

Case

Addison Wesley Longman

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Product Planning Using the GE/McKinsey Approach at Addison Wesley Longman

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?

Background

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). 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 requirements² (high would be “traditional book,” low would be when the book needed capabilities of producing multimedia, software, etc.).
- Leading edge² (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/cost² (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:

1. Describe the business portfolio and the options available to AWL.
2. What does the GE approach suggest about the relationship between AWL's strategic objectives and its promotional plans?
3. What should Mark do?
4. What other factors should Mark consider in setting and allocating the budget?
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.

APPENDIX: Details of the Three Books from AWL Promotional Material

1. *Advertising and Sales Promotion Strategy*

First Edition, 475 pages, 1998, Cloth, 0-321-01411-1

Gerard J. Tellis, University of Southern California

Unique; theoretically rigorous, rich with examples and useful for designing successful strategies.

Promotion is a rich topic that integrates perspectives from a number of disciplines including marketing, economics, psychology, anthropology, and operations research. It is also a dynamic area that is constantly changing as firms develop new media, appeals, and methods to better compete with their rivals in a rapidly changing environment. *Advertising and Promotional Strategy* is designed to communicate all of these aspects of promotion. After reading this book, prospective managers will understand the topic of promotion well enough to be able to design successful strategies.

Hallmark Features

- Tellis's writing is simple, direct, and lively. He uses short sentences and simple language even when explaining complex ideas.
- The text has a managerial orientation – more so than any other text in the field – helping prospective managers understand the topic well enough to design successful strategies.
- The book's presentation is practical, analyzing a large number of relevant examples and describing creative promotional strategies.
- Tellis draws from the most recent research in the social sciences to ensure that students are exposed to the most current knowledge in the field.
- This book explains why phenomena occur and tries to show why certain strategies succeed, while others fail.
- Using contemporary examples, the author clearly communicates points.
- Tellis explains theories, concepts and terms from first principles – his book requires no particular prerequisites in business, marketing, economics, or psychology.
- Special topics include coverage of regulation (Chapter 2), direct marketing (Chapter 16), ethics, international strategy, and brand equity.
- Your students will enjoy the text's 16-page color advertisement insert, lavish examples and numerous illustrations.

Supplements include: Instructor's Manual with Test Bank/Transparency Masters/ CD-ROM Guide, a Computerized Test Bank for Windows, a Videotape with advertisement clips for classroom use, an Instructor's CD-ROM with ad stills and clips, and an Interactive CD-ROM case on Intel that allows the student to act as a marketing manager designing a promotional strategy.

This title has the following supplements:

Instructor's Resource Manual by Siva K. Balasubramanian, Southern Illinois University includes the Instructor's Manual, Test Bank, Transparency Masters, and CD-ROM Guide. 0-321-40771-7

Instructor's CD-ROM includes a gallery of print advertisements and quick-time clips of TV commercials. 0-321-01643-2

Videotape contains advertisement clips for classroom use. 0-321-40772-5

Intel Case CD-ROM for Windows by John Quelch, Harvard University Business School, is based on a Harvard Case Study on the Advertising Campaign for Intel on introducing its product into the UK market. The student acts as a marketing manager with an advertising budget, who needs to decide who to target: the novice home computer buyer, the average business person who uses a computer, or the corporate purchasing manager. With this, they then develop an advertising and promotion campaign using a series of provided advertisements, etc. 0-321-02175-4

2. *Analysis for Strategic Marketing*

First Edition, 400 pages, 1998, Paper, 0-321-00198-2

Vithala R. Rao, Cornell University

Joel H. Steckel, New York University

Provides more modern scientific marketing methods for strategic marketing courses than any other book on the market.

Analysis for Strategic Marketing is the first book in the market to tie the aspects of strategic marketing and marketing research together. In fact, this book has no direct competitors – it simply fits in a class of its own. Rao and Steckel offer you this paperback book as a versatile tool to be used as a main text or supplement in your senior undergraduate or MBA-level advanced Marketing Research or Strategic Marketing courses.

Hallmark Features

- This text contains a mid- to high-level mix of strategy and marketing research.
- Adding analysis and research tools to traditional marketing book material, *Analysis for Strategic Marketing* is considered unique.
- Offering four cases with solutions included in the Instructor's Manual, Rao and Steckel allow and encourage flexible use of their textbook.

This title has the following supplements:

Instructor's Manual Package by Marjorie Doyen, Cornell University, includes the Instructor's Manual, Test Bank, and Data Disk. 0-321-01900-8

3. *Marketing Engineering: Computer-Assisted Marketing Analysis and Planning*

First Edition, 350 pages, 1998, Cloth, 0-321-01417-0

Gary L. Lilien, Penn State and Arvind Rangaswamy, Penn State

This book integrates concepts, analytic marketing techniques and operational software to train the new generation of marketers, helping them to become marketing engineers.

This textbook and the related course are aimed at educating and training marketing engineers to translate concepts into context-specific operational approaches using analytical, quantitative and computer modeling techniques. As an underlying philosophy, this book links theory to practice and practice to theory. The entire textbook package is made up of three components: the main text; a CD-ROM that includes over 25 software packages as well as customized on-line help files; and a user manual that contains software tutorials, problem sets and cases that enable the student to apply the concepts and software, providing them with an immediate learning experience. Lilien and Rangaswamy designed this primarily as a text for a one-semester, capstone MBA course, but the material has been used successfully in executive programs and in undergraduate classes as well.

Hallmark Features

- This book is so cutting-edge – integrating concepts, analytic marketing techniques, and operational software – that it has no direct competition.
- The text material provides a detailed, but user-oriented view of the marketing engineering approach to marketing problems in the information age.
- Chapter summaries highlight key points in each chapter while problem sets and cases enable students to apply the concepts and software.
- This book is uniquely packaged as three components: Text, User Manual and CD-ROM. The 26 software packages on the CD-ROM allow students to implement the concepts in the course and to apply those concepts immediately – each package includes a customized set of online help files. The User Manual includes problem sets and cases, as well as a tutorial for each software package with step-by-step instructions.
- The videotape, available to adopters, provides award-winning examples of how concepts and tools have been applied profitably in a number of companies, saving them millions or even billions of dollars.
- Created by the authors out of Penn State University, the book's web site can be used for problems and continuing software updates and upgrades, so that adopters can continue to upgrade the software as it evolves.

This title has the following supplements:

Videotape that provides award-winning examples of how concepts and tools have been applied profitably in a number of companies, saving them millions or even billions of dollars.

Instructor's Manual / Solutions Manual / Transparency Masters / Instructor's CD-ROM with PP. The Instructor's CD-ROM contains a complete PowerPoint Presentation for the professor to illustrate key concepts in each chapter.