**Script:**

**Good morning** to one and all present here. Today my team and I will be giving a presentation on the Addison-Wesley-Longman (AWL) case study.

Let us **introduce the business problem** to you. 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. It’s 1997 and Mark Roth, the manager of business books at Addison Wesley Longman, must decide how to allocate the budget for 3 new marketing books for the 1998 fiscal year, based on a traditional or leading-edge vision of the company.

The 3 new marketing books are:

1. *Advertising and Sales Promotion Strategy* by Gerard J. Tellis
2. *Analysis for Strategic Marketing* by Vithala R. Rao
3. *Marketing Engineering by Gary* L. Lilien and Arvind Rangaswamy

Based on the given data, the first book covers topics such as MBA advertising and sales potential. It is a traditional book with the largest sales potential and low investment, but it has low growth. The second book deals with MBA strategic marketing concepts and particularly contains analytical content. It too is a traditional book with medium sales potential and low investment and high growth. The third book is significantly different from these 2 books. It’s a cutting-edge book with small sales potential, high investment but high growth.

The **GE McKinsey matrix** is a tool which is used to evaluate the strategic position of different products of a company based on market attractiveness and business strength for each product. Thus, we used this matrix to help Mark decide how to allocate the budget for these 3 books.

No good decision is made based merely on present data. An informed decision can be made only when future scenarios are also taken into consideration. Thus, for each book, we have come up with **dynamic ratings** for every factor involved in determining the market attractiveness and business strength. These dynamic ratings showcase what the ratings could be like 2 years after 1997.

Let’s look at the market attractiveness for the first book - **Tellis**. The period of 1997 marks a period of economic growth and significant technological improvements. Generally during a period of economic growth, businesses tend to grow and there is an increase in demand for skilled professionals to meet the needs of a growing economy. There would thus be a huge demand for MBA professionals and thus, the market size for the book Tellis, which deals with concepts of MBA advertising and sales potential, will increase. But since the highest rating is 5, the rating remains the same 2 years from 1997. Since the demand is likely to increase, there is likely going to be an increase in the annual growth of the market size, so the growth rate will increase. The technological requirement for this book is likely to remain the same 2 years later because the concepts covered by this book are mostly theoretical and thus there will not be any need for technological requirements. There could be an increase in the leading-edge factor since to stay relevant to changing times by staying up to date with emerging topics. Coming to the business strength, the market share will increase due to an increase in demand for skilled MBA professionals. The share growth will increase due to an increase in market share. The Investment/cost will stay the same because there is no significant change in the technological requirements because the book deals with majorly theoretical concepts. Lastly, there will be a slight increase in synergy because the book compliments well with the other 2 awl books.

Let’s move on to the industry attractiveness for the second book – **Rao/Steckel**. The Market size will increase because the book deals with MBA strategic marketing courses and there will be an increase in demand for people skilled in this field due to economic growth. Since the demand is likely to increase, there is likely going to be an increase in the annual growth of the market size, so the growth rate will increase. The technological requirement for this book is likely to increase because it covers analytics and that would require technologically supported materials. There could be an increase in the leading-edge factor to stay relevant to changing times by staying up to date with emerging topics. Coming to the business strength, the Market share will increase due to an increase in demand for skilled MBA professionals skilled at strategic marketing courses due to economic growth. The Share growth will increase due to an increase in market share. The Investment/cost will slightly increase because there is an increase in the technological requirements because the book deals with analytics which require the support of technology. There will be a slight increase in because the book compliments well with the other 2 awl books.

Now, for the industry attractiveness for the third book – **Rangaswamy**. The Market size will increase significantly due to significant technological developments. Since the demand is likely to increase, there is likely going to be an increase in the annual growth of the market size, so the growth rate will increase. The technological requirement for this book is likely to increase significantly because of its inclusion of CDs and 26 other software packages. There could be an increase in the leading-edge factor to stay up to date with changing technologies especially because this book involves integration of technology and multimedia. Coming to the business strength, the Market share will increase significantly due to significant technological developments. The Share growth will increase significantly due to an increase in market share. The Investment/cost will increase significantly due to an increase in technological requirements. Synergy will also increase because the book compliments well with the other 2 awl books.

Now that we have the dynamic ratings available with us, we went ahead and ran the GE/Mckinsey matrix to help us give **recommendations** and suggestions to Mark as to how he should allocate the budget for these 3 books.

Let’s look at the insights offered by the matrix under the assumption of a traditional vision of the company.

**Tellis: Invest to build strengths and challenge leader.** For this book the industry’s attractiveness is high, and the business strength is medium in 1998. But 2 years from then, the industry’s attractiveness remains high, and the business strength will increase. So, the market conditions are favorable and will continue to be favorable. The book is competitive in the market but is not dominant. The marketing strategy for this book to make the book more attractive because there is potential for growth. The audience’s attention needs to be grabbed. This can be done by enhancing the contents of the book to make the book more attractive to the audience. Unique features of the book need to be highlighted to set it apart from its competitors.

**Rao/ Steckel: Protect position and invest to grow at max rate.** The industry’s attractiveness is high, and the business strength is also more or less high. (higher than tellis) there is a higher potential of growth. The market conditions are favorable, and the book is already at a good place in the market and they should maintain this. They should continue doing what they are doing to ensure that the already loyal customers continue to remain loyal by maintaining the customer relationships and quality and reputation of the book (with respect to its contents). 2 years from now, the business can become significantly stronger so they can explore new opportunities to reach a newer or broader market to expand their reach.

**Rangaswamy:** Rangaswami right now is not in a good position. It has a low industry attractiveness and low business strength. But 2 years from now, it will be in a good position because the industry attractiveness and business strength will be high. There is going to be a positive shift. The market conditions will improve for this book. 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.

**Conclusion:** Mark’s initial plan was to allocate equal amounts of marketing budget for all three books. But according to the GE/Mckinsey matrix, the least amount of budget should be allocated for Rao/Steckel since it is already in a good place and can be in a very good place in the future. Allocate a medium amount of budget for tellis because there is a little scope of improvement. There is a very high scope of improvement for rangaswamy so maximum amount of budget should be allocated for it.

Let’s see how the matrix looks like under a cutting-edge vision for the company.

**Tellis:**The book right now is at low to medium industry attractiveness and business strength. But 2 years from now, the industry’s attractiveness and business strength will majorly be medium. So, there is a slight improvement in the market conditions. To market this book, use a cautious and targeted approach. Identify the segments that are already working well as well as segments that can potentially be profitable and focus on them to be cost effective. Refine the existing strategies to retain customers (loyalty programs, exclusive offers etc.)

**Rao/Steckel:**

right now: medium industry attractiveness and business strength

2 years later: high industry attractiveness and business strength

recommendation: there is a positive shift. Take advantage of that and maximize visibility: engage with the customers by advertising it in newspapers, build anticipation, improve contents of the book to keep up with emerging topics.

**Rangaswamy:**

Right now: mostly high industry attractiveness and business strength

2 years later: very high industry attractiveness and business strength

Recommendation: The market conditions are favorable, and the book is already at a good place in the market, and they should maintain this. They should continue doing what they are doing to ensure that the already loyal customers continue to remain loyal by maintaining the customer relationships and quality and reputation of the book (with respect to its contents). 2 years from now, the business can become significantly stronger so they can explore new opportunities to reach a newer or broader market to expand their reach.

**Conclusion:**

Lesser amount of budget can be allocated for Tellis and Steckel, and higher amount of budget needs to be allocated for Rangaswamy.

So, what should mark do – have a traditional or cutting-edge vision for the company? The traditional vision involves continuing marketing the first 2 books – which are theoretical and paper-based. The cutting-edge vision involves marketing the 3rd book, which has CD’s and 26 software packages.

Let’s see the Standard traditional approach. There is obviously lower risk involved because the market is known – there is nothing drastically new or changed. It reduces the risk of failure. There is also proven demand. Marketing channels and strategies are already established so resources will be used effectively. But, on the other hand, the growth potential for anything traditional is always limited. If mark continues sticks with the traditional vision for the company, then there is a missed opportunity to innovate and establish a foothold in a new market. Also, other companies like Amazon might capitalize on this market, and AWL will be left behind. They will be at a competitive disadvantage.

So, let’s look at the company with a cutting-edge vision. There is a significant amount of risk involved under this vision because the future is uncertain. Its resource intensive because more investment will be required to educate people about a new technological product and overcome market resistance because people are slow to respond to technological change. But, by marketing the third book aggressively, AWL can set itself apart in the market by positioning itself as a industry innovator and leader. The internet is in its growing stages right now and thus it is reasonable to assume that software will also follow suit. So, there is a high growth potential. Thus, if AWL adopts the cutting-edge vision, it can establish dominance in a new field and that plays out well from a long-term strategic positioning point of view.

Thus, we suggest that AWL take the cutting-edge vision. To market the third book more effectively, AWL can target academic partnerships, leverage other companies under Princeton. they also run a newspaper and a tv channel so those can be used for promotion as well. Make use of digital marketing since computers were gaining traction during this time. Partial releases can also help. We already know that the other 2 books are going to do well. They can be used as cash cows and the capital gained by them can be used to turn the third book into a star.

So, you can see that the GE McKinsey matrix gave us a direction and helped us come up with an initial plan of action by assessing some broad factors such as business strength and market attractiveness. It also helps the company think in the long term instead of just looking at the current data. But the matrix is also very subjective. It only provides us with a vague direction. It does not give us the actual numbers. The analysis is also only valid if the ratings and weights are valid. The matrix also does not consider the interdependency between the products. It also does not consider many factors about the company, customers, competitors, collaborators and context.

The company should perform a SWOT analysis to see if they have got what it takes to pull this off. Customers’ reading preferences and behavior need to be analyzed. AWL should analyze the strategies employed by their competitors and perform benchmarking. Collaborators need to be identified. Since it is an international company, they should look out for international competitors and collaborators. Consider external factors such as market trends, economic conditions of different international markets etc.

AWL has several marketing channels such as newspapers, radios and TV’s. They should consider which marketing channel works well. Also, the third book contains CD’s and software packages, so Acme should understand their product life cycle. Lastly, you can see that the GE Mckinsey matrix does not give us any quantitative result, so Acme should perform an ROI calculation.

So, that concludes our analysis for the AWL business case study. Thank you.