Case Study: Addison Wesley Longman

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Business Problem

How should Addison Wesley Longman allocate

marketing budget for the coming year, 1998?

Business Portfolio

3 new marketing textbook:

- *Advertising and Sales Promotion Strategy* by Gerard J. Tellis
  - **Traditional**-style, low investment cost, largest revenue, but low growth potential.
- *Analysis for Strategic Marketing* by Vithala R. Rao
  - **Traditional**-style, low investment cost , medium revenue, high growth potential.
- *Marketing Engineering by Gary* L. Lilien and Arvind Rangaswamy
  - **Cutting-edge**, high investment cost, smallest revenue, highest growth potential.

Assessment Methodology – GE/McKinsey Matrix

- GE/McKinsey Matrix is a tool to evaluate the strategic position of the 3 textbooks, which can provide guidance for marketing budget allocation.

- 2 dimensions, 4 factors each:
  - Market Attractiveness (Market Size, Growth Rate, Tech Requirement, Leading Edge)
  - Business Strength (Market Share, Share Growth, Investment Cost, Synergy)

Current vs Future Rating – Tellis

Tellis	**1998**	**2000**	**Rationale**
Industry Attractiveness			
Market Size	5	5	Good economy -> more MBA students -> more demand for textbooks.
Growth Rate	2	3	Slight growth increase for the same reason.
Tech Requirements	4	4	No change.
Leading Edge	2	3	The book is expected to be updated with emerging topics.

Current vs Future Rating – Tellis (cont')

Tellis	**1998**	**2000**	**Rationale**
Business Strength			
Market Share	3	4	Good economy -> more MBA students -> more demand for textbook.
Share Growth	3	4	Growth will similarly increase.
Investment/Cost	4	4	No change.
Synergy	1	2	Slight increase since this book compliments the other 2 books.

Current vs Future Rating – Rao/Steckel

Rao/Steckel	**1998**	**2000**	**Rationale**
Industry Attractiveness			
Market Size	3	4	Good economy -> more MBA students -> more demand for textbooks.
Growth Rate	4	5	Slight growth increase for the same reason.
Tech Requirements	5	5	No change.
Leading Edge	3	4	The book is expected to be updated with emerging topics.

Current vs Future Rating – Rao/Steckel (cont')

Rao/Steckel	**1998**	**2000**	**Rationale**
Business Strength			
Market Share	2	3	Good economy -> more MBA students -> more demand for textbook.
Share Growth	4	5	Growth will similarly increase.
Investment/Cost	5	5	No change.
Synergy	3	4	Slight increase since this book compliments the other 2 books.

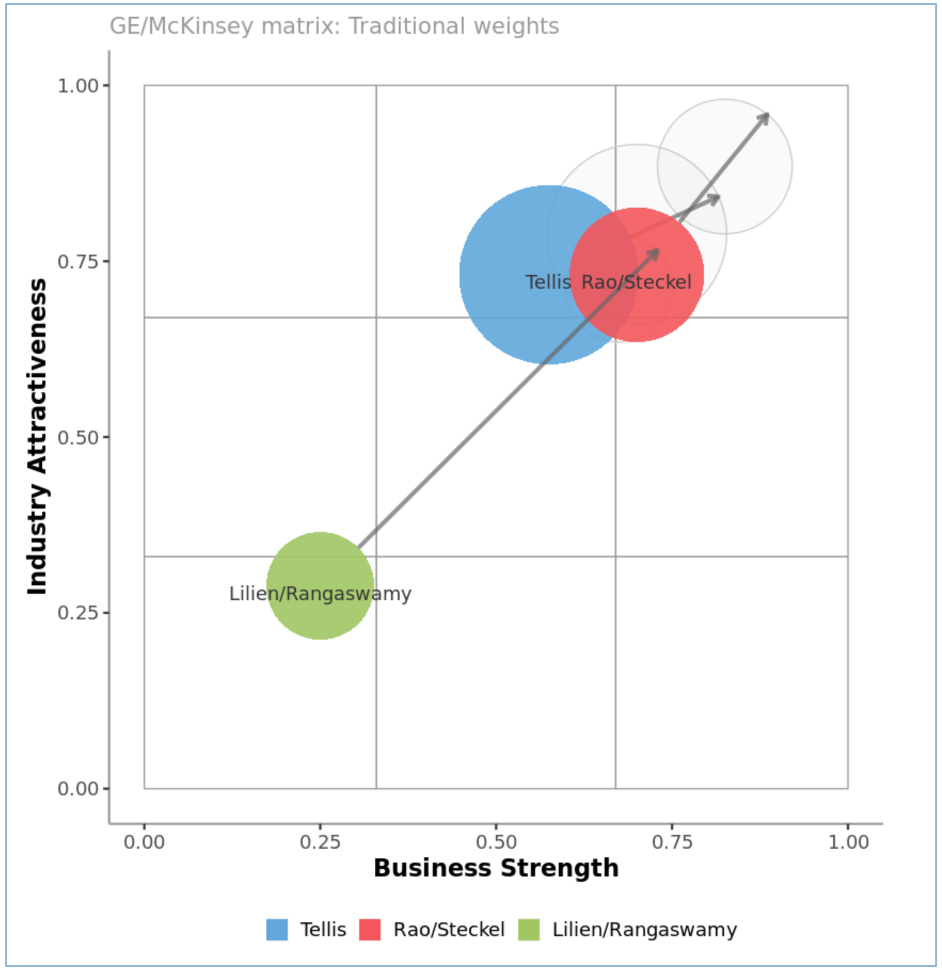
Current vs Future Rating – Lilien/Rangaswamy

Lilien/Rangaswamy	**1998**	**2000**	**Rationale**
Industry Attractiveness			
Market Size	2	4	Fast pace of tech innovation -> Book with media and software packages will be highly desirable.
Growth Rate	4	5	Growth will similarly increase.
Tech Requirements	1	3	Increase in tech requirements to keep up with fast changing tech.
Leading Edge	5	5	The book will remain to be the leading edge in marketing textbook.

Current vs Future Rating – Lilien/Rangaswamy (cont’)

Lilien/Rangaswamy	**1998**	**2000**	**Rationale**
Business Strength			
Market Share	2	4	Due to significant technological development.
Share Growth	4	5	Due to an increase in market share.
Investment/Cost	1	3	Due to significant technological development.
Synergy	5	5	The contents compliment well with the other two books.

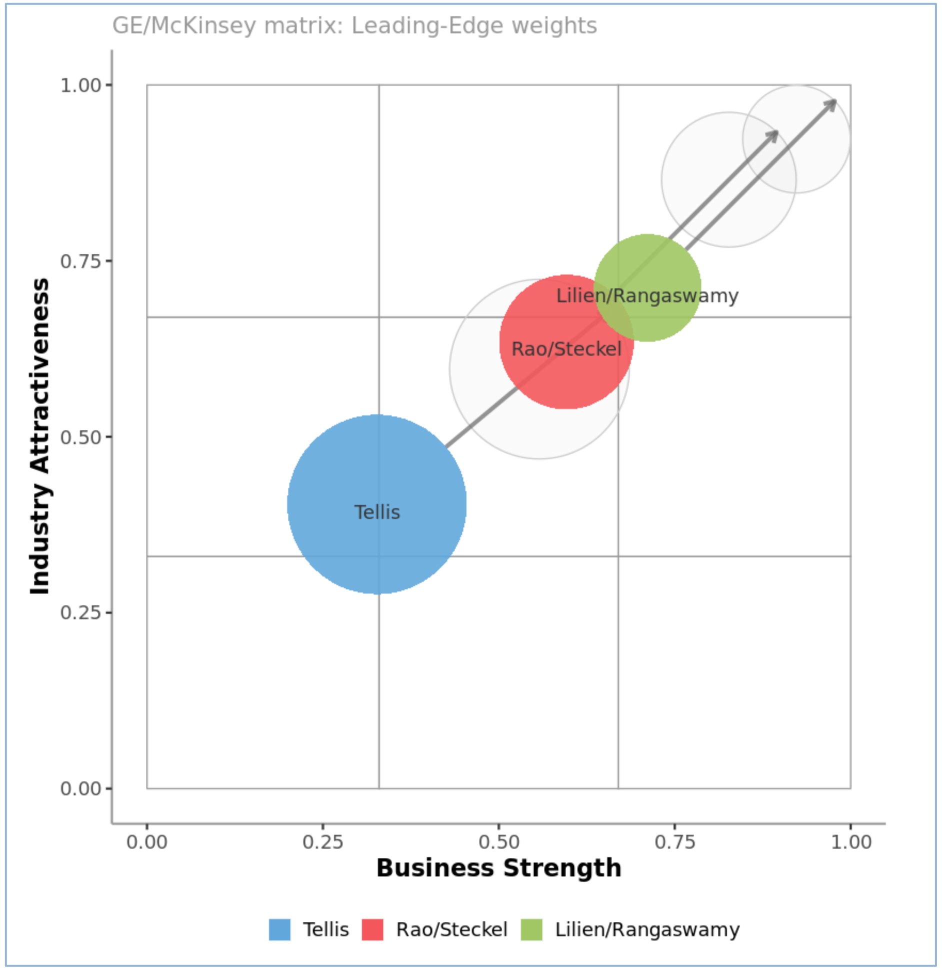
GE/McKinsey Matrix – Traditional Weights



If AWL is to focus on traditional market segment:

- Tellis: Invest to build strengths and challenge leader. (Medium amount of budget)
- Rao/Steckel: Protect position and invest to grow at max rate. (Least amount of budget)
- Lillien/Rangaswamy: Capitalize on the positive shift by using an aggressive strategy. Make the book a prominent player. Create anticipation and buzz and excitement about the book. Seize opportunities. (Highest amount of budget)

GE/McKinsey Matrix – Leading-Edge Weights



If AWL is to focus on being cutting-edge:

- Tellis: cautious and targeted approach. (Lower amount of budget)
- Rao/Steckel: Take advantage of positive shift and maximize visibility. (Lower amount of budget)
- Lilien/Rangaswamy: Continue doing what they are doing. Explore new opportunities to reach a newer or broader market to expand their reach. (Highest amount of budget)

Traditional Vision – Pros vs Cons

Pros

- Lower risk because the market is known and reduces risk of failure.
- Proven demand.
- Efficient resource usage due to established marketing channels and strategies.

Cons

- Limited/constricted growth potential.
- Missed opportunity to innovate and establish a foothold in a new market.
- Competitive disadvantage because other companies might capitalize on this market.

Cutting-Edge Vision – Pros vs Cons

Pros

- High growth potential with rapid development of Internet and tech.
- Position AWL as an industry innovator and leader.
- Long term strategic positioning to establish early dominance in a new field.

Cons

- Higher risk. Future prospect of Internet is uncertain.
- Resource intensive.
- Market resistance to change.

Our Suggestions

- Go with a cutting-edge vision.
- Consider the new frontier of digital marketing and online sale channels.
- Leverage other companies under Pearson group.
- Use Tellis & Rao/Steckel as cashcows to fund the development of Lilien/Rangaswamy into a star.

Pros and Cons of GE/McKinsey Matrix

Pros

- Provides a direction
- Multi-factor analysis
- Flexibility in choosing analysis factors
- Include long term planning

Cons

- Does not provide quantitative solution
- Rating is subjective
- Require lots of market data
- Doesn’t account for rapid change
- Does not consider interdependency between products

Additional Factors to Consider

5 C's of Marketing:

- Company: evaluate internal resources and SWOT analysis.
- Customers: conduct market research on customers' reading preferences.
- Competitors: examine strategies of domestic/international competitors.
- Collaborators: reach out to universities and tech companies to understand their roadmap.
- Context: conduct research on economic outlook for next 3 years.

Additional Factors to Consider (cont')

- Select optimal marketing channels.
- Understand product life cycle especially for the companion CDs and software.
- Perform Return on Investment (ROI) calculation.

Thank You