> <li>• Wine is becoming increasingly popular in Canada</li> <li>• Emerging foodie culture</li> <li>• Social media is part of the day for most Canadians</li> </ul>	<ul style="list-style-type: none"> <li>• Create an app for exploring local wine country</li> <li>• Create an app for culinary food tours</li> <li>• Create an app for eco-tourism tours</li> <li>• Integrate social media in the apps</li> </ul>	<ul style="list-style-type: none"> <li>• Create an app for local wine tours</li> <li>• Integrate social media in the apps so users can share their experiences</li> <li>• Allow users to sign up and login to the app using Facebook</li> </ul>
<b>Economic factors</b>	<ul style="list-style-type: none"> <li>• Consumers are concerned about the economy</li> <li>• People have become more prudent in their</li> </ul>	<ul style="list-style-type: none"> <li>• Provide free apps that help Canadians explore local tourist destinations and what they have to offer</li> </ul>	<ul style="list-style-type: none"> <li>• Provide app as a free download</li> <li>• Partner with wineries to encourage users to</li> </ul>

	<p>spending habits</p>	<ul style="list-style-type: none"> <li>• Consider accepting ads in the apps to make them financially viable</li> <li>• Consider licensing the apps to local tourist associations</li> <li>• Partner with wineries to encourage users to download the app</li> </ul>	<p>download the app</p> <ul style="list-style-type: none"> <li>• Provide wineries with marketing materials to raise awareness of the app</li> </ul>
<b>Technological factors</b>	<ul style="list-style-type: none"> <li>• Smartphone and tablet usage is strong in Canada</li> <li>• Apps are widely downloaded on Apple iOS, Google Android, and BlackBerry devices</li> </ul>	<ul style="list-style-type: none"> <li>• Consider making apps for Apple iOS, Google Android, and BlackBerry devices</li> </ul>	<ul style="list-style-type: none"> <li>• Develop the wine tour app for Apple iOS devices first</li> <li>• Expand the app onto other platforms at a later date</li> </ul>
<b>Competitive factors</b>	<ul style="list-style-type: none"> <li>• An overwhelming number of apps exist</li> <li>• Only a few worthy eco-tourism and edu-tourism apps exist</li> <li>• Most wine-related apps need to be purchased for a fee</li> <li>• Wine tour apps do not provide GPS navigation within the app</li> </ul>	<ul style="list-style-type: none"> <li>• Create free, highly functional edu-tourism and eco-tourism apps</li> <li>• Integrate social media in the apps</li> <li>• Ensure GPS navigation exists within the app</li> <li>• Provide the app for free with zero in-app purchases</li> </ul>	<ul style="list-style-type: none"> <li>• Start with a highly functional, free wine tour app with built-in GPS navigation and social media integration</li> <li>• Ensure the user interface of the app is supported for all iPhone screen sizes</li> </ul>
<b>Regulatory factors</b>	<ul style="list-style-type: none"> <li>• Must be 19 years of age or older to legally drink alcohol</li> <li>• Must pass iOS strict approval process</li> <li>• Must pay an annual fee and portions of all earnings through the app to Apple</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the app complies with Apple's App Store Review Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the app is listed with an App Store rating of 17+</li> <li>• Create responsible drinking messages within the app</li> </ul>

# BRING IT TO LIFE: METRICS ASSIGNMENT AND WORKSHEET

## CAR TREND ANALYSIS

### GOOGLE TRENDS AND ALEXA

**Name:**

**Section:**

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

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

Tasks:

#### **1. Search volume – 12 month trend**

Go to Google Search Trends at <http://www.google.ca/trends/> and review the search traffic for Toyota, Nissan, and Honda by navigating to Google Trends at <http://www.google.ca/trends/>.

Separately add the terms Toyota, Ford, and Honda into the search box. Drop down the *Worldwide* tab and select *Canada*. Drop down the *2014 - present* tab and select, *Past 12 months*. Collect and review the data.

#### **2. Website traffic – 2 year trend**

Go to Alexa at <http://www.alexa.com/> and review the website traffic for Toyota, Ford, and Honda by separately adding the terms Toyota.ca, Ford.ca, and Honda.ca into the search box.

For each brand, scroll down on the Alexa website to gather data on website rank in Canada as well as metrics per visitor for bounce rate, daily page views, and time on site. Compare the metrics for these three brands.

#### **3. Marketing Metrics Dashboard**

Present the information in a marketing metrics dashboard that visually represents the data using graphs and charts. (Dashboard tip: use Excel and Word to create charts and place them in a single PowerPoint slide to combine the visuals).

#### **4. Discussion**

Review the data and be prepared to discuss the trends and correlations.

**BRING IT TO LIFE: METRICS ASSIGNMENT**  
**CAR TREND ANALYSIS**  
**GOOGLE TRENDS AND ALEXA**  
**ANSWERS AND TEACHING NOTE**

This assignment familiarizes students with how to use Google Trends and Alexa to gather online data. It also exposes students to marketing dashboards as a way to clearly visually represent data that can be used to and analyze trends.

To be successful, this assignment requires the instructor to first explain that a marketing dashboard visually represents marketing metrics in an easily understandable snapshot that uses charts, graphs, and tables, often on a single page. Once this is established, the instructor needs to demonstrate two things in class before distributing the assignment. These are:

1. How to gather data from Google Trends

Navigate to Google Trends at <http://www.google.com/trends/>  
Add the search terms into the search box on this webpage  
Drop down the *Worldwide* tab to select the region  
Drop down the *20014- present* tab to select the time frame

2. How to gather data from Alexa

Navigate to Alexa at <http://www.alexa.com/>  
Add the website terms into the search box  
Scroll down on Alexa after searching for each term to retrieve relevant data

## **Marketing Metrics Case 2**

### **Why Dell Inc. Lost Market Share in the US Personal Computer Market during 2006-2010**

Michael Dell, chief executive officer of Dell Inc. (Dell), on May 9 2011 expressed that he is committed with the growth and strategic direction of Dell<sup>1</sup>. Dell is a multinational company with headquarters in Texas, US. Dell offers a “broad range of technology product categories including mobility products, desktops PCs, software and peripherals, servers and networking products, storage, and services<sup>2</sup>.”

Dell faced a decline in market share in the US personal computer (PC) market at the rate of approximately 8% annually from 2006 to 2010<sup>3</sup>. 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). According to Dell’s 10K published financial statements, net sales of desktops and notebooks were approximately 55% of total net sales in 2010<sup>4</sup>. Mr. Michael Dell commented that the PC market contributes to one third of Dell’s profits<sup>5</sup>.

There are many potential reasons why Dell lost market share in the US PC market in the last five years. One reason may be the steer direction Mr. Dell has given to the company. He said that in the last four years Dell has acquired companies emphasizing new business areas such as “storage, service, data centre, security, virtualization, networking, software, and enterprise<sup>6</sup>.” Another potential reason why Dell lost market share may be related to the challenges created by tablets (such as the Ipad of Apple) in attracting consumers and corporations as well as the advancement of computer components which continue to get more efficient and faster and consequently extending the lifetime of a computer<sup>7</sup>.

Other potential reason is related to how well Dell is competing in the market in terms of creation of customer value. In fact, a key driver of better market performance is the customer and how well s/he is served by organizations. An important marketing metric that measures how well a customer is served by an organization is the customer satisfaction score each organization has. Customer satisfaction is defined as the whole evaluation experience of customers with products and services<sup>8</sup>. The American Customer Satisfaction Index (ACSI) developed by the University of Michigan, shows customer satisfaction scores of many companies and different markets in the US.

### **Customer Satisfaction scores of the US PC market participants from 2001 to 2005**

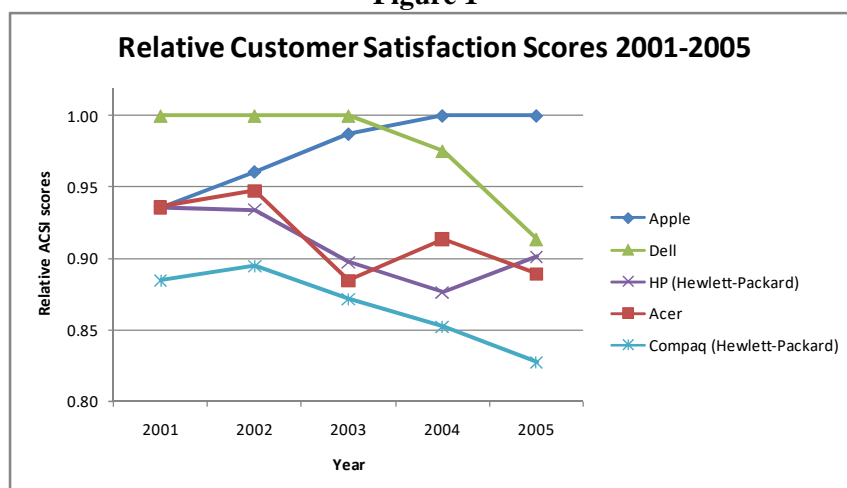
The competition for customer value creation in terms of customer satisfaction was really interesting during the period 2001-2005. Table 1 shows 2001-2005 ACSI scores of the players in the US PC market. The ACSI score for each company is reported on a 0 to 100 scale, where 100 is the maximum score. Apple experienced an increase of customer satisfaction in such period at the compound annual growth rate (CAGR) of approximately 2.6%<sup>9</sup>. It seems that Apple’s customers had positive experiences in using Apple’s product at that time. HP on the other hand did not improve or deteriorate customer satisfaction levels. However, Dell, Compaq and Acer downgraded customer satisfaction at the annual rate of 1.3%, 0.7%, and 0.3% respectively.

**Table 1: Customer Satisfaction and growth of US PC market players<sup>10</sup>**

Companies	2001	2002	2003	2004	2005	Compounded Annual Growth Rate
Apple	73	73	77	81	81	2.6%
Dell	78	76	78	79	74	-1.3%
HP (Hewlett-Packard)	73	71	70	71	73	0.0%
Compaq (Hewlett-Packard)	69	68	68	69	67	-0.7%
Acer	73	72	69	74	72	-0.3%
All Others	67	70	69	71	74	2.5%

The competitive strength of each company in regards to customer satisfaction during the period 2001-2005 can be observed in figure 1. Relative customer satisfaction indicates which company is the leader in the market in terms of satisfying customers. Relative customer satisfaction is the result of indexing a company's/brand's customer satisfaction against that of the leading competitor in the market. Interestingly, Dell was the customer satisfaction leader in the US PC market from 2001 to 2003. After that period, Dell conceded the leadership to Apple. In fact the customer satisfaction competitive gap between Apple and Dell has increased in 2004 and 2005. Further, the satisfaction competitive gap between Compaq and the leader has expanded from 12% in 2001 to 17% in 2005. The same case occurred for HP and Acer whose gap increased from 6% in 2001 to about 10% in 2005.

**Figure 1<sup>11</sup>**



### Sales and Market share of the US PC market participants from 2006 to 2010

In the US PC market, the main participants are Dell, HP, Apple, Acer, Toshiba, and others. The US PC market (in sales units) grew annually 3.9%<sup>12</sup> from 2006 to 2010. HP, Apple, Acer and Toshiba grew above the market at the annual rate of 8.2%, 21.6%, 15%, and 23.5% respectively. Dell and other players in the US PC market grew below the market, actually annual sales of these companies decline at the annual rate of 4.3% and 4.6% respectively. Table 2 shows annual market shares (based on sales units figures) of Dell and its competitors in the US PC market for the years 2006 to 2010. The leaders of the PC market industry in US are HP and Dell, with approximately half the market in 2010. HP's market share has increased from 22.5% to 26.4% in the last 5 years. Apple, Acer and Toshiba's market shares have also increased. However Dell and other companies in the market have experienced a decline in their market share in the last five years. Potentially the decline of Dell's market share has benefited the increase of market share of HP, Apple, Acer and Toshiba.

**Table 2: Market Share of US PC Market players**

Company	2006	2007	2008	2009	2010	Compounded Annual Growth Rate
<b>HP</b>	22.5%	25.5%	25.5%	27.3%	26.4%	4.1%
<b>Dell</b>	32.3%	29.4%	29.9%	24.5%	23.2%	-7.9%
<b>Apple</b>	5.1%	6.5%	8.0%	8.2%	9.5%	17.0%
<b>Acer</b>	8.1%	9.8%	9.8%	13.6%	12.1%	10.6%
<b>Toshiba</b>	4.6%	5.5%	5.8%	7.8%	9.3%	18.9%
<b>Others</b>	27.4%	23.3%	20.9%	18.5%	19.5%	-8.2%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	-

The CAGR of Dell's market share was -7.9%, which basically reflects that Dell's year-over-year market share was shrinking. It only increased from 2007 to 2008 in 1.7%; the other year-over-year shares were decreasing, 9% from 2006 to 2007, 18.1% from 2008 to 2009, and 5.3% from 2009 to 2010 (see table 3). On the contrary Toshiba and Apple were companies that grew the most with CAGR of 18.9% and 17% respectively. On the one hand, Toshiba's year-over-year market share expanded, for instance, from 2006 to 2007 it grew 19.6%, from 2008 to 2009 it expanded 34.5%, and from 2009 to 2010 it grew up 19.2%. On the other hand, Apple's year-over-year market share also expanded from 27.5% (2006-2007) to 15.9% (2009-2010).

**Table 3: Market Share Annual Growth of US PC Market players**

Company	2007	2008	2009	2010
<b>HP</b>	13.3%	0.0%	7.1%	-3.3%
<b>Dell</b>	-9.0%	1.7%	-18.1%	-5.3%
<b>Apple</b>	27.5%	23.1%	2.5%	15.9%
<b>Acer</b>	21.0%	0.0%	38.8%	-11.0%
<b>Toshiba</b>	19.6%	5.5%	34.5%	19.2%
<b>Others</b>	-15.0%	-10.3%	-11.5%	5.4%

### Challenges Dell is facing in the US PC market

Dell is suffering a market share shrink in the US PC market in the last 5 years. Mr. Dell apparently is trying to steer the direction of Dell toward new markets such as storage, service, and data centre to name a few in order to minimize problems in the PC markets. Although new directions of Dell, the PC market still represents 55% of total net sales and 33% of net profits. The consistent loss of market share in the PC market may hurt Dell's net sales and profits in the near future.

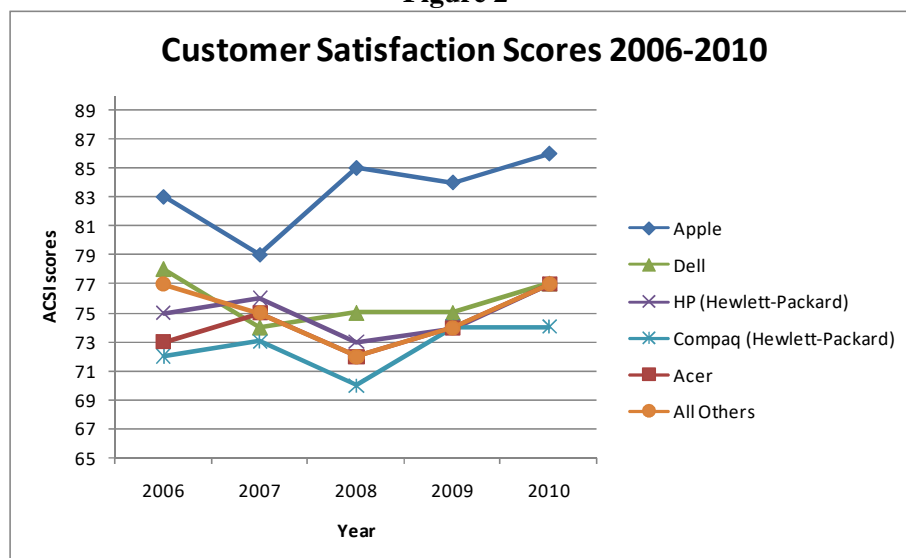
Part of the solution to this consistent drop of Dell's market share may be improving the creation of customer value by enhancing customer satisfaction. As we know, how well a customer is served by an organization is one of the pillars of a successful marketing strategy. Potentially Dell needs to improve the experience of customers with its products and services in order to create positive Dell's evaluations. You are part of a team which is in charge of analyzing the situation of Dell in the US PC market during 2006 to 2010 and making some recommendations to Dell marketers and managers. The hypothesis you will have in mind when doing your analysis is the positive relation that exists between customer satisfaction and market share. For doing your analysis, you have been provided with information contained in table 4. Table 4 shows the last 5 years ACSI scores of the players in the US PC market as well as the CAGR. As you already know, the ACSI score for each company is reported on a 0 to 100 scale, where 100 is the maximum score. See figure 2 for details on how the ACSI scores of PC market players in US has moved.



**Table 4: Customer Satisfaction of US PC Market players<sup>13</sup>**

Companies	2006	2007	2008	2009	2010	Compounded Annual Growth Rate
Apple	83	79	85	84	86	0.9%
Dell	78	74	75	75	77	-0.3%
HP (Hewlett-Packard)	75	76	73	74	77	0.7%
Compaq (Hewlett-Packard)	72	73	70	74	74	0.7%
Acer	73	75	72	74	77	1.3%
All Others	77	75	72	74	77	0.0%

**Figure 2<sup>14</sup>**



If you are competent in answering the following questions, then you will be able to make an outstanding report.

**Questions:**

1. What is the challenge Dell is facing? Summarize your thoughts and comment potential internal and external reasons causing such challenge.
2. Using companies' annual ACSIs (of table 4) compute the annual relative customer satisfaction of Dell and Apple from 2006 to 2010. Discuss your results. Take into consideration the following: relative customer satisfaction is the result of indexing a company's/brand's customer satisfaction against that of the leading competitor in the market.

**Table 5: Relative ACSI (US PC market)<sup>15</sup>**

Companies	2006	2007	2008	2009	2010
<b>Apple</b>					
<b>Dell</b>					
HP (Hewlett-Packard)	0.90	0.96	0.86	0.88	0.90
Compaq (Hewlett-Packard)	0.87	0.92	0.82	0.88	0.86
Acer	0.88	0.95	0.85	0.88	0.90
All Others	0.93	0.95	0.85	0.88	0.90

3. Using the annual customer satisfaction scores (of table 4), compute the annual growth rates of Dell's customer satisfaction from 2006 to 2010 in the US PC market. Discuss your results using Dell and some of its competitors' growth rates; also use CAGRs of table 4 to narrate the dynamics of the market. Take into consideration that the annual growth rate (AGR) is the result of:

$$AGR(\%) = \left( \left[ \frac{\text{Value in year } t}{\text{Value in year } t - 1} \right] - 1 \right) \times 100$$

**Table 6: Customer satisfaction Annual Growth of US PC market players<sup>16</sup>**

Companies	2007	2008	2009	2010
Apple	-4.8%	7.6%	-1.2%	2.4%
<b>Dell</b>				
HP (Hewlett-Packard)	1.3%	-3.9%	1.4%	4.1%
Compaq (Hewlett-Packard)	1.4%	-4.1%	5.7%	0.0%
Acer	2.7%	-4.0%	2.8%	4.1%
All others	-2.6%	-4.0%	2.8%	4.1%

4. As a future marketer, does it make sense for Dell to improve customer satisfaction? If so, what would be some of your recommendations for improving Dell's customer satisfaction? Please explain your thoughts (hint: use the relation between Dell's ACSI AGR and market share annual growth rate, table 3).

*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.*

<sup>1</sup> Statement taken from Fiscal year 2010 in review (<http://content.dell.com/us/en/corp/d/corp-comm/fy10-year-in-review.aspx>); accessed May 9, 2011.

<sup>2</sup> Information from Dell website and Security Exchange Commission, Edgar files. Accessed May 2, 2011.

<sup>3</sup> This rate has been calculated using quarterly data published by Gartner Inc. Data downloaded from [www.gartner.com](http://www.gartner.com)

<sup>4</sup> Dell files, Security Exchange Commission, Edgar files. Files were accessed on May 2, 2011.

<sup>5</sup> Worthen, Ben (2011). "Boss Talk: Michael Dell looks beyond PC business," *Wall Street Journal*, 25 April.

<sup>6</sup> Worthen, Ben (2011). "Boss Talk: Michael Dell looks beyond PC business," *Wall Street Journal*, 25 April.

<sup>7</sup> Sherr, Ian (2011). "Corporate News: Demand for PCs falters," *Wall Street Journal*, 14 April.

<sup>8</sup> Fornell, Claes, Michael D. Johnson, Eugene W. Anderson, Jaesung Cha, and Barbara Everitt Bryant (1996), "The American Customer Satisfaction Index: Nature, Purpose and Findings," *Journal of Marketing*, 60 (October), 7-18.

<sup>9</sup> The compound annual growth rate (CAGR) is computed using:

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

<sup>10</sup> Table 1 was developed using data published by the University of Michigan, downloaded from [www.theacsi.org](http://www.theacsi.org)

<sup>11</sup> Figure 1 was developed using data published by the University of Michigan, downloaded from [www.theacsi.org](http://www.theacsi.org)

<sup>12</sup> This and the following values, as well as tables 2 and 3, were developed by aggregating data of sales units published by Gartner Inc. and computing compound annual growth rate for each company and the market. Data was downloaded from [www.gartner.com](http://www.gartner.com)

<sup>13</sup> Table 4 was developed using data published by the University of Michigan, downloaded from [www.theacsi.org](http://www.theacsi.org)

<sup>14</sup> Figure 2 was developed using data published by the University of Michigan, downloaded from [www.theacsi.org](http://www.theacsi.org)

<sup>15</sup> Table 5 was developed using data published by the University of Michigan, downloaded from [www.theacsi.org](http://www.theacsi.org)

<sup>16</sup> Table 6 was developed using data published by the University of Michigan, downloaded from [www.theacsi.org](http://www.theacsi.org)

## **Teaching Note – Marketing Metrics Case 2**

### **Why Dell Inc. Lost Market Share in the US Personal Computer Market during 2006-2010**

#### **Objective of the Case:**

The objective of the mini case is make students to do industry and company analysis and propose recommendations using marketing metrics. Basically students are asked to work under the hypothesis that a positive relation exists between customer satisfaction and market share, to analyze the situation of Dell in the US PC market from 2006 to 2010 and to make some recommendations to Dell marketers and managers.

#### **Teaching Suggestions:**

This mini case is ideal for working on topics related to chapters 1, 2, and 15. For instance concepts related to the creation of customer value (via satisfaction), growth strategies (via Boston Consulting Group's relative market share and Ansoff matrix), and competitive forces may be rehearsed, discussed and critiqued. In particular chapter 1 topic on "how marketing discovers and satisfies needs," Chapter 15 topics on "growth strategies and tracking strategic performance with marketing dashboards and metrics," and Chapter 2 topics on "the importance of environmental scanning and competitive forces" should be emphasized.

The suggestion for working on the mini case is based on students' teams of 3-5. Considering that there are many calculations students can split the work. Also, students will be able to discuss interpretations and recommendations in a team basis. Further, students can practice presentation skills.

#### **Questions:**

##### **1. What is the challenge Dell is facing? Summarize your thoughts and comment potential internal and external reasons causing such challenge.**

The objective of this question is to test the level of case comprehension students have.

- a. The performance challenge Dell is facing can be found in paragraphs 2 and 9; Dell is facing a shrink of market share in the last five years of about 8% annually. See tables 2 and 3 of mini case for quantitative evidence.
- b. External reason: "Another potential reason to why Dell lost market share may be related to the challenges created by tablets (such as the Ipad of Apple) in attracting consumers and corporations as well as the advancement of computer components which continue to get more efficient and faster and consequently extend the lifetime of a computer (page 1 of mini case)"
- c. Internal reason 1: "One reason may be the steer direction Mr. Dell has given to the company. He said that in the last four years Dell has acquired companies emphasizing new business areas such as "storage, service, data center, security, virtualization, networking, software, and enterprise" (page 1 mini case)
- d. Reason which the mini case will explore: The customer challenge: Dell's customer satisfaction has decrease at an annual rate of 1.3% from 2001 to 2005. Dell used to be the customer satisfaction leader, now it has lost its leadership place. There is something related to customers' experience with products and services that needs to be improved. What happened in the last 5 years? Questions 2 and 3 will focus on that.

Potentially, students will want to share other reasons; that's fine as long as you drive the discussion. Students will be able to use concepts already studied. Maybe they can share some personal experiences with Dell's products and services; this will vivify the discussion.

2. Using companies' annual ACSIs (of table 4) compute the annual relative customer satisfaction of Dell and Apple from 2006 to 2010. Discuss your results. Take into consideration the following: relative customer satisfaction is the result of indexing a company's/brand's customer satisfaction against that of the leading competitor in the market.

Example of how to compute relative customer satisfaction of Dell in 2006:

$$\text{Relative Customer Satisfaction}_{\text{Dell in 2006}} = \frac{ACSI_{\text{Dell}}}{ACSI_{\text{Leader}}} = \frac{78}{83} = 0.9398$$

**Solution Table 1: Relative ACSI (US PC market)**

Companies	2006	2007	2008	2009	2010
<b>Apple</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b>Dell</b>	<b>0.94</b>	<b>0.94</b>	<b>0.88</b>	<b>0.89</b>	<b>0.90</b>
HP (Hewlett-Packard)	0.90	0.96	0.86	0.88	0.90
Compaq (Hewlett-Packard)	0.87	0.92	0.82	0.88	0.86
Acer	0.88	0.95	0.85	0.88	0.90
All others	0.93	0.95	0.85	0.88	0.90

The customer satisfaction leader in the PC market is Apple since 2004. Apparently Apple is the company receiving best customer evaluations in the industry. Dell, HP and Acer are the closest rivals of Apple in terms of customer satisfaction. There is no data available of Toshiba for making comparisons. Dell's customer satisfaction competitive gap against the leader reduced in 2006-2007, after that period, the competitive gap went back to gaps levels during 2004-2005.

3. Using the annual customer satisfaction scores (of table 4), compute the annual growth rates of Dell's customer satisfaction from 2006 to 2010 in the US PC market. Discuss your results using Dell and some of its competitors' growth rates; also use CAGRs of table 4 to narrate the dynamics of the market. Take into consideration that the annual growth rate (AGR) is the result of:

$$AGR(\%) = \left( \left[ \frac{\text{Value in year } t}{\text{Value in year } t-1} \right] - 1 \right) \times 100$$

Example of how to compute customer satisfaction AGR of Dell from 2006 to 2007:

$$AGR(\%)_{ACSI \text{ Dell } 2007} = \left( \left[ \frac{74}{78} \right] - 1 \right) \times 100 = (0.9487 - 1) \times 100 = -5.1282\%$$

**Solution Table 2: Customer Satisfaction Annual Growth of US PC market players**

Companies	2007	2008	2009	2010
Apple	-4.8%	7.6%	-1.2%	2.4%
<b>Dell</b>	<b>-5.1%</b>	<b>1.4%</b>	<b>0.0%</b>	<b>2.7%</b>
HP (Hewlett-Packard)	1.3%	-3.9%	1.4%	4.1%
Compaq (Hewlett-Packard)	1.4%	-4.1%	5.7%	0.0%
Acer	2.7%	-4.0%	2.8%	4.1%
All others	-2.6%	-4.0%	2.8%	4.1%

In regards to the computation of AGRs, students' answers should not vary (maybe just the decimals). First, it is important to stress the difference between CAGRs and AGRs. CAGRs are abstract and smoothed growth rates; these are not the average of the annual growth rates or the actual annual growth rates. AGRs however are the actual annual growth rates of year-over-year data.

The customer satisfaction leader, Apple, was harmed from 2006 to 2007 with a satisfaction score decline of 4.8%. This decline, however, was contrasted by a growth rate of 7.6% from 2007 to 2008 and 2.4% from 2009 to 2010. These downs and ups made Apple to have a compound annual growth rate of approximately 1% from 2006 to 2010.

Dell experienced a major loss of customer satisfaction from 2006 to 2007 of 5.1%. This decline was not recovered at all in 2010, though Dell had customer satisfaction growth during 2007 to 2010. In general, Dell's customer satisfaction declined at a compound annual rate of 0.3%. Acer ACSI scores have grown at an annual rate of approximately 1.3%. HP's ACSI score also grew.

Students may also speculate in the reasons of the Dell's customer satisfaction decline. That's fine, more points of discussion and opportunities for them to use concepts of chapters 1 to 3.

The remaining question is about the connection between ACSI growth rates and market share growth rates. This point is very important for marketing and its metrics.

4. **As a future marketer, does it make sense for Dell to improve customer satisfaction? If so, what would be some of your recommendations for improving Dell's customer satisfaction? Please explain your thoughts (hint: use the relation between Dell's ACSI AGR and market share annual growth rate, table 3).**

This question has two inter-related answers. One response may be argued at the industry level, taking into account all US PC market participants (or at least the most relevant ones whose information is available). The other answer may be argued at the company level, just focusing on Dell.

The good news is that using both answers we arrive to the same point, that there is a positive association between customer satisfaction and market share so it makes sense to improve customer satisfaction in order to enhance market performance. Students will practice how to relate ideas, concepts using not only theory but also data.

Using industry level analysis:

**Solution Table 3: ACSI CAGR and CAGR of market share (US PC market)**

Company	ACSI CAGR	CAGR of Market Share
Acer	1.3%	10.6%
Apple	0.9%	17.0%
HP	0.7%	4.1%
Others	0.0%	-8.2%
Dell	-0.3%	-7.9%
Toshiba	N.A.	18.9%

Note: Info from tables 2 and 4 was used to construct this table.

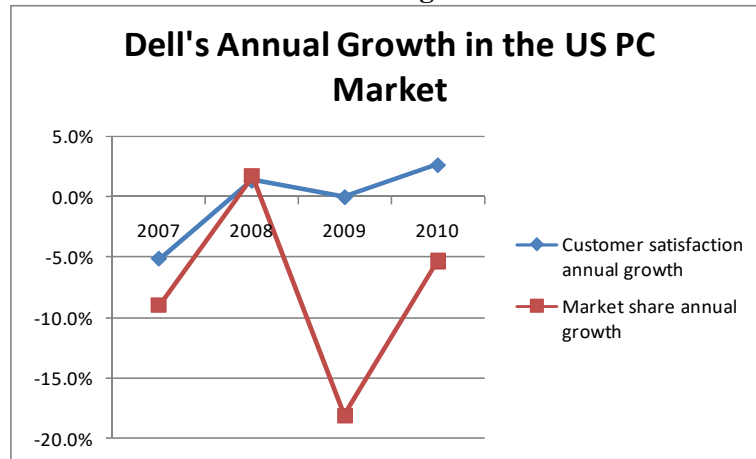
Using company level analysis, just focusing on Dell:

**Solution Table 4: Dell's ACSI and market share annual growth (US PC market)**

Year-over-year	ACSI AGR	Market Share AGR
2007	-5.1%	-9.0%
2008	1.4%	1.7%
2009	0.0%	-18.1%
2010	2.7%	-5.3%

Note: Info from solution table 2 and table 3 was used to construct this table.

**Solution Figure 1**



Yes, it makes sense; improvements in the creation of customer value (via satisfying customers better) will improve market performance of companies (in terms of market share). For instance, at industry level (solution table 3), using ACSI CAGR and market share CAGR of Dell, HP and Acer we can observe that as the ACSI CAGR increases (from -0.3% to 1.3%) the market share growth also increases (from -7.9% to 10.6%).

At company level, Dell, solution table 4, we can observe that as the annual growth rate of Dell's customer satisfaction increases, its market share annual growth rate also increases; the other way is also observable, as Dell's customer satisfaction AGR decreases, its market share AGR also decreases. In solution figure 1, the last two rationales can be observed visually.

To be a little bit more technical in analyzing the relationship between ACSI annual growth and market share annual growth we have to make use of correlation analysis, and this analysis goes beyond the scope of this mini case.

Students' speculations are welcome in regards to how Dell can improve customer satisfaction. They can practice concepts of chapters 1, 2 to 15 placing special emphasis on managing the marketing program as a mean to satisfy customers and how to deal with competitive forces to continue to grow in the market place. You just need to guide the discussion.

## Chapter 2: What are the Opportunities and Threats for Famoso? An Environmental Scanning

### Questions

1. To what NAICS does Famoso belong: full-service or limited-service restaurants?

On a first impression Famoso would fit in limited services eating places given that consumers order and pay in the counter. However, Famoso allows the consumer to have an open tab and pay after eating; which is why Famoso can also belong to full-service restaurants

2. Classify key trends and developments provided above in terms of environmental forces: whether they belong to demographic, socio-cultural, economic, technological, competitive, or regulatory forces.

See pages 36 to 58 of the textbook

3. How can key trends and developments affect current and future Famoso marketing strategy?

Pages 58-61 of the textbook.

4. How can the current issues on the temporary foreign worker program affect Famoso?

Read the following news stories:

<http://www.cbc.ca/news/canada/british-columbia/mcdonald-s-canada-ceo-calls-foreign-worker-controversy-bullshit-1.2621151>

<http://www.cbc.ca/news/politics/temporary-foreign-worker-program-abuse-to-bring-heavy-fines-1.2590135>

5. What is the ratio of Famoso's total number of stores out of the total number of stores in the chained casual dining full service restaurant?

22/3,132

## Chapter 2: What Are the Opportunities and Threats for Famoso? An Environmental Scanning

### *Industry and Competitive Analysis*

The industry group that Famoso Inc. belongs to is North American Industry Classification 72251—full-service restaurants and limited-service eating places. Full-service restaurants (NAICS 722511) are “establishments primarily engaged in providing food services to patrons who order and are served while seated and pay after eating. These establishments may sell alcoholic beverages, provide take-out services, operate a bar or present live entertainment, in addition to serving food and beverages. This Canadian industry includes drinking places that primarily serve food.” Limited-service eating places (NAICS 722512) are “establishments primarily engaged in providing food services to patrons who order or select items at a counter, food bar or cafeteria line (or order by telephone) and pay before eating. Food and drink are picked up for consumption on the premises or for take-out, or delivered to the customer’s location. These establishments may offer a variety of food items or they may offer specialty snacks or non-alcoholic beverages.”<sup>1</sup> Famoso Neapolitan Pizzeria is a fast casual restaurant providing the quick convenience of ordering at the counter with the relaxed comfort of added service at the table. Famoso’s model of serving style is as follows: (1) the consumer finds a table [menus are on table], (2) the consumer orders at the counter, (3) the consumer starts a tab or pays at the counter, and (4) Famoso servers bring food and beverages to the consumer’s table. The consumer can order additional beverages or dessert from the table, and s/he can pay the bill at the table.<sup>2</sup>

Euromonitor International provides some of the key trends and developments in the consumer food service in Canada (NAICS 72251) as follows<sup>3</sup>:

*Modest Growth Overall as Canadians Remain Cautious.* “While the Canadian economy and consumer confidence improved over 2012/13 compared with the recessionary period, the recovery pace was slower than anticipated. The Canadian economy remained shaky as the recovery was threatened by a host of factors. These included a downturn in the housing market and stricter mortgage rates, as well as unstable international financial markets. Canadians will continue to balance their away-from-home dining budgets carefully and consider where and how they spend their money. The average Canadian household expenditure on consumer food service was \$2,207 in 2011. All in all, over 2012–2017 sales through Canadian consumer food service are expected to see a compounded annual growth rate (CAGR) of 1 percent in constant value (\$) terms. The number of outlets is also expected to grow only marginally as the Canadian market is already highly developed, and any growth in one operator likely to come at the expense of another.”

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<sup>1</sup> Visit Statistics Canada for more information regarding North American Industry Classification System in Canada at <http://www.statcan.gc.ca/pub/12-501-x/12-501-x2012001-eng.pdf>

<sup>2</sup> Excerpts from Famoso.ca (2014). How it works, May 28, 2014: [http://www.famoso.ca/how\\_it\\_works.php](http://www.famoso.ca/how_it_works.php)

<sup>3</sup> Excerpts from Passport (2013). Consumer food service in Canada. Euromonitor International, November. Accessed May 28, 2014:

<http://www.portal.euromonitor.com.ezproxy.macewan.ca/Portal/Pages/Magazine/IndustryPage.aspx>



*Targeting Millennial Crowd on the Go.* “While the average age of the population in Canada continues to rise, the country saw an increase in the number of millennials—a group in the range of 19–34 years old, whose numbers increased by close to 10 percent in 2007–2012 period. Coupled with the urbanization trend and a tendency to eat away from the family table and on the go, the increased proportion of young busy urbanites encouraged many operators to focus on meal solutions to respond to the demands of this demographic group, which is also seeking meals and food varieties beyond unhealthy fried and typical fast food. Additionally, the strong presence of millennials online, in every form and format, on a daily basis and for a variety of tasks, also led to greater emphasis by food service operators on digital media as a means of reaching out to existing and potential customers to drive traffic. Food service operators will likely continue to focus on quick breakfast and lunch options to capture busy young urbanites. Fitting into the trend is likely to be the expected positive trend in street food as more options will open up with changes in the regulatory environment across major Canadian metropolitan areas. Over the forecast period 2013–2017, street stalls/kiosks are expected to see a 2 percent constant value CAGR, spurred on by new legal developments and consumer demand. Additionally, on-going use of online tools, social media, mobile applications and interactive communications the generation of millennials grew up with, and will continue to use going forward, will remain on the agenda to drive customer traffic and attract the attention to new menus and outlet openings.”

*Staying Course Towards Healthier Menus.* “While far from perfect, Canadians continue to try and look for healthier food options, in both retail and foodservice. Although some foods seen as unhealthy, such as fries, remain a favorite, more consumers are keeping an eye on menu option developments and recommendations found in media and online social networks to select better meals when dining out, whether in a full-service restaurant or fast food outlet. A Harris/Decima consumer survey released in the summer of 2012 indicated that 65 percent of respondents would like the idea of having more information regarding fat and sodium content at all restaurants. In addition to consumers, dieticians and media spotlighting of the issue of healthy eating, debates continue to evolve around regulatory changes, which could see sodium reduction and other initiatives to improve nutritional content of away-from-home meals. Thus, for instance, studies released in the Canadian Medical Association Journal in early 2012 called once again on the policy that would see mandatory reduction of sodium content in fast food meals. To succeed in the changing operating conditions and changing consumer views of daily nutrition, foodservice operators will need to ensure they address concerns through ingredient changes and menu options that allow those Canadians who seek nutritiously improved meals to have that option. Alongside popular meals, offering fresher and healthier meal solutions will be increasingly important. Also, while not part of the regulatory environment, given Canadian consumers’ interest in ingredients and meal content, posting information on menu content could be beneficial (provided, of course, there are menu options that can meet standards of health-conscious consumers). Finally, it is likely that operators offering fresh made-to-order options and ingredients positioned as more natural and freshly made will do better in the long run compared with more established traditional meal choices, especially in quick-service establishments.”

*Ethnic Foodservice Options Continue To Expand.* “Canada’s immigrant population continues to grow. This has become one of the key driving forces of population growth in Canada. The principal source of immigration flow continues to emanate from the Asia-Pacific region, although Canada continues to see a sizable proportion of new immigrants from the Middle East

and Africa and Central and South America. According to a national household survey released by Statistics Canada, in 2011 one in five Canadian residents were born outside the country—apparently the highest level among the G8 nations. Additionally, 19 percent of the Canadian population (or over six million people) counted themselves as member of a visible minority—a trend further supported by immigration. Immigration statistics released by Statistics Canada for full-year 2012 indicated that while the number of immigrants from destinations such as Europe and the US has been flat to declining, the flow of immigration from Asia increased by 12 percent over 2007–2012. The six million-strong and growing population of ethnic consumers, in an otherwise mature marketplace, is likely to encourage players to consider the development of specifically formulated menus. It will open up opportunities to drive sales by developing products and marketing strategies that reflect changing the ethnic composition and meal and ingredient preferences of the Canadian population. Current forecasts are that categories such as Asian fast food and Asian full-service restaurants will continue to outpace the overall growth projected for the Canadian foodservice environment. Opportunities will also exist in street food, with immigrants familiar with the concept and established Canadians looking for more diverse options in street food stalls (now that laws across municipalities and provinces allow the latter to a much greater degree). In addition to Asian immigration, opportunities will also exist in developing menus inspired by African and Middle Eastern cuisine, as well as South and Central American.”

*Competitive pressures call for creativity, but not all moves are successful.* “In 2012 the outlet count for foodservice in Canada saw a decline of close to 1 percent, in large part due to significant competition in already highly developed markets and difficulties in driving additional customer traffic. As competitive pressures mount in the conditions of a very developed market, coupled with changing consumer attitudes and preferences, foodservice operators consider a variety of strategies to drive customer traffic. In addition to the use of online tools, menu developments and greater attention to healthier food options and ingredients, many have paid closer attention to improved store ambiance as well as attempts to capture a future consumption audience by developing pre-packaged products for retail. While some strategic moves have worked well and helped operators to drive customer traffic, others have not been successful, coming too late and offering too little to excite consumers. The strategies for future growth should build on lessons learned over the review period 2007–2012, and this includes both positive and negative experiences and missed targets. Operators must be well aware of what is already available and whether they can offer something better to attract consumer attention. For instance, while entering the retail environment with dedicated pre-packaged products has worked for some foodservice operators, it does not mean that such a strategy will ensure success for all. One example of a fairly unsuccessful entry includes McDonald’s retail coffee, as the brand was unable to offer anything of interest to Canadian coffee drinkers, who have a vast choice across all price segments. Also, while ambiance and experience have become increasingly important for consumers, it does not mean that all moves to create that special ambiance and experience are fitting. For instance, in 2013 iconic Quebec coffee marketer Van Houtte (now owned by Green Mountain Coffee Roasters) introduced an idea of Quartier du Café (Coffee District) to be built potentially in the St-Michele area of Montreal. Coffee aficionados, city workers, students and tourists fuelling the diverse food and coffee landscape of downtown Montreal are unlikely to find appealing the idea of going to St-Michele to visit Quartier du Café, especially if the Quartier consists mostly of a Van Houtte bistro (of which there are plenty in the downtown area) and a

museum dedicated to Albert Van Houtte (founder of the famed Quebec coffee house). Selling the coffee experience does help support coffee growth. However, such experiences do not have universal appeal, and location and potential customer makeup have to be considered for such a concept to be a viable business strategy for growth.”

Tables 1, 2 and 3, below, provide statistical information about the size of the industry in Canada. Table 1 shows distribution of outlets in Canada according to the type of ownership. There were approximately 3,062 and 3,425 independent and chained pizza outlets in 2012 in Canada. The number of full-service pizza restaurants was 2,520 stores in 2012; of those, approximately 806 outlets were chained full-service pizza restaurants and about 1,714 independent full-service pizza restaurants. In 2012, total sales of full-service pizza restaurants was C\$2,511.3 million; of that, C\$1,464.5 million was sales from chained pizza restaurants and C\$1,046.8 million from independent owned stores. Additionally, there were a total of 1,545 stores of fast food pizza restaurants in 2012; of those, 526 were chain-owned stores and 1,019 independently owned stores. Total sales of fast food pizza restaurants was C\$965.1 million; of that, C\$359.1 million was sales of chained fast food pizza restaurants and C\$606 million of independent stores.

**Table 1. Number of Stores in 2012 by Ownership of Restaurants: Independent vs. Chained**

Outlet	Independent	Chained	Total Number of Stores	Total Sales (C\$ Mill)
100% Home Delivery/Takeaway (NAICS 722512)	921	2,356	3,277	2066.1
Cafes/Bars (NAICS 722410 & 722512)	5,766	2,848	8,614	4,868.4
Full-Service Restaurants (NAICS 722511)	19,429	4,894	24,323	21,282.6
Fast Food (NAICS 722512)	11,846	22,380	34,226	21,701.0
Self-Service Cafeterias (NAICS 722512)	259	442	701	589.1
Street Stalls/Kiosks (NAICS 722330)	2,762	501	3,263	490.4
Total Consumer Food Service	40,983	33,421	74,404	50,997.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

**Table 2. Number and Total Sales of Full-Service Restaurants in 2012 by Ownership and Casual vs. Non-Casual**

Outlet	Total Number of Stores	Total Sales (C\$ Mill)
Casual Dining Full-Service	15,628	13,973.1

Independent	12,496	8,274.0
Chained	3,132	5,699.1
Non-Casual Dining Full Service	8,695	7,309.5
Independent	6,933	4,287.6
Chained	1,762	3,022.0
Total	24,323	21,282.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

**Table 3. Total Sales and Stores Growth of Fast Food Restaurants in 2012**

Outlet	Total Sales (C\$ Mill)	2007–2012 CAGR Number of Stores	2007–2012 Total Growth Number of Stores
Fast Casual Dining	366.9	3.1	16.7
Non-Casual Dining	21,334.1	-0.1	-0.7
Total	21,701.0	-0.1	-0.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

**Table 4. Brand Share in Chained Restaurants as a % of Total Consumer Food Service (C\$)**

Brand	Corporation	Share in 2010 (%)	Share in 2011 (%)	Share in 2012 (%)
Tim Hortons	Tim Horton's Inc.	17.7	18.2	18.4
McDonald's	McDonald's Corp.	11.2	11.0	10.9
Subway	Doctor's Associates Inc.	4.5	4.6	3.7
Boston Pizza	Boston Pizza International Inc.	3.0	3.0	3.0
A&W	A&W Food Services of Canada Inc.	2.9	2.8	2.8
Starbucks	Starbucks Corp.	2.2	2.3	2.6
Swiss Chalet	Cara Operations Ltd.	2.1	2.1	2.1
KFC	Yum! Brands Inc.	2.4	2.0	2.0
Wendy's	Wendy's Co, The	-	1.8	1.8

St Hubert	St Hubert BBQ Ltd.	1.6	1.8	1.8
Pizza Hut	Yum! Brands Inc.	1.4	1.5	1.4
Dairy Queen International	Dairy Queen Inc.	1.3	1.2	1.2
Pizza Pizza	Pizza Pizza Ltd.	1.1	1.1	1.1
Burger King	Burger King Holdings Inc.	0.9	1.0	1.0
Quiznos	Quizno's Corp.	1.0	1.0	0.9
Domino's Pizza	Domino's Pizza Inc.	0.7	0.8	0.8
Montana's	Cara Operations Ltd.	0.7	0.8	0.8
Little Caesar's Pizza	Ilitch Holdings Inc.	0.7	0.7	0.7
East Side Mario's	Prime Restaurants Group Inc.	0.8	0.7	0.7
Milestone's	Cara Operations Ltd.	0.5	0.5	0.7
Second Cup	Dinecorp Hospitality Inc.	0.7	0.7	0.6
Kelsey's	Cara Operations Ltd.	0.7	0.7	0.6
Harvey's	Cara Operations Ltd.	0.7	0.6	0.6
Pizza Hut Express	Yum! Brands Inc.	0.6	0.6	0.6
Panago	Panago Pizza Inc.	0.5	0.5	0.5
Taco Bell	Yum! Brands Inc.	0.6	0.5	0.5
Keg, The	Keg Restaurants Ltd.	0.5	0.5	0.5
Mandarin	Mandarin Restaurant Franchise Corp.	0.5	0.5	0.5
Couche-Tard Alimentation	Couche Tard Inc.	0.5	0.5	0.5
White Spot	White Spot Ltd.	0.5	0.4	0.5
Wendy's	Wendy's/Arby's Group.	1.8	-	-
Others	-	35.8	35.6	35.9
Total	-	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

### ***Questions***

1. To what NAICS does Famoso belong: full-service or limited-service restaurants?
2. Classify key trends and developments provided above in terms of environmental forces: whether they belong to demographic, socio-cultural, economic, technological, competitive, or regulatory forces.
3. How can key trends and developments affect current and future Famoso marketing strategy?
4. How can the current issues on the temporary foreign worker program affect Famoso?
5. What is the ratio of Famoso's total number of stores out of the total number of stores in the chained casual dining full-service restaurants?

“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.



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](http://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<sup>®</sup> 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.<sup>2</sup>



## 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.

## case D-3 Jamba Juice: Scanning the Marketing Environment

What were you doing in 10th grade? Waiting to get your driver's license? Kirk Perron was thinking about his future and putting together a deal that would help launch the successful Jamba Juice chain. It sounds incredible but Kirk Perron bought the real estate for his first juice bar when he was in 10th grade. He borrowed money from a high school counselor, the librarian, and his school bus driver to put together the \$12,000 down payment.

### THE COMPANY

Kirk Perron opened up his first operation as The Juice Club in 1990 in San Luis Obispo, California. He hit on the idea for a convenient, delicious, healthful food store on a long weekend bike ride. An avid cyclist with a life-long interest in health and nutrition, he wanted to offer an alternative to typical fast-food fare. The idea was a hit and quickly spread. In 1995, the company changed its name from The Juice Club to Jamba Juice. Today Jamba Juice has more than 700 stores nationwide offering a variety of healthy drinks and snacks. Jamba Juice is considered the industry leader in the smoothie market, and Perron predicts that one day Jamba Juice will be as big a brand as Coca-Cola.

### THE IDEA

Jamba Juice is all about healthy food and fun. Jamba is from an African word that means “to celebrate.” Walk into a Jamba Juice store and customers can choose from a wide variety of Jamba Juice specialties including smoothies, fresh-squeezed fruit and vegetable juices, breads, and pretzels. Jamba's commitment to healthy products is reflected in its mission statement, “Enriching the daily experience of our customers, our community, and ourselves through the life-nourishing qualities of fruits and vegetables.”

Smoothies are the bulk of Jamba Juice's business. They are made with juice and fruit and often yogurt, sherbet, or ice milk. A typical smoothie gets most of its calories from carbohydrates and protein, providing a low- or no-fat, nutritious meal. Jamba smoothies are designed to meet “heart healthy” FDA requirements. Nutritional supplements called “boosts,” such as “energy juice boost,” containing ginseng and ginkgo biloba, and “immunity juice boost,” with echinacea and antioxidants, are available and can be added to smoothies. Jamba Juice also recently added a new low-calorie drink, the Enlightened Smoothie, to its menu. Learn more about Jamba at [www.jambajuice.com](http://www.jambajuice.com).

As you sit at the counter in a Jamba Juice, you can watch friendly, well-trained Jamba Juice employees whip, beat, and blend your smoothie right before your eyes. Stores also feature nutrition centers where customers can get a complete nutritional breakdown for each product. Outlets also feature a merchandising area, which has Jamba Juice juicers, mugs, hats, and T-shirts.

### THE COMPETITION

Juice bars have been part of a growing trend. Barriers to entry are fairly low. Single-store outlets and small chains within a city or region are common, although Jamba has several large competitors. New Orleans-based Smoothie King, for example, has 580 locations in 32 states, and Atlanta-based Planet Smoothie has more than 125 stores in 20 states. Other competitors include Juice Stop, Juice It Up!, Surf City Squeeze, and Orange Julius. Jamba Juice has positioned itself as a replacement for typical fast-food fare. This means it also considers fast-food restaurants indirect competitors.

Jamba has had to fight to maintain its trademark in a competitive market. Several years ago a San Francisco Juice bar called Jamm'n Juice was forced to change its name after Jamba complained that Jamm'n Juice and its animated fruit and vegetables were too close to the Jamba trademark and logo.

### THE MARKET

Juice bars have existed for decades, often in health-food stores and gyms, and were associated with what was a small group of intensely health-conscious customers. That small demographic group boomed in recent years, fueling the market for fat-free foods, fitness equipment, and apparel. There has also been an increasing level of health consciousness among society generally. However, “the consumer always talks thin and eats fat,” according to Allan Hickock, an industry analyst with Piper Jaffray.

However, Jamba Juice is optimistic about the opportunities for expanding the market by replacing fast food with good-for-you food. Retail sales of juice and smoothies exceeded \$1.2 billion in 2006, compared with \$552 million in 2000. About two-thirds of Jamba's customers are between the ages of 15 and 25—not exactly the same demographic group as the traditional health-conscious baby boomer. Age and education level are important selection criteria for opening new Jamba Juice outlets. Kirk Perron believes that the more highly educated potential customers are, the more likely they will be to stop in for a nutritious

smoothie. In fact, many of current and planned Jamba outlets are in college towns, and partnerships have been formed to open outlets in universities and airports. You can find Jamba in both the Los Angeles and San Francisco airports and on campus at the University of North Carolina, George Washington University, and the University of Nevada–Las Vegas, among others. Jamba also has a licensing agreement with Whole Foods Markets, a partner that shares Jamba’s values and commitment to healthy living.

## THE ISSUES

Purists insist that the best drinks come from completely fresh produce. Fresh produce can be hard to work with to provide consistent-tasting drinks. Also, the price of fresh produce can change drastically throughout the year.

With fairly limited menus, juice bars are considered great as an add-on rather than a stand-alone retail establishment because they are usually not strong enough to draw customer traffic on their own. Personnel are important to the success of a juice bar—described as “bartenders,” they have to be able to put on a good show for the customer.

There is a seasonality effect for smoothie and juice operators. For example, in northern climates, operators in enclosed downtown skyways or mall locations often see their business fall off in the summer when people are outdoors walking around. Business surges in the winter.<sup>3</sup>

### Questions

- 1 Conduct an environmental scan for Jamba Juice as it considers a new juice bar to open near your university. Identify factors that you think have an impact on the juice bar market, and indicate whether these factors would tend to enhance opportunities or represent threats.
- 2 Given your environmental analysis, which environmental force do you believe is most critical for Jamba Juice and why?
- 3 Examine the competitive environment for juice bars. Consider the likelihood of new entrants, barriers to entry, existing competitors, and substitutes. How would you summarize the current competitive environment?
- 4 Do you think that the juice bar phenomenon is a fad or rooted in some fundamental environmental and market forces? Why?

**Chapter 7: Reaching Global Markets**  
**Case 2: Waterwheel Engineering Consultants Group**  
**Teaching Note**

This case focuses specifically on the *Global Market Entry Strategies* section in Chapter 7 of the text.

Similar to a real-world situation, there is no one right answer to the dilemma facing Waterwheel Engineering Consultants Group since there are advantages and disadvantages to all three of the options under consideration for market entry. Likely the most straightforward approach for instructors to take in a class discussion is simply to list the three alternatives and then to involve the students in a debate, comparing the pros and cons of each. The key in such a debate is to examine the alternatives within the context of Waterwheel's particular circumstances.

The partners in the case are concerned both with making money and with keeping risk within tolerable boundaries. Students need to realize that higher profits usually go hand-in-hand with higher risk. So, an important issue with which to wrestle is the level of risk that the partners are willing to bear in return for the corresponding level of potential profit.

Although exporting is often considered the least risky market entry strategy, it may not be so in this situation since Waterwheel's "exporting" idea is essentially a turnkey operation with a risk profile to match. Waterwheel would be on its own in a foreign country with virtually no experience as back-up. Just securing a foreign contract, never mind fulfilling it, would be both time-consuming and lengthy. However, they would keep all profits to themselves, and they would also be able to impose the strict quality control so important to them.

Licensing is probably the least risky for Waterwheel – and, therefore, the alternative with the lowest profit potential. Waterwheel does need to be concerned with two risks, though: the risk of a firm using the technology outside the terms of the licensing agreement (i.e. stealing it) and the risk of nurturing a future competitor once the licence has expired.

The text focuses quite specifically on joint ventures rather than on the broader and more general term, (strategic) alliance. This case uses the term, collaborative approach, to enable instructors to utilize the concept of a joint venture, as per the text, or introduce students to the notion of a strategic alliance.

**Chapter 18: Personal Selling and Sales Management**  
**Case 18-2: Arthur Professional Barber Supply Ltd., Part II**  
**Teaching Note**

This case continues the story of Arthur Professional Barber Supply Ltd., started in Case 18-1. However, the two contain quite different story material, and instructors can use them entirely independently – with one point to note: the need for Eddie to focus on some of the “soft” skills in his sales training is one conclusion easily drawn from the evidence in this case, and it is rather similar to the likely conclusion drawn from Case 18-1, the need for Max Shan to pay more attention to the notion of relationship selling in his selling activities. As a result, students will probably be able to handle Case 18-2 much more easily if they have already discussed Case 18-1 and vice versa. Instructors may or may not find this desirable.

A thought-provoking means of starting a class discussion about this case is to ask students the various reasons why the salespeople, newly graduated from a college or university, would resign from Arthur Professional Barber Supply Ltd. We already know that they are performing poorly, that is, that they are not generating sales in the volumes that Arthur Professional expects or demands, so the real question is why this is happening. While students may suggest numerous sources of the salespeople’s failure to achieve greater sales – and indeed there may be many legitimate reasons not sufficiently addressed in the case (for example, weak motivation due to poor pay) – there is some information in the case to suggest that the sales training is lacking. To gain the most from the case, instructors will want to steer the class discussion in this direction.

While there are business people in the real world who agree in general with Eddie that great salespeople are born, not made, this opinion is clearly an obstacle to Eddie’s delivery of high quality sales training. It is fair to state that, regardless of one’s opinion on the topic, training in relationship selling and/or in the “soft” skills of selling is critically important in today’s business environment. Without these skills, it would be difficult for any salesperson to succeed. The fact that the salespeople with previous experience in the case do not seem to be failing with the same frequency as the new employees suggests that they are already well aware of the need to “relate” to their customers (and are likely well versed in emotional intelligence skills).

Although Eddie himself states in the case that he does not believe that his recruitment procedures are part of the problem, students may want to challenge this perception. However, there is insufficient information in the case regarding the role of recruitment in the poor sales performance to draw any definitive conclusions.

## **Chapter 7: Reaching Global Markets**

### **Case 7-2: Waterwheel Engineering Consultants Group**

Waterwheel Engineering Consultants Group was a medium-sized firm, headquartered in Montréal, Canada. It was partner-owned, had been in business close to twenty years, and overall had been successful. Waterwheel concentrated on infrastructure projects, particularly hydroelectric generation facilities. Its most notable successes were several dam construction projects in northern Canada. Most of these had been for firms in the pulp and paper industry, a sector which required access to large and consistent sources of energy for its production facilities. It had also completed two small hydroelectric generation projects for firms in the pulp and paper industry in the state of Maine in the United States.

The five senior partners at Waterwheel Engineering had worked extremely hard over the past three years on a project to research and develop new hydroelectric technology. As part of the research and development process, they had bid on and won several small domestic contracts. This enabled them to test and perfect the new technology. In order to secure the contracts, they had bid at extremely low rates. While these ventures had not been at all profitable, they had, as planned, provided the team with the opportunity to work with the technology in real-life situations at relatively low risk. The strategy paid off: by the spring of 2008 they were close to fully commercializing the new technology. They were both pleased and relieved with their progress since they were anxious to see a return on their three-year investment of time and money.

From the beginning of this project, the partners had been strongly motivated by the prospect of taking their new technology into the international marketplace. The engineering consulting business had recently begun to change at a fast pace due to its increasingly global nature and to increasingly rapid technological advances. The partners had discussed in depth this globalization trend and, thus, the need for their firm to be able to compete internationally beyond the United States. They now believed, with their newly developed technology, that they were in a strong position to secure international contracts.

Although doing business the United States was not particularly foreign to them nor had they found it difficult to manage, the exposure had given them some business experience where, for example, the legal and political environment was different, the economic conditions were different, and the business culture was not at all what they were accustomed to in Canada. Was this sufficient international experience to support a bold move overseas?

At the same time as they were perfecting the new technology, the partners recognized that it would also be important to bring some new and younger employees into the firm. (The five partners were the original founders of the firm.) They drew up a list of desirable qualifications: ideally these people would have backgrounds in the hydroelectric industry, experience in global enterprises, and proven track records in environments with rapidly changing technology. At the same time as they were finishing the final testing of the new technology, the partners sought out the new employees. By the end of February 2008 the partners had been successful in hiring two new employees with most of the desired qualifications – Miguel Velázquez, a Mexican educated in the United States with five years of relevant work experience in Canada, and Elizabeth Ferdinand, a former employee of a competitor in the consulting industry and a competent strategic analyst with extensive international experience.

The partners had their first meeting with the two new employees at the beginning of March. Together they reviewed the strategic direction the partners wished to pursue. The partners stressed their desire to aggressively seek out engineering contracts particularly suited to the new technology without further delay. They especially pointed out the need to gain entry into the international marketplace beyond the limited opportunities available in the United States, given the increasing globalization of the industry, as noted earlier. By the end of this meeting, everyone had agreed that the two new employees would develop a strategy for taking their technology overseas and report back with their recommendations in two months.

Thus, on Monday, May 5, 2008, the strategy meeting convened. The partners came to listen to the presentation, consider the recommendations, and ultimately determine a course of action.

Miguel Velázquez began. He explained the way in which most hydroelectric contracts were being awarded in the international marketplace. Most commonly, they were awarded to a group of firms, joined together in a collaboration of some kind, often comprised of a lead firm and several additional firms, in which each contributed a different aspect of the contract requirements based on each firm's own particular capabilities. The clients believed they obtained more comprehensive expertise this way; as well, some of the projects were truly massive (e.g. the Three Gorges Dam project in China) and required a very large team for completion. Few firms had this kind of capability, and certainly Waterwheel did not.

There was a lengthy discussion concerning this point. The five partners expressed some hesitation about adopting this approach since they had completed almost all their work on their own. They liked the approach and believed their reputation for superior quality work was in large part due to their ability to impose strict quality controls.

Miguel continued. He noted that the very big projects were almost exclusively government contracts and almost entirely in less developed countries – not surprising, since these countries were the ones needing the big projects. Most developed countries already had this kind of infrastructure in place. Again, the partners expressed concern. They had completed projects for three or four provincial governments in Canada and, while some had gone well, in their experience governments were difficult customers. Indeed, Waterwheel was far more accustomed to completing projects for private enterprises, for example, for some of the pulp and paper mills in northern Québec. The notion of foreign governments as clients sounded risky, especially governments in less developed countries.

Then Elizabeth Ferdinand added her thoughts. She and Miguel had anticipated some negative reaction to their report. She explained that, to enter the international marketplace, they were simply going to have to at least consider and evaluate the prospects of large, government contracts and, therefore, necessarily a collaborative approach. However, she acknowledged that numerous different foreign market entry strategies did exist and were viable. She stressed that her and Miguel's presentation was just one point of view and that stepping back and evaluating all the options made good business sense. She went on to discuss the various options open to the firm, as she and Miguel saw them, for obtaining international contracts. There were three alternatives: 1) a collaborative approach of some sort; 2) the licensing of their technology; 3) exporting, which in Waterwheel's business, meant securing private enterprise contracts on their own, similar to the hydroelectric generation facilities they had experience developing for pulp and paper mills in Canada and the United States.

The five partners were silent. What were the advantages and disadvantages of each, given their concerns and uncertainties? Given the advantages and disadvantages, which alternative would be in their best interest? They neither wanted to be so conservative and risk-averse that they would miss the chance to earn substantial profits nor did they want to find themselves in a situation of intolerable risk because they had become, in their minds, too greedy.

## **Chapter 18: Personal Selling and Sales Management**

### **Case 18-2: Arthur Professional Barber Supply Ltd., Part II**

Eddie Aquino has loved sales from the first sales call he ever made twenty-two years ago. In fact he is still with the same company. He had a couple of jobs before he joined Arthur Professional Barber Supply Ltd., but as soon as he started in sales at Arthur Professional, he knew it was for him. There was no question that Eddie was very good at selling, and the company consistently recognized his achievements and rewarded him accordingly – and so he stayed. He spent several years as a sales representative and transferred three or four times to different and more challenging territories. Each move was a step up for him. These promotions and the increased salary and commissions that accompanied each move motivated him to continue to work hard and do well.

Eventually he decided he was ready for something more, and Eddie applied for a territory manager's position. His application was successful. His responsibilities took a sudden shift as he moved from managing accounts to managing both accounts and his own salespeople. At first he was not sure that the move had been a good decision for him since salespeople management required a distinctly different skill set than account management. Nevertheless, over time he adapted to the new job requirements and began to enjoy the managerial aspect of the position. He realized, though, that management did not come as easily to him as sales and that he had to work harder to do a good job in his new capacity. He also realized, though, that he was becoming more ambitious, so acquiring better people management skills was critical to further advancement at Arthur Professional. In fact, after a few years as territory manager he did move to a regional manager position and then, after that, to an assistant manager in the Central Division, in charge of recruitment and training.

He had been in charge of recruitment and training for about two years when one day his boss, the sales manager in charge of the entire Central Division, came by his office and asked if Eddie had time for a quick chat. As Eddie nodded assent, the sales manager sat down. "I have been reviewing the performance of the salespeople we have hired recently, not just since you assumed responsibility for recruitment and training, but before and since that. I have noticed a pattern that perhaps you have missed. The young men and women straight out of college and university do not seem to perform as well as the people who come to us with some experience under their belts. Now, before you say anything, Eddie, I know that it is perfectly normal for people with no sales experience to take time to begin to generate sales, but if you look at the sales records, this pattern continues well after their initial six-month period, the time frame we usually use as a benchmark to determine whether they have the potential to succeed at Arthur Professional. There are some exceptions, but the general pattern persists.

Eddie was not sure how to respond. In fact, he had not noticed the trend, but he did not want to say so to his manager because, of course, he ought to have been tracking this sort of statistic himself.

His manager continued, "There is another trend I have noticed, and I am sure the two are related: by far most of the salespeople we lose are these young people. When you think about it, this makes sense, doesn't it? I mean, people generally stop doing what they are not very good at it and start doing what they think they may be better at doing. That is, we lose them because they find another job in another company for which they think they are better suited. You and I might even say that it all works out for the best. We keep the salespeople who are doing well and get rid of the ones who are not doing so well, and all of this with very little pain since, so far anyway, we have not had to endure any messy firings."

He went on, "However, I am not happy about the trend, and I'll tell you why: we are spending a fortune on recruiting and training a great many employees who then leave before we are able to obtain a good return on our investment from them. What do you think is the problem and what can we do about it?"

Eddie and his manager talked for several more minutes without much progress on either the causes of the problem or the solution to it. As his manager left, Eddie promised to put more thought into it and report back to the sales manager in a few days. In point of fact, the sales manager believed he did have a good understanding of both the problem and the best solution, but he wanted Eddie to work through the situation himself.



So, here Eddie sat at his desk the Friday afternoon following his conversation with his manager, thinking about the problem. The first point that came to mind was that his manager had chosen to talk specifically to Eddie about it. Eddie had spoken briefly to several other members of the Central Division team, and none had had a similar discussion with the boss. This made Eddie uncomfortable, especially since Eddie had never felt as sure of himself as a manager at Arthur Professional as he had as a salesperson. Was the sales manager trying to tell him that he was doing a poor job of recruiting? He knew it could have nothing to do with the training since, as a former salesperson himself, he knew exactly the skills salespeople needed to succeed. Or did he? After all, the marketplace had changed since he was out there, knocking on doors. He was starting to second-guess himself.

It was sometimes not easy to predict a job candidate's future success in sales, and so he always anticipated that some employees would not do well and would then subsequently leave the company. His sales manager knew this, too, but Eddie understood what his manager was saying: the problem was more systemic than a failure here and there. Eddie reviewed the files of some of the recent hires. There was the example of Max Shan. Max had not performed particularly well in the job interview, but he had seemed highly motivated and so Eddie had taken a chance on him. Besides, he had some sales support experience behind him. It had turned out well: Max excelled in the training and, although he had a little "hiccup" four months into his job, he managed to sort out the problem and has been doing well since.

As Eddie reviewed his interviewing procedures and the subsequent performance of the new salespeople, he had difficulty believing that there were any inherent flaws in the recruiting process.

In the ongoing debate in his area of business about whether great salespeople were born or made, Eddie generally agreed with the former. As a consequence, he tended to focus the sales training on the concrete aspects of the selling process – how to approach a prospect, how to manage a sales presentation, how to handle objections, and so on. He did believe that building rapport with customers was important, and he attributed a large part of his own success in sales to his ability in this aspect. However, he also believed that people skills had to come naturally to a salesperson and that no amount of coaching was going to change someone's personality. No one had coached him. This recently coined term, relationship selling, was just another phrase for rapport-building, as far as Eddie was concerned.

As he pondered all these various issues, he did not feel he was any further ahead and only poorly prepared for his upcoming meeting with his manager early next week. As he left the office that day, he knew he was going to have to take time over the weekend to think about the problem and its solution.

# CHAPTER 02

## THE MARKETING ENVIRONMENT



The image shows the cover of a magazine titled 'MARKETING the core'. The cover features a red and white airplane flying over a blue background. Text on the cover includes 'FAST FOOD MARKETING REVEALED', 'Social media marketing tips', and 'Sports marketing alert'.

# Learning Objectives

1. Understand the importance of a marketing environment scan and how it is used to improve marketing programs
2. Describe the elements of a marketing environmental scan and summarize the trends affecting each element
3. Outline the current demographic and socio-cultural influences that are affecting marketing approaches

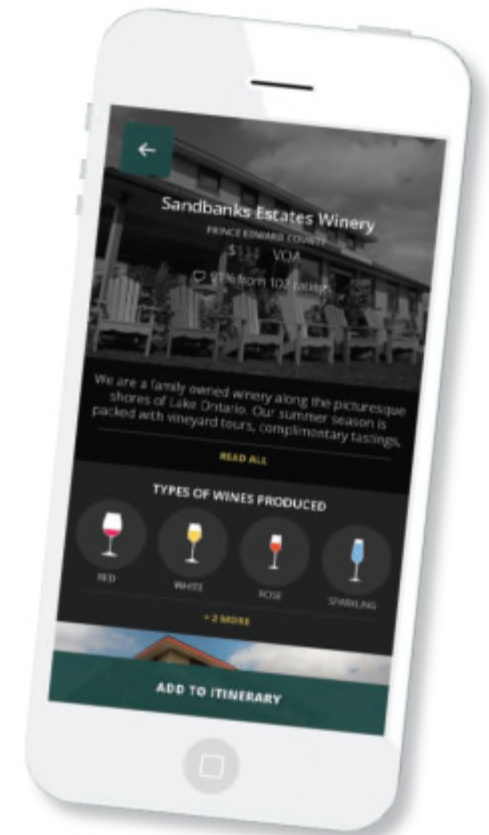
# Learning Objectives

(continued)

4. Explain how changes in the economic environment can influence consumer purchase behaviour
5. Discuss the technological developments shaping current marketing practices
6. Describe the different forms of competition and the regulatory forces that shape the marketing industry
7. List the steps in a marketing environment scan

# GrapeTrail App in Action

- ❖ Environmental scan showed an opportunity existed for a free, technically robust app with an intuitive interface, built-in navigation, social media integration, and the ability to explore all aspects of a wine country



# The Marketing Environment



❖ Six key areas:



# A Marketing Environmental Scan



*“Successful marketing programs must reach out and address changes and new opportunities in the marketplace.”*

## SWOT

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# SWOT Analysis

- ❖ The assessment of how well an organization or brand is servicing its businesses and target markets by evaluating its internal strengths and weaknesses, and its external opportunities and threats.



# Demographic Forces

- ❖ Understanding ensures well placed marketing efforts
  - ❑ Statistics Canada
  - ❑ Company research

## Canada Census 2011

### STATISTICS CANADA

Population growth between 2006 and 2011.

Statistics Canada conducts a census of the population every 5 years and releases the data over the following 2 years. The next census will occur in 2016.

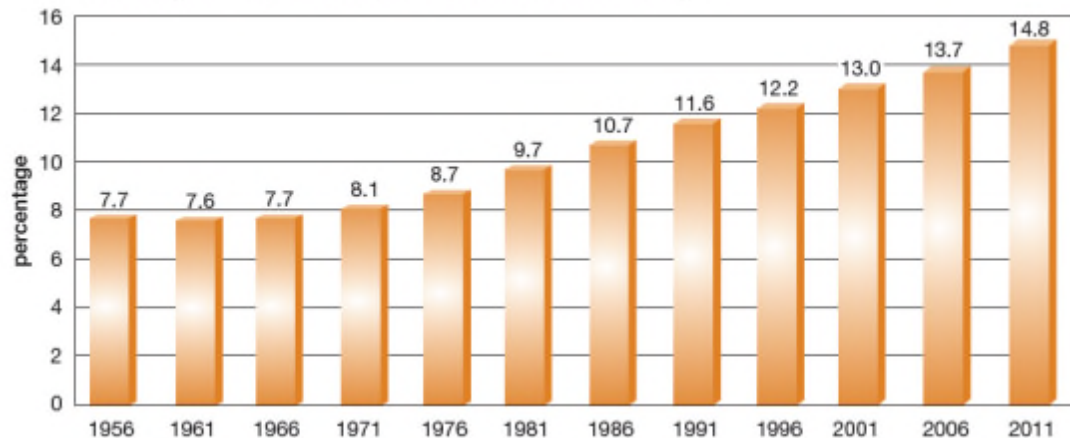
**+5.9%**

Population of Canada  
33,476,688 (May 2011)

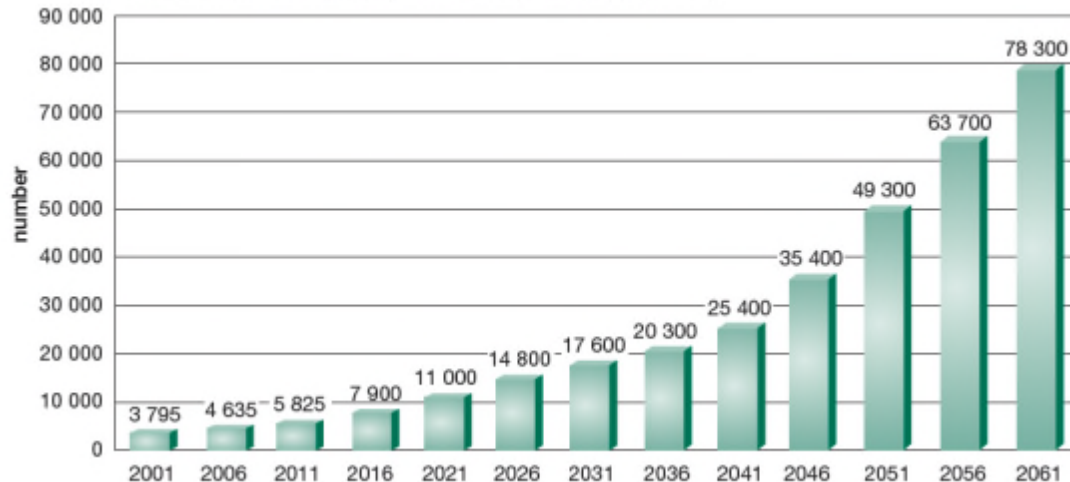
# Demographic Forces – An Aging Population



Percentage of Canada's Population over 65 Years of Age



Centenarians in Canada (2011 actual – 2061 projected)



# Demographic Forces – Diverse Generations



## Generations in Canada?

	Population
Baby boomers	9.6 million
Generation X	2.8 million
Generation Y	9.1 million
Generation Z	7.3 million

**Source:** Statistics Canada, 2011 Census of Population, Table 1 Generations in Canada, 2011, accessed July 2014 from [www12.statcan.gc.ca/census-recensement/2011/as-sa/98-311-x/2011003/tbl/tbl3\\_2-1-eng.cfm](http://www12.statcan.gc.ca/census-recensement/2011/as-sa/98-311-x/2011003/tbl/tbl3_2-1-eng.cfm).



# Millennials

## Main Concerns of Millennials

Quality jobs	43%
Debt (student and personal)	32%
Cost of food, gas, and consumer goods	27%
Cost of education	24%
Affordable housing	20%
Pollution and environmental protection	20%
Access to quality health care	11%
Retirement security	8%
Bullying	7%
Internet regulations and online privacy	5%

The millennials are born between 1980 and 2000 and are a subset of generation Y and generation Z.

**Source:** Huffington Post Canada and Abacus Data from the Canadian Millennial Survey, 2012. Cited in “Generation Y in Canada: Highlights of National Poll of Millennials,” accessed July 2014 at [www.huffingtonpost.ca/2012/11/20/generation-y-in-canada-survey-2012\\_n\\_2151488.html#slide=1772352](http://www.huffingtonpost.ca/2012/11/20/generation-y-in-canada-survey-2012_n_2151488.html#slide=1772352).

# Demographic Forces – Big City Growth

## ❖ From 2011 Census data

- ❑ Fastest growing G8 country
- ❑ Each province and territory grew
- ❑ Western Canada more rapidly
- ❑ Boosted by immigration
- ❑ 7 in 10 Canadians live in 33 large cities
  - 35% in Toronto, Montreal, and Vancouver

# Demographic Forces – Ethnic Diversity

- ❑ Multicultural mix creates an interesting array of opportunities for marketers



# Demographic Forces – Ethnic Diversity



22 main immigrant languages are spoken  
in Canada

**17.5%**  
of the population  
speak at least 2  
languages  
at home.

**21%**  
of the population  
speak French at  
home.

More than 200 languages  
were reported as a  
mother tongue in the  
2011 census.

**6.6  
million**  
people speak a  
language other than  
English and French  
at home.

The main immigrant mother tongues, other than English and French, are the Chinese languages, Punjabi, Spanish, Tagalog, Arabic, Italian, Urdu, and German.

# Demographic Forces – World Markets

❖ Over 7  
billion  
people

## Five Largest Countries (population in millions)



China	1,353.6
India	1,258.4
United States	315.8
Indonesia	244.8
Brazil	198.4

**Source:** European Commission, Eurostat Information, November 2012 data, accessed July 2014 at [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/European\\_population\\_compared\\_with\\_world\\_population](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/European_population_compared_with_world_population).



# Demographic Forces – Non-Traditional Families


- ❖ Smaller families
- ❖ Increase in:
  - Common-law relationships
  - Single-parent families
  - Blended families
  - Same-sex couples

# Socio-Cultural Forces

- ❖ Monitored by marketers to capitalize on new opportunities
- ❖ More recently in:
  - Media
  - Food consumption
  - Health and fitness
  - Environmental awareness
  - Evolving gender roles



# Economic Forces

- 
- A small image of a magazine cover titled 'MARKETING the core'. The cover features a red and white airplane flying over a blue background. Text on the cover includes 'FAST FOOD MARKETING REVEALED', 'Social media marketing tips', 'Music marketing alert', and 'SPORTS Marketing insights'.
- ❖ Marketers need to recognize how the economy impacts a person's ability to purchase
    - Upswing increased spending
    - Downtswing causes delays and cancellations

# Economic Forces

## (continued)



### New Spending Habits in Canada

Areas where people will spend less money, shown in percentages of people

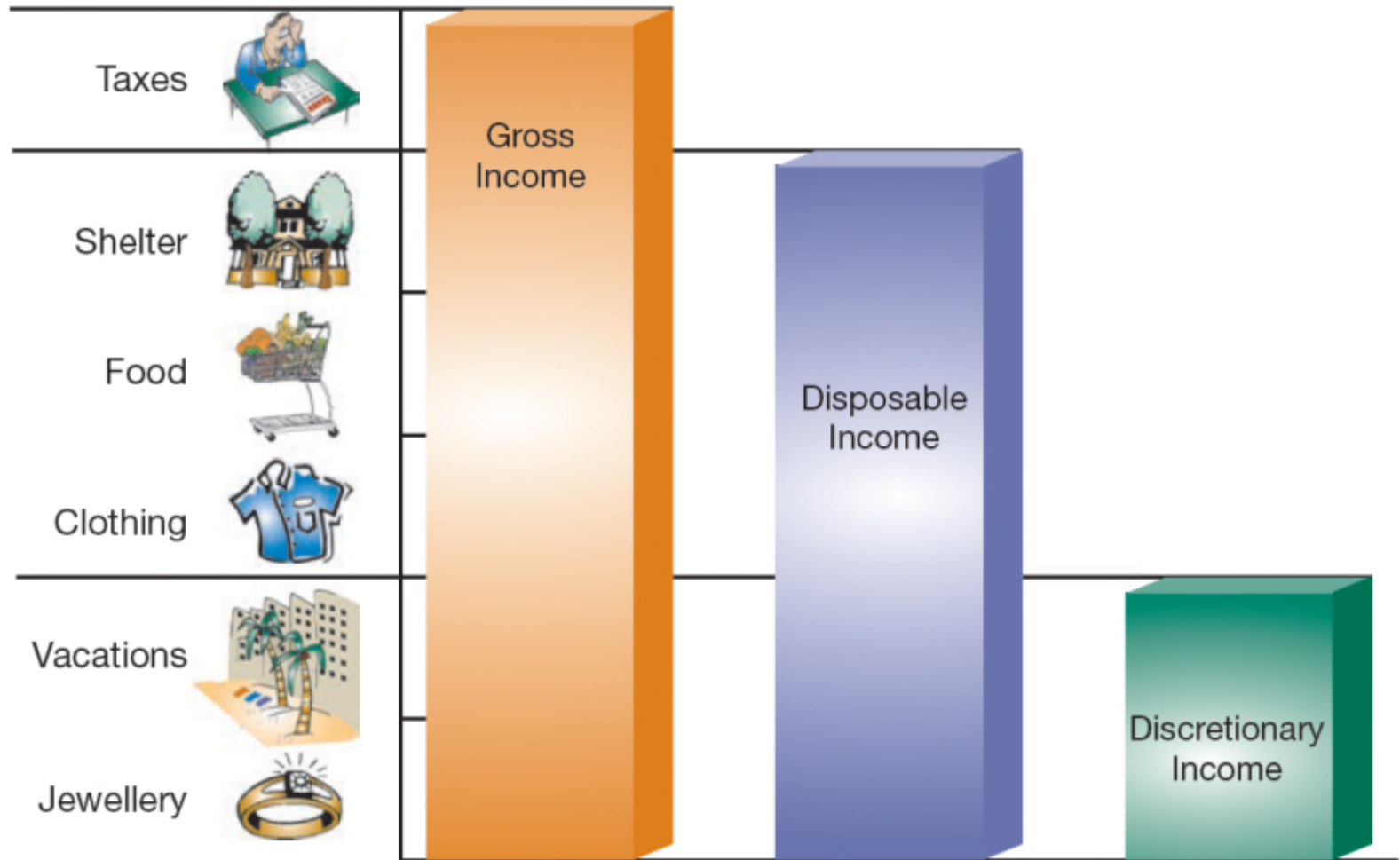
Spend less on new clothes	60%
Try to save on gas and electricity	57%
Cut down on out-of-home entertainment	56%
Cut down on take-away meals	55%
Switch to cheaper grocery brands	51%

**Source:** Nielsen, “Consumer Confidence: A Canadian Perspective - Q4 2012,” accessed April 2013 at [www.nielsen.com/content/dam/nielsen/en\\_ca/documents/pdf/reports/Consumer-Confidence%20-%20A-Canadian-Perspective-Q4-2012.pdf](http://www.nielsen.com/content/dam/nielsen/en_ca/documents/pdf/reports/Consumer-Confidence%20-%20A-Canadian-Perspective-Q4-2012.pdf).

# Macroeconomic Forces

- ❖ State of a country's economy as a whole
- ❖ Key economic indicators:
  - Inflation rate
  - Unemployment rate
  - Economic growth rate
    - Recession or Expansion

# Microeconomic Forces



# Technological Forces

- ❖ New technologies are being introduced and consumers are accepting these new tools at different rates.

*“Marketers must understand how consumers use technology.”*

# Technological Forces (continued)

## ❖ Canadians are:

- Captivated by mobile devices
- Interact through social networks
- Use cloud computing
- Platform agnostic



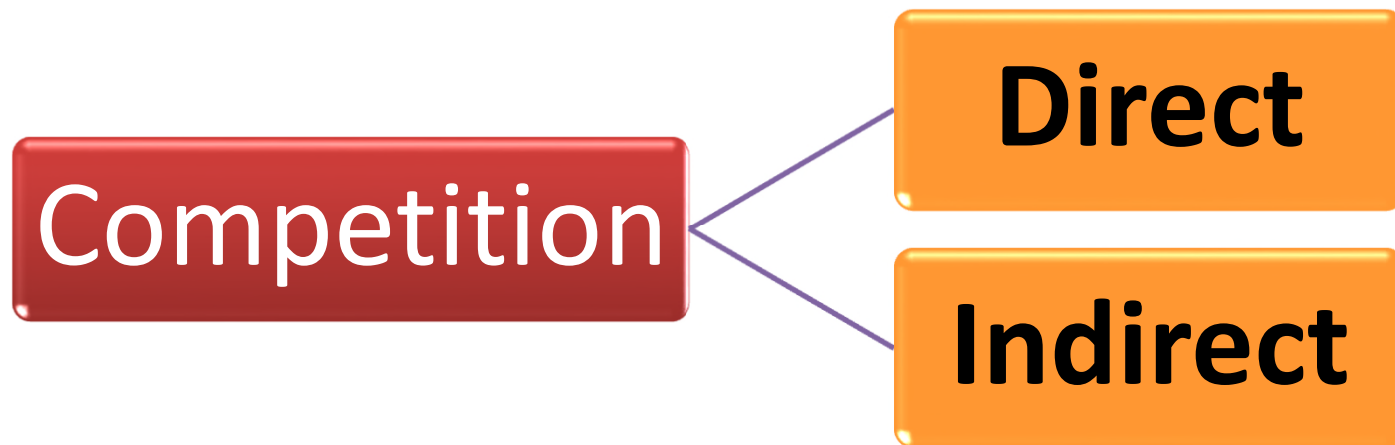
# Canadians' Use of Technology



- Internet access
- E-commerce
- Privacy
- Music
- Tuned-out
- PVRs and TV viewing
- Online Video
- Computers
- Smartphones
- Tablets

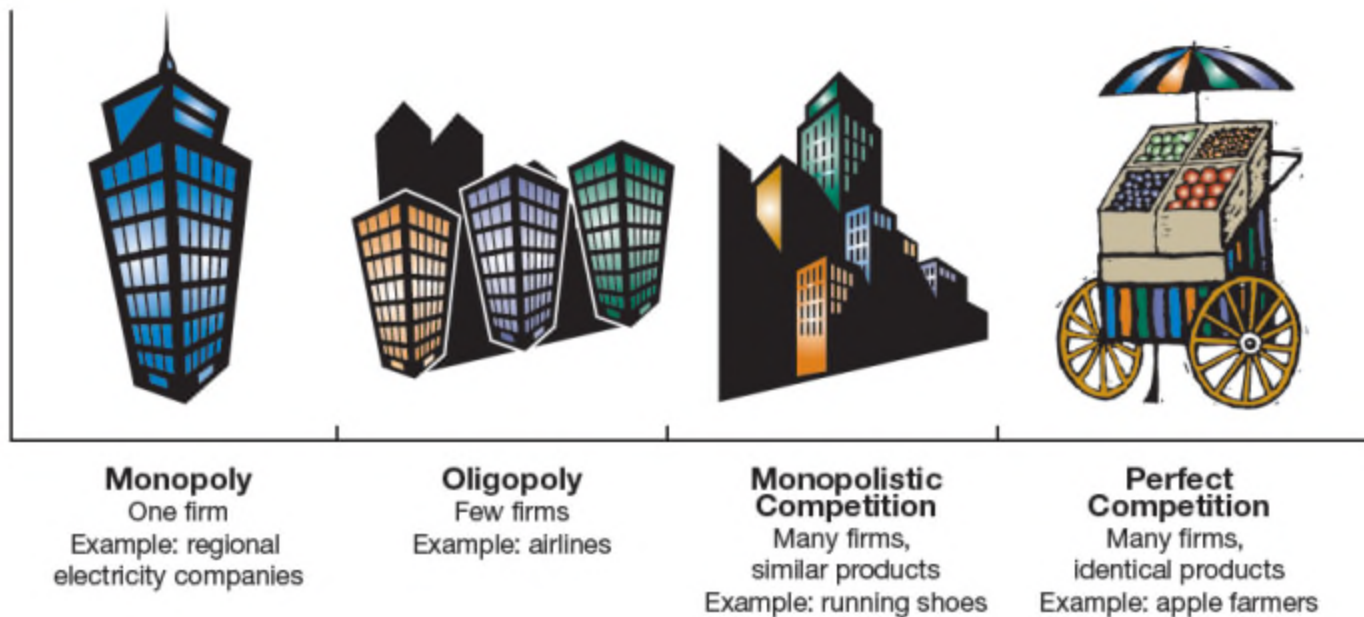
# Competitive Forces

- ❖ Marketers must consider its present and potential competitors when designing a marketing strategy.



# Competitive Spectrum

- ❖ Marketers need to have a clear understanding of the competitive nature of the industry in which they function



# Regulatory Forces



❖ A marketer must clearly understand the regulations and ethical guidelines to protect themselves and their customers

Encourages fair competition

Constantly updated



# Regulatory Groups in Canada

- ❖ Competition Bureau
- ❖ Advertising Standards Canada (ASC)
- ❖ Canadian Radio-television and Telecommunications Commission (CRTC)
- ❖ Do Not Call List (DNCL)
- ❖ Canadian Wireless Telecommunications Association (CWTA)

# Regulatory Groups in Canada (continued)

- ❖ Mobile Marketing Association (MMA)
- ❖ Canadian Marketing Association (CMA)
- ❖ PIPEDA
  - The Privacy Act
  - Canadian Anti-spam Legislation (CASL)
- ❖ Online Behavioural Advertising (OBA)
  - Digital Advertising Alliance of Canada (DAAC)
  - contests

# Steps in a Marketing Environment Scan

**Figure 2-6**  
Marketing Environment Scan—GrapeTrail

