



CASE STUDY

Addison Wesley Longman

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Background

It was July 1997 and Mark Roth, manager of business books at Addison Wesley Longman, was facing a bit of a dilemma. He was about to present his 1998 fiscal year new book budget and had three new marketing books in his portfolio. One of them, Marketing Engineering, was a bit different from the other two. It did not currently have a large natural market but might ultimately be a big winner, he thought, if it were promoted properly. He was about to make his plans for annual promotion, kicking his program off at the August American Marketing Association Educator's Conference in Chicago. His main question was – how should he prioritize the promotional resources for the three new books?

Addison Wesley Longman is one of the largest global educational publishers, selling books, multimedia and learning programs in all major academic disciplines to the primary, secondary, higher education, professional, and English language teaching markets throughout the world.

AWL is part of the Pearson Group. Pearson PLC, headquartered in London, is an international provider of media content and is composed of information, education and entertainment companies. Pearson reported the following fiscal year-end figures:

1996 Sales (\$ mil.): \$3,746.8

1-Yr. Sales Growth: 19.5%

1996 Net Inc. (\$ mil.): \$413.1

1-Yr. Net Inc. Growth: (7.7%)

1996 Employees: 17,383

1-Yr. Employee Growth: (10.5%)

In addition to AWL, some of Pearson's companies include: the Financial Times Newspaper, Penguin/Putnam, The Economist Group, Pearson Professional and Pearson Television. In 1988, Addison-Wesley was acquired by Pearson PLC. The Company merged with Longman, a sister Pearson publisher, in 1995 and became Addison Wesley Longman. In 1996, AWL acquired HarperCollins Educational Publishers, consisting of HarperCollins College and Scott Foresman, and merged those operations with AWL's.

Each company that makes up AWL has historic publishing strengths and accomplishments. Many people in the United States remember learning to read with Elson Basic Readers featuring Dick, Jane, and Spot. Scott Foresman, their publisher, celebrated their centennial in 1996. Longman, which published Dr. Samuel Johnson and Wordsworth, among other British literary lights, has a distinguished 273-year tradition. The former HarperCollins College, now part of the Higher Education Publishing Group, traces its roots back to 1817 when the brothers Harper established a publishing house in New York City. When Melbourne Wesley Cummings published MIT physics Professor Francis Sears' Mechanics in 1942, Addison-Wesley was launched as an outstanding publisher of science, mathematics and computer texts.

The college division of AWL markets books to colleges and universities throughout the world. Its main promotional resources are sampling, brochures, direct mail, exhibitions (primarily at academic meetings) and direct selling to professors. The U.S. college division sales force includes over 200 individuals, each of whom specializes in an academic specialty (business, science, humanities) and works in a regional territory, servicing several dozen schools.

AWL managers believe that their sales force is particularly important in encouraging instructors to consider and adopt new textbooks, and they use their sales force as a key tool in their product introduction mix.

The New Marketing Texts

The three new marketing texts that AWL was introducing in the summer of 1997 were:

Advertising and Sales Promotion Strategy by Gerard J. Tellis, University of Southern California, aimed primarily at MBA advertising and sales promotion courses;

Analysis for Strategic Marketing by Vithala R. Rao, Cornell University and Joel H. Steckel, New York University, aimed at capstone MBA strategic marketing courses, particularly those with analytic content; and

Marketing Engineering by Gary L. Lilien and Arvind Rangaswamy, Penn State, a book and extensive package of software to deliver marketing tools to support marketing decision making.

The *Marketing Engineering* book was a bit different from others in that it included two volumes plus a CD with 26 software packages that could be applied immediately to both classroom and prototype professional business problems. However, as the book was sufficiently different from anything else on the market, both Mark and the authors felt that the AWL selling effort could make a critical difference in the acceptance of the book, especially in the short run.

The New Marketing Book Promotional Challenge

As Mark was finalizing his proposal, he began glancing through the *Marketing Engineering* book. He noticed that the book identified several methods that could be used to approach a problem just like his.

"What a novel idea," he thought. "Why not use the ideas and tools from *Marketing Engineering* to determine what to do here?"

He determined that one Marketing Engineering tool might be appropriate for his problem: the GE/McKinsey approach.

Applying the GE Approach

Mark found the GE approach implemented in *Marketing Engineering* in a tool called Portfolio Planning (GE McKinsey Matrix). In consultation with his planning staff, Mark came up with the following factors for the components of the composite dimensions:

Industry Attractiveness:

- Market size (total volume of books to be sold in the next three years).
- Growth rate (annual growth rate of market size).

- Technological requirements (high would be “traditional book,” low would be when the book needed capabilities of producing multimedia, software, etc.).
- Leading edge (low would include more traditional topics; high would include new and emerging topics).

Business Strength:

- Market share (book's likely share of market after two to three years).
- Share growth (annual growth rate of market share).
- Investment/cost (high means low need for investment; low means high need for investment).
- Synergy (ability of book to induce sales of other AWL books or to lead to signings of new authors).

Mark then attempted to assign weights (from 1 to 5) to the factors above. He decided that the weights depended on the strategic position of the firm – whether it wanted to view itself as a traditional publisher or as a leading-edge publisher. Hence he constructed two sets of weights: “Traditional” and “Leading Edge” (Exhibit 1). He also rated each of the businesses, Tellis, Rao/Steckel, and Lilien and Rangaswamy on each of the factors (Exhibit 2).

Exercises

Mark was planning to allocate his new product budget equally across the books. Using the GE approach:



Question 1

Describe the business portfolio and the options available to AWL.

Question 2

What does the GE approach suggest about the relationship between AWL's strategic objectives and its promotional plans?

Question 3

What should Mark do?

Question 4

What other factors should Mark consider in setting and allocating the budget?

Question 5

Comment on the uses and limitations of the GE model.

Exhibits

	Traditional Weights	Leading-Edge Weights
Industry Attractiveness		
Market size	5	2
Growth rate	2	5
Technological requirements	5	1
Leading edge	1	5
Business Strength		
Market share	3	2
Share growth	1	5
Investment/cost	5	1
Synergy	1	5

EXHIBIT 1: AWL's weights for new marketing texts (1-5 scale).

	Tellis	Rao/Steckel	Lilien/ Rangaswamy
Sales Potential	20	15	12
Industry Attractiveness			
Market size	5	3	2
Growth rate	2	4	4
Technological requirements	4	5	1
Leading edge	2	3	5
Business Strength			
Market share	3	2	2
Share growth	3	4	4
Investment/cost	4	5	1
Synergy	1	3	5

EXHIBIT 2: Ratings for new AWL marketing texts.