



# marketing 1e

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**McGraw-Hill  
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## Newsletter for Instructors

August 2007

**Dear Professor,**

The Grewal/Levy monthly newsletter will empower you to provide current cutting edge examples in the classroom. The newsletter includes abstracts of current articles applicable to the text chapters. Each article abstract is followed by discussion questions and short sample answers. The abstracts will also be available on the Online Learning Center archived by chapter for easy reference. Each newsletter also provides links to exciting and current videos and commercials. This newsletter summarizes article abstracts for case discussions for the following topics:

- A Café Latte and Paul McCartney: All at Starbucks (Chapter 2, 10)
- Who Blogs? Whole Foods CEO Goes with an Alias (Chapter 3)
- Small Retailers Find a Niche in Large Markets (Chapter 12, 16)
- Do I Deserve to Be Loved? Who's Asking? (Chapter 4, 9)
- Donuts & Coffee at Dunkin' Donuts Expands through the U.S. (Chapter 2, 9, 10)
- Big Box Retailers Are Becoming Big "Greenhouses" (Chapter 3, 13, 16)
- Whole Foods in London (Chapter 3, 4, 7)
- Targeted Advertising Based on Your Web Activity (Chapter 5, 18)
- Redesigning Packaging for Green Initiatives (Chapter 3, 10, 15)
- AT&T Re-Brands Itself with Cingular Takeover and iPhone Exclusivity (Chapter 2, 10, 11)
- The Land of Cool; Tokyo is the new New York City (Chapter 9, 16)
- Solo Cup's Distribution Center Combines Labor and Technology (Chapter 15)
- CEO Branding: Their Company or Themselves (Chapter 6, 18)
- Ad Spending Down; Media Spending Up (Chapter 17, 18)
- Article/Chapter Index

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**TO  
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[Go to top of document](#)

# Commercials

**Mercedes Benz**- This is a nostalgic commercial showing that Mercedes has made many inventions for the consumer's safety enhancement for decades.

- Use with Chapter 2, Developing Marketing Strategies
- 1 min
- <http://youtube.com/watch?v=zv0ZPyj7S6M>

**Toyota Hybrid Camry**—A child asks his dad why he drives a hybrid. The dad says it is for the kid's future, because it is better for the air and that he saves money on gas.

- Use with Chapter 2, Developing Marketing Strategies, Chapter 3, Marketing Ethics
- 31 sec
- [http://video.google.com/videoplay?docid=-4484245883891789484&q=genre%3Aad\\_promo+super+bowl&hl=en](http://video.google.com/videoplay?docid=-4484245883891789484&q=genre%3Aad_promo+super+bowl&hl=en)

**iPhone** – Astronauts are intrigued by all of the features of the new Apple iPhone.

- Use with Chapter 11, Developing New Products, Chapter 18, Advertising and Sales Promotion
- 1 min
- <http://youtube.com/watch?v=0FFkvhoEfX8>

**Macy's One Day Sale**- The commercial is advertising the Macy's One Day Sale. It offers numerous promotions available at the Macy's Store

- Use with Chapter 5, Consumer Behavior, Chapter 14, Strategic Pricing Methods, Chapter 16, Retailing
- 28 sec
- <http://video.google.com/videoplay?docid=-9027537310125491170&q=commercial+macy's&total=61&start=0&num=10&so=0&type=search&plindex=1>



[Go to top of document](#)



## Videos

The Following videos are from *The Wall Street Journal*, [www.wsj.com](http://www.wsj.com).

### TiVo

TiVo is launching a mass-market unit with Hi Definition for \$299. 9 months ago, it launched a similar high-end product for \$799. The CEO discusses how this product will be marketed and how it will effect its subscriber growth.

- Use with Chapter 11, Developing New Products.
- 4:20 minutes
- <http://link.brightcove.com/services/link/bcpid86195573/bclid86272812/bctid1124878368>

### WalMart.com Online Sales

Wal-Mart just launched its new Site-to-Store initiative. Customers can purchase products online and pick them up in the store without paying for shipping. This has been advantageous thus far for both online and instore sales.

- Use with Chapter 2, Developing Marketing Strategies, Chapter 5, Consumer Behavior, Chapter 12, Services: The Intangible Product.
- 3:34 minutes
- <http://link.brightcove.com/services/link/bcpid86195573/bclid86272812/bctid1114968515>

### Whole Foods CEO Blogs

The CEO of Whole Foods, John Mackey, anonymously posted on the Yahoo Finance blog for eight years. He discusses the current and future success of Whole Foods and of Wild Oats, its closest competitor.

- Use with Chapter 3, Marketing Ethics, Chapter 17, Integrated Marketing Communications.
- 3:36 minutes
- <http://link.brightcove.com/services/link/bcpid86195573/bclid86272812/bctid1119297511>

### Virgin America

The new low-cost carrier is launching the U.S. airline in August, that will do a route from Los Angeles to San Francisco or Las Vegas as well as a cross-country route from Los Angeles to Washington D.C. or New York City. The airline has a cutting edge inflight entertainment center with chat rooms, 25 movies, 8 live channels, interactive games etc. It is focusing on the best possible customer experience even in a very competitive airline industry and high fuel prices.

- Use with Chapter 4, Analyzing the Marketing Environment, Chapter 11, Developing New Products.
- 3:48 minutes
- <http://link.brightcove.com/services/link/bcpid86195573/bclid86272812/bctid1119297426>

[Go to top of document](#)

# A Café Latte and Paul McCartney: All at Starbucks

Use with Chapter 2, Developing Marketing Strategies, Chapter 10, Product, Branding, and Packaging Decisions.

**Kirstein, Richard, “Music Marketplace: Brands as Music Moguls,” *Brand Strategy*, June 12, 2007.**

Calling Starbucks just an innovator in the premium coffee industry is misleading; the company actually has created an entire Starbucks lifestyle. Part of its brand image derives from the music that sets the mood in stores for its customers, and now it is using that image to become one of the first companies to market music.

Starbucks-owned Hear Music record label puts out music by different artists—including Paul McCartney, the iconic former Beatle and first artist to sign directly with the label. In a synergetic relationship for Starbucks and McCartney, 45 million Starbucks customers will hear his music playing every time that they enter a store, and McCartney offers a strong sense of credibility and pop culture history.

Music distributed through brands may be new, but it is going to be big. Starbucks’s music sales have been successful because they reflect its core concept and complement the wider atmosphere. Other brands that decide to distribute music similarly must be strategic in their choices, because some artist connections could diminish brand images rather than enhance them.

Music now sells through far more untraditional channels than ever before. Customers who purchase music at Starbucks often do so to extend their experience, which means more to them than just the song itself. In a win-win proposition, artists can commit to new markets, and brands can define what they want to be even more precisely.

## ***Discussion Questions:***

1. Is selling music good for Starbucks’ brand management?

*Absolutely. The music that Starbucks sells is great for its brand management because it enhances the quality, relaxing atmosphere associated with the retailer. Starbucks has developed into an experience that its music enhances.*

2. Is it good for artists to co-brand their music albums with Starbucks?

*Artists now have an alternative way to sell their music, which is especially appealing because traditional distribution channels for music have not been as successful lately. [Go to top of document](#)*



# Who Blogs? Whole Foods CEO Goes with an Alias

Use with Chapter 3, "Marketing Ethics."

## "Mr. Mackey's Offense," *The Wall Street Journal*, July 16, 2007.

When the Federal Trade Commission (FTC) tried to stop Whole Foods from buying its competitor, Wild Oats, the organic and natural food retailer responded by suing the FTC and arguing against the FTC's claim that because the two retailers overlap in 21 markets, the transaction would be anticompetitive and make Whole Foods a monopoly.

During the FTC's investigation of Whole Foods, the FTC found that its CEO John Mackey has been actively blogging on the Yahoo Finance Web site for eight years. Using the alias, "Rahodeb" (an anagram of his wife Deborah's name), he wrote poorly of Wild Oats, saying that it would probably go into bankruptcy, while praising Whole Foods (and himself, noting in one posting that Rahodeb thought Mackey's new haircut was "cute"). The FTC, angered by his false identification, is using this information in its case against Whole Foods. Mackey became a "corporate cheerleader" for Whole Foods on the blogs but acted as though he were just any other person. The FTC also regards his opinions and statements as strong evidence of his intent to make Whole Foods a monopoly.

Many CEOs blog today, but most fully disclose their true identities. Mackey claims that he wanted to stay undisclosed so that he could get others' opinions on various topics. Yet in the grocery industry, customers must have trust in the products, the way they are produced, and their promised benefits. At Whole Foods, customers are paying a premium for food that the chain promises is good for their health. If the CEO falsely identifies himself—for eight years, no less—customers may begin to lose faith in all the retailer's claims, mission, and values.

### ***Discussion Questions:***

1. Is John Mackey's blogging ethical?

*I do not think John Mackey's blogging is ethical, because though he may have been able to discuss ideas about the company, he was very critical of Whole Foods' competitor, and he did not properly identify himself. In fact, he even denied his true identity. Whole Foods is known for its ethical values and mission, so when the top executive carries out such practices, it is difficult for a customer to sustain the same trust in the company.*

*I believe what Mackey did was OK. Many people blog, and some do it just for fun. It is not as if he expressed his views under the name of a well respected analyst. The opinions of someone named "Rahodeb" should not have any impact of any thoughtful person's opinion of Wild Oats or its relationship with Whole Foods. It certainly wouldn't have any impact on the market.*

2. Would you still buy from Whole Foods after knowing that the CEO falsely identified himself on the Yahoo Finance blog?

*No. If the CEO is willing to make false claims about his identity, then the company is capable of doing the same. For food that customers depend on, the value is portrayed through marketing, and it is even more important that the marketing be "squeaky clean" and accurate, especially when Whole Foods's products are higher priced than conventional grocery stores'.*

*Yes, because what he did may not be illegal. Besides, anonymous blogging is pretty common these days, and just because Mackey did it, I do not believe the whole company is necessarily lying all the time.*

[Go to top of document](#)

## Small Retailers Find a Niche in Large Markets

Use with Chapter 12, Services: The Intangible Product, Chapter 16, Retailing.

**Davis Bushnell, “Thriving Retailer’s Personal Stamp,” *Boston Globe*, April 12, 2007.**

When small businesses compete for the same customers as Big Box retailers, the story goes, they lose. But a small paper goods, office furnishing, and gift shop located near a Staples megastore in the Boston area has managed to achieve great results.

The small store offers niche products that cannot be found in Staples. Its product assortment ranges from a 35¢ ballpoint pen to a \$3,500 fountain pen by Graf von Faber-Castel. To its upscale customer base, the retailer offers special products available only in the store, including top-of-the-line stationary, invitations, leather goods, art supplies, and writing utensils.

This small retailer manages to keep 35,000–40,000 items in inventory, but its assortment differs significantly from that of Staples, which appeals to the mass market. Whereas Staples offers convenience for customers shopping for basic office and school supplies, the small retailer stocks a more emotionally valuable product like a \$2,500 ergonomic leather desk chair.

Customers value the special service that they receive from the small retailer; it knows its clientele better, so it not only stocks products they desire but also helps them navigate the product selection. As another perk, customers feel as though they are supporting local businesses rather than a national chain. The local retailer makes contributions to local schools and ballet activities—investments a national chain is not likely to support.

Both the Big Box retailer and the small local retailer thus appear to have found room in the market. Depending on what the customer is searching for, he or she prefers one retailer over the other. However, the service and unique, high-end products that the small retailer provides appear to be offerings that prompt true customer loyalty.

### **Discussion Questions:**

1. How can a small retailer compete with a mega-store like Staples?

*A small retailer can compete by offering a unique merchandise assortment, as well as customer service. A small local retailer is also valuable to the community, which generally prefers to support a local business rather than a national chain.*

2. Can any small retailer embrace this strategy to survive?

*Although this approach may work in some markets, for others, a high-end product line and personalized attention will not be sufficient to draw customers away from the lower prices and huge selection of Big Box retailers. For example, retailers that generally sell commodity goods would have a hard time following the example set by the office supply retailer.*

# Do I Deserve to Be Loved? Who's Asking?

Use with Chapter 4, Analyzing the Marketing Environment, Chapter 9, Marketing Research and Information Systems.

**Doris Hajweski, "Target Pulls Plug on Psych Survey," *Milwaukee Journal Sentinel*, June 11, 2007.**

Surveys often provide feedback about product performance, consumer likes and dislikes, and levels of satisfaction. But the companies that build these surveys must be absolutely meticulous in their design to ensure the questions get interpreted correctly and the results are accurate. A recent e-mail survey created by the research firm Nielsen/NetRatings for Target reveals what happens when the survey fails to follow those criteria.

The survey was intended to compare Target and Wal-Mart shoppers, but Target's customers expressed a great deal of discomfort with the questions being asked. Initially, they seemed fine, asking whether respondents shopped at Wal-Mart or Target and which retailer received a large share of their budget. But then the questions moved on to the type of car the respondent drove, and then fired off psychological questions including, "My partner is likely to reject me at some point unless I am better than any other potential mate" and "I could disappear from the face of the Earth and no one would notice." Uncomfortable customers and Target quickly forced Nielsen to cancel the survey.

This incident highlights the challenge of determining what questions are acceptable, and which are not, to ask customers. Many surveys include questions that seem unrelated to the in-store experience and instead probe psychological attitudes. But this survey proved to Nielsen that it had gone too far in invading customers' privacy boundaries.

## **Discussion Questions:**

1. Do you think that these questions were invasive and inappropriate for a survey given to a retailer's customers?

*The questions asked in the survey made some consumers uncomfortable. It is one thing to ask a customer about what kind of car he or she drive or income levels but another to get into upsetting questions about whether a person's partner might cheat on them with another potential mate. A question like this only makes customers uncomfortable and uneasy. The survey could have asked other questions if it needed to gather psychological data about customers.*

2. What kind of questions are appropriate for gathering psychological data?

*Perhaps the survey could have simply included questions about how respondents felt or acted in certain situations. But by probing really personal aspects of people's lives, the research firm turned them off and therefore lost an opportunity to obtain data.*

## Donuts & Coffee at Dunkin' Donuts Expands through the U.S.

Use with Chapter 2, Developing Marketing Strategies, Chapter 9, Marketing Research and Information Systems, Chapter 10, Product, Branding and Packaging Decisions.

**Janet Adamy, "Dunkin' Donuts Whips Up a Recipe for Expansion," *The Wall Street Journal*, May 03, 2007.**

Having made its mark in the Northeastern United States, Dunkin' Donuts clearly is the place to buy coffee for many customers. But Dunkin' Donuts is dedicated to living up to its slogan, "America runs on Dunkin'," by tripling its total stores and expanding throughout the United States and internationally. In moving into new geographic areas, Dunkin' Donuts is learning a lot about its customers.

To compete with a Starbucks atmosphere, Dunkin' Donuts is making the interiors of its stores more sleek. But to stay true to its roots, it brought back Styrofoam cups after customers indicated they preferred the old-fashioned containers to those with a sleeker, newer logo.

The franchise's market research focuses on psychographic studies investigating customers' values, attitudes, and interests. For example, is it important for customers to lead an upscale lifestyle? Do people have to use their looks to get ahead? The results from questions that seemingly have no relation to breakfast pastries offer significant insights, including that approximately one-third of the country embraces a down-to-earth attitude and considers itself part of the "Dunkin' Tribe."

But these findings also hint at the challenges Dunkin' Donuts faces, including its efforts to add customers. Even when baked goods sell well, coffee drinkers remain slow to adopt. A regular coffee drinker has a routine, and for Dunkin' to attract more coffee-drinking customers, it needs to give customers a reason to break their well-established routine.

Although Dunkin' Donuts may be leaning toward becoming slightly more stylish, it avidly steers clear of any Top 10 Most Stylish retailer lists. Its employees try to remember regular customers' names and their drink orders, in the hope that coffee will become the bulk of the chain's sales, which currently accounts for less than 40%, compared with 60% in baked goods.

### **Discussion Questions:**

1. Why has market research been so important for Dunkin' Donuts?

*According to its market research, Dunkin' Donuts recognized that it already had a solid customer base that values a down-to-earth atmosphere and is wary of an environment that seems too similar to Starbucks. Customers do not want extra frills but are open to some additional product offerings and some sleeker in-store updates. Thus, through its market research, Dunkin' Donuts has learned how it should continue to position itself with its customers.* [Go to top of document](#)



## **Big Box Retailers Are Becoming Big “Greenhouses”**

Use with Chapter 3, Marketing Ethics, Chapter 13, Pricing Concepts for Establishing Value, Chapter 16, Retailing.

**Mark Chediak, “Big-Box Retailers See Green as Ecoconsciousness Grows,” *Orlando Sentinel*, April 20, 2007.**

We might not call them tree-huggers just yet, but Big Box retailers are promoting eco-friendly products and committing to making store operations and supply chains “green” as well. In the past, Wal-Mart received a lot of criticism for its operations and business practices—but not anymore. Its initiatives are helping the chain expand into geographic areas that otherwise would not have accepted a new store because of its previous eco-unfriendly stigma.

Wal-Mart and Home Depot embraced Earth Day by not only promoting energy-efficient products but also educating consumers about the cost and energy savings of eco-friendly products. Wal-Mart explained to customers that fluorescent light bulbs last longer and use less power, then sold those same customers, among many other products, organic plant holders and eco-friendly ceiling fans.

The trend to save the environment is growing among both businesses and consumers. In 2005, the organic industry grew 17 percent to \$14.6 billion in consumer sales. Retailers are responding with more products that benefit the environment, as well as attempts to reduce the impact of their stores, with their huge retail square footage and massive energy demands. Wal-Mart plans to reduce the amount of energy its stores consume by one-third by 2010 and reduce the packaging it uses by 5 percent by 2013.

Retailers and consumers thus appear to agree that quality requires environmentally friendly features. Many shoppers will spend a little more on a green product, an everyday decision that can affect the environment. Retailers are setting the stage, and consumers are demanding the products they buy are energy efficient and less costly to the environment.

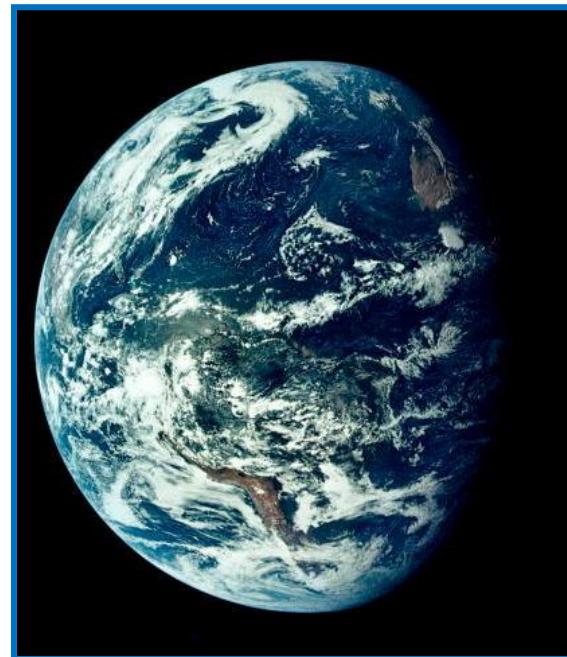
### ***Discussion Questions:***

1. Do you believe their green actions are to satisfy their ecological conscience or because it means just good business?

*Although retailers certainly obtain a business benefit from signaling that they are eco-friendly, these retailers also appear committed to going green and are making significant investments in reducing the energy they use.*

2. Would you spend more money with a green retailer?  
*As a consumer, I prefer to spend my money with a green retailer, because it not only encourages eco-friendly business practices but also helps the environment. A quality product to me is one that does not harm the environment. Quality products have always cost a little more, and green products represent just such a worthwhile level of quality.*

[Go to top of document](#)





## Whole Foods in London

Use with Chapter 3, Marketing Ethics, Chapter 4, Analyzing the Marketing Environment, Chapter 7, Global Marketing.

**Kim Murphy, “Whole Foods Enters British Market,” *Miami Herald*, June 20, 2007.**

When Whole Foods opened its first international store in London, England, the Britons were surprisingly welcoming to the giant American, three-story, 80,000 square foot store.

The competitive food environment in England already features feathered pheasant and Double Gloucester cheese that can be bought at the Borough market, Devonshire cream and jams from Fortnum & Mason, fresh produce on the side of the road, curry at Marks & Spencer, and even gourmet offerings at the famous Harrods. Whole Foods hopes to draw all these customers to its own organic and gourmet offerings.

British customers, who are accustomed to paying higher prices for food and appreciate the value of quality products, tend to be advanced beyond American consumers with respect to the Green Revolution and conserving the environment. With Whole Foods’ strategy, based on locally and organically grown products, customers may support the retailer because it enables them to contribute to the environment in a positive way.

In the intense Britain retail landscape, many retailers follow the same tactics to be environmentally friendly and offer quality products. Marks & Spencer plans to achieve carbon neutrality and no waste added to landfills by 2012, an extremely aggressive effort for such a large retailer. The demand for fair trade, organic, and locally grown food definitely exists in the United Kingdom, but American retailers must prove themselves in a new country, where the food environment is very different than that in the United States.

### **Discussion Questions:**

1. Do you think Whole Foods ultimately will be accepted in the United Kingdom?

*Yes, I think Whole Foods will become a popular retailer in the United Kingdom because it represents something American and offers quality products that British consumers prefer. The shopping environment will be a nice change from the quaint Fortnum & Mason or market streets.*

*No, I think Whole Foods will ultimately not be accepted in the United Kingdom because of its enormous American size. It is already on the radar in the United States as becoming monopolistic, and it is important that the local farmers and producers are not put under by a large retailer, especially an American one. In a country that is so focused on the Green Revolution, Whole Foods may not be able to meet the high standards because of its enormous logistics and supply chain that exerts so much energy.*

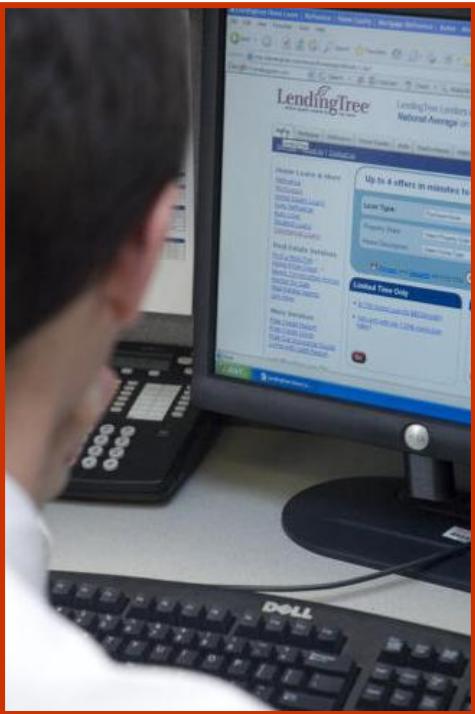
[Go to top of document](#)

## Targeted Advertising Based on Your Web Activity

Use with Chapter 5, Consumer Behavior, Chapter 18, Advertising and Sales Promotions.

**Emily Steel, “How Marketers Hone Their Aim Online,” *The Wall Street Journal*, June 19, 2007.**

The return on online advertising investments continues to increase as behavioral advertisement companies, like Tacoda, offer more accurate placements of ads at the right time and directed to the right consumer. Whereas previously companies bought ads on Web sites related to the product being promoted (e.g., a healthy drink on the GNC Web site), more targeted advertising now pursues a particular customer rather than all visitors to a particular Web site.



Tacoda tracks the behavior of a person's Web browser, so that it knows when the user frequents certain sites and thus determines the particular interests of that consumer. On the basis of the consumer's type, Tacoda strategically places advertising on specific sites—but only on that person's browser. Another person who goes to the same Web site at the same time receives a different ad, more in line with his or her own interests.

Because they know that their advertising will be far more effective and efficient, more and more companies are devoting advertising dollars to the Web. When Pepsi placed Aquafina Alive ads on browsers for health-conscious customers, the click rate tripled. This type of precision is better than any previous type of advertising has been able to offer.

In a nod to privacy concerns, these advertising methods do not return personal profiles but rather information about the activity on the browser. Even when multiple users employ the same browser, behavior advertising firms can distinguish patterns and identify which user is at the computer at certain times.

And people who do not want their preferences passed on can opt out by changing their browser settings.

### **Discussion Questions:**

1. Such advertising clearly is good for companies, but do you think that a customer's privacy is at risk? *A customer's privacy is not really at risk, because the information is based only on movement through a browser, not personal profiles. As long as the information is used for target advertising, the customer's privacy is not an issue. However, this type of technology may allow invaders or hackers to target browsers more easily. If the wrong user obtains this information, the customer's privacy certainly would be at risk.*

2. As a consumer, would you opt out of having your Web activity tracked?

*I would not opt out, because I would rather have advertising that I am interested in than have to view ads of no interest to me. Throughout the day, consumers are bombarded with thousands of marketing messages, so why not make sure the online advertisements are at least interesting to their viewers?*

[Go to top of document](#)

## Redesigning Packaging for Green Initiatives

Use with Chapter 3, Marketing Ethics, Chapter 10, Product, Branding, and Packaging Decisions, Chapter 15, Supply Chain Management.

**Boyer, Mike, "Packaging Goes Green—Consumer Demands, Costs Drive Design Changes," *The Enquirer*, July 08, 2007.**

Consumers and suppliers alike seem to be supporting environmental efforts for business efficiency. A recent Deloitte Consulting study indicates that 85 percent of U.S. consumer business companies have active sustainability initiatives, many of them aided by nonprofit organizations that attempt to facilitate collaborative efforts among large companies.

In particular, CEOs of large companies are focusing on sustainable packaging, which means going beyond just increasing the recycled or renewable content. It also requires redesigning the packaging and minimizing the environmental impact associated with producing and transporting the goods. In 2005, the nonprofit Sustainable Packaging Coalition began encouraging education and innovation in this realm; two years later, it partners with more than 100 companies, including Proctor & Gamble, Microsoft Corp., and Coca-Cola Co.

This green movement is no small feat, and many large companies and their consumers are committing to making changes that will affect the environment. Wal-Mart is cutting the packaging used in its global supply chain by 5 percent by 2013 and mandating a packaging scorecard for its 66,000 vendors. This scorecard measures suppliers' performance compared with its competitors in terms of reducing greenhouse gases, product-to-packaging ratios, and recycled content.

It seems remarkable that companies voluntarily are making big investments in their efforts to help the environment. Redesigning product packaging and reducing transportation costs are neither time efficient processes nor easy changes. Yet something has gotten these companies to change. Perhaps by the end of this decade, the green movement will reach a new level of development and commitment.

### ***Discussion Questions:***

1. Do you use plastic bags to carry your groceries, or do you have a bag that you reuse again and again? *I know I should carry my groceries home in a reusable canvas bag, but it is a lot easier to just take the free plastic bags the store provides, even though that may indicate my lack of sensitivity to the environment. However, I always bring the bags back to the store to recycle them. A bag that I can reuse would help me do even more to eliminate waste; perhaps I should ask my local grocery store to start carrying canvas bags that I could buy.*

[Go to top of document](#)



## AT&T Re-Brands Itself with Cingular Takeover and iPhone Exclusivity

Use with Chapter 2, Developing Marketing Strategies, Chapter 10, Product, Branding, and Packaging Decisions, Chapter 11, Developing New Products.

**Kang, Stephanie, “Questions For ... Wendy Clark,” *The Wall Street Journal*, June 20, 2007.**

Having already taken over Cingular, AT&T plans to dissolve even the Cingular name by the end of the year. Previously, Cingular had taken over AT&T Wireless, but now AT&T is back on top—a position that will require the company to make some tough decisions.

Cingular represented a youthful brand, and AT&T intends to focus on that market and develop its own brand to appeal to consumers in it. Although it will dissolve the Cingular name, it will maintain the brand’s orange color in its advertising. Furthermore, AT&T plans to make it very clear to its customers that it is in the wireless business.

To maintain the “cool” factor of the Cingular brand, AT&T must continuously deliver products that young consumers want, which means it must be constantly innovating. In one such effort, the company has partnered with Apple as the exclusive provider of the iPhone. Even though the iPhone does not actually feature the AT&T name, its widely hyped launch brought millions of consumers to the 1,800 AT&T stores—the only places they could snatch up the latest high-tech must have.

In this heavily fragmented wireless market, AT&T is trying all types of marketing, including viral programs, Web-based programs, nontraditional outdoor, print, and many other methods to catch people’s attention. AT&T’s focus centers not only on the consolidation of Cingular but on the remarkable success of the iPhone.

### ***Discussion Questions:***

1. How is AT&T rebranding itself?

*It is rebranding itself by communicating its dedication to being wireless. It is using the color orange from its Cingular brand to communicate the youthfulness of the brand. In addition, it has partnered with a wireless technology leader, Apple, to offer the iPhone exclusively.*

2. If you want to purchase the iPhone, would you switch your cell phone service provider to make this purchase?

*It is an interesting move that Apple decided to make the product only available to AT&T customers when there are a host of cell phone providers that lock customers into year-plus contracts that are expensive to break. Although many customers, especially innovators and early adopters, probably would do virtually anything to purchase the iPhone (including camping out the night before it went on sale), for the late majority of consumers, it may not be worth it to pay the penalty to break the contract and switch service providers.*

[Go to top of document](#)



# The Land of Cool: Tokyo is the *new* New York City

Use with Chapter 9, Market Research and Information Systems, and Chapter 16, Retailing.

**“Testing What’s Hot in the Cradle of Cool,” *Business Week*, May 7, 2007.**

For years, products were tested in New York City, and if they were successful there, they were launched through the U.S. and globally. New York City is no longer the benchmark for the latest trends; Tokyo is the *new* New York City. Tokyo is “fashion-obsessed”, and cycles through trends very quickly.

Retailers such as Abercrombie and Fitch, and H&M are breaking ground in Tokyo to test their products and get ideas on the next trends. New York based, LeSportsac has already been testing its products in Japan, and been very successful. Not only does one-fifth of the company’s revenues come from Japan, but based on what does well in Japan, it is able to produce for the global market.

Fashion consultants in Tokyo hold “cool hunt” tours, which takes foreign buyers and trend forecasters to different boutiques pointing out the latest fashions. These consultants charge from \$800 per day and the clients typically spend north of \$20,000 on products to be used as samples for inspirations for their company’s own product lines. Some companies can streamline the product development process, by sending the samples directly to manufacturers in China to produce in a timelier fashion.

Fashion cycles become quicker every year. Therefore, in order for retailers to stay “fashion-forward”, they have to scout out the best places in the world. Even in Tokyo, halfway around the world, the trends picked up there can be the next best thing in the U.S.

## ***Discussion Questions:***

1. What do fashion retailers find so interesting about what happens in Japan?

*The Japanese market is extremely fashion-forward. Therefore, retailers are able to be inspired by trends there and still be in time for the world market that lags behind. As fashion speeds up more and more everyday, retailers have to continuously find the next best trend.*

[Go to top of document](#)

## **Solo Cup's Distribution Center Combines Labor and Technology**

Use with Chapter 15, "Supply Chain Management."

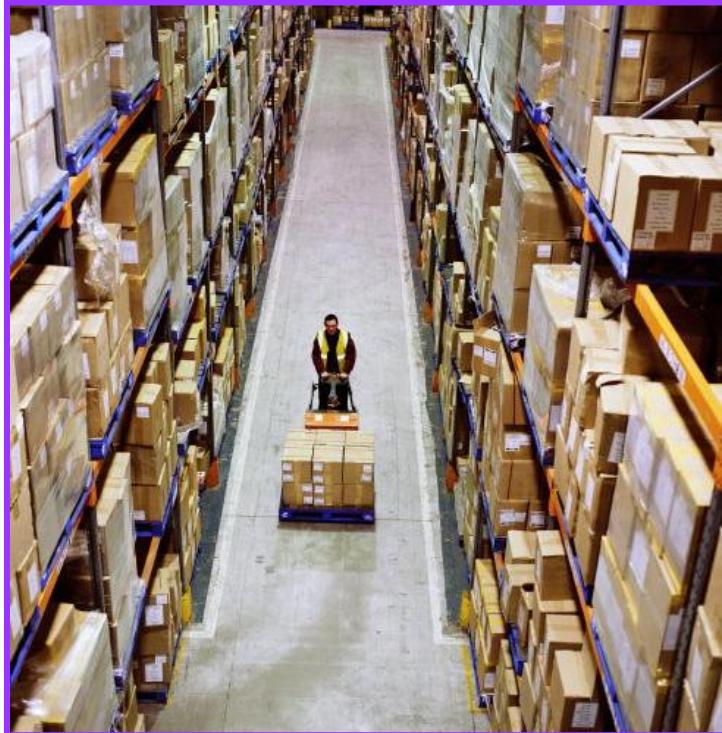
**Bob Trebilcock, "Flying Solo," *Modern Materials Handling*, May 2007.**

When Solo Cup and Sweetheart, the best known names in plastic, foam, and paper dinnerware products, merged, the combined company used this opportunity to grow the business and make it more efficient as well. All those distribution centers the two companies had? They combined them into one!

The new Solo created the concept of "one face to the customer," meaning that customers buy from one place, and their order gets completed by one truck and one invoice. To execute such a streamlined strategy, the company added technology to those processes that become more efficient when automated but retained other manual processes.

The warehouse management system (WMS) follows the flow of all materials and people throughout the distribution center. It also creates zones in the buildings for specific large customers, product lines, or other groupings that make for less travel time in the 1.3 million square foot facility. The receiving dock's automatic, self-guided vehicles can deliver 16 pallets at a time to the desired location in the warehouse; a person driving a forklift can only deliver one at a time. . Finally, Solo uses a battery changing and self-watering system to minimize the maintenance needed on the vehicles. These systems can change a battery in just three minutes, far less time than it takes a person.

As these paper product giants show, companies that consolidate have an excellent opportunity to streamline their operations and grow their businesses. In this case, the business has grown with no additional employees, and the facility efficiently stores products and reduces delivery times within the same warehouse.



### ***Discussion Questions:***

1. How does Solo handle the merchandise flow for inbound transportation, receiving, checking, and storing and how does this benefit the supply chain?

*Solo has automated the merchandise flow management system that tracks all of the merchandise in the facility. Trucks that deliver to the facility are met by an automated vehicle that moves 16 pallets at a time to their desired position at the center. Products are stored in a traditional manner. This efficiency in the supply chain allows for products to ship to their customers in a timely manner. Since it has eliminated some manual labor positions with technology, it can better utilize its employees for jobs that require a human.*

[Go to top of document](#)

# CEO Branding: Their Company or Themselves

Use with Chapter 6, Business-to-Business Marketing, Chapter 18, Advertising and Sales Promotion.

**Hymowitz, Carol, "Some CEOs Advertise The 'Me' Brand—With Limited Success," *The Wall Street Journal*, July 16, 2007.**

Martha Stuart has benefited from being the face of her company, Martha Stuart Living Omnimedia, and the company has mostly benefited from being connected to her personal brand. Oprah Winfrey similarly has built a powerful brand through her image, which represents the underlying power of her company. When CEOs brand themselves as aligned with their company's values, such marketing works well.

But in other cases, the executive's brand image competes with the company's image. For some companies, a executive brand holds little promise but instead hinders spirit, teamwork, innovation, and productivity as a result of the lack of focus on the company itself. It is important that employees never feel like second-class citizens, without input into the company's success.

Perhaps for this reason, even though Toyota has become the most profitable car maker in the world and will sell 9.34 million vehicles this year, its CEO maintains a low-profile. DaimlerChrysler and other car makers often feature their CEOs, and few have had the same level of success.

Chief executives have the important job of facilitating and leading the innovation, efficiency, and spirit of all members of their teams. When this person becomes too involved in self-branding, the company loses sight of where it is going, and the focus centers only on one person, rather than one company.

## ***Discussion Questions:***

1. Would you rather work for a company that has a famous CEO or a company that focused on employee development?

*I would rather work for a company that focused on employee development. A CEO that is branding him- or herself is not helping the success of the company or the development of the company's team. The dynamics in a company with a low-profile CEO would likely be supportive, with the common goal of growing the company.*

[Go to top of document](#)



# Ad Spending Down; Media Spending Up

Use with Chapter 17, "Integrated Marketing Communications," Chapter 18, "Advertising and Sales Promotions."

**Bradley Johnson, "Where's the Money Moving? Out of Media," Advertising Age, June 11, 2007.**

In the first quarter of 2007, U.S media spending dropped 0.3 percent, but that number is deceiving, because it only accounts for measured media. As traditional media takes a backseat to new advertising opportunities, media spending is becoming even more difficult to measure. As a result, observers have come up with the categories of measured media and unmeasured media.

Marketing services, such as online ads and customer relationship management, are yielding better results for companies, so advertising dollars are moving to unmeasured media forms. The largest three marketing companies made more than half of their worldwide revenue from marketing services in the first quarter of this year and have grown an additional 4 percent in the second quarter. Although online media spending grew 8.1 percent last year, it does not mean there is no longer space for traditional media. The Internet may be the most popular and fastest growing media, but radio and TV are not likely to disappear anytime soon. Historically, in periods of booming new technology, every medium gains revenue but some will lose market share.

As the media industry continues to change in response to shifting lifestyles, needs, and wants among customers, the advertising spending index will have to adapt. More and more consumers appreciate the Internet and nontraditional advertising, so advertising agencies want to target them on those platforms. This advertising spending is difficult to track, but to prove its worth, researchers will find a way to make it measurable media as well.

## ***Discussion Questions:***

1. What is the platform of advertising that catches your attention the most? Is it TV? Internet? Outdoor? Radio? Explain

*The advertising that catches my attention the most is targeted online advertising. If I am browsing my favorite Web site and an ad on the page relates to the material I am viewing, I am inclined to check it out. Many times when I watch TV, I leave the room or fast forward over the commercials, thus missing all of that content. I do not listen to the radio for the most part but rather use my iPod, which does not have any commercial content. Outdoor advertising can be appealing if it is new and different, such as the Ben & Jerry's tent at a recent Dave Matthews concert, where they give out free ice cream. Otherwise, I do not really notice billboards along the road.*

2. Why are the categories of measurable and unmeasurable media useful?

*Any good advertising plan must contain a means to measure the effects of the ads. If it is not possible for advertisers to measure a particular media form, they cannot discern whether their ads were effective.*

[Go to top of document](#)



## Article / Chapter INDEX

Article	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
A Café Latte and Paul McCartney: All at Starbucks		X								X									
Who Blogs? Whole Foods CEO Goes with an Alias			X																
Small Retailers Find a Niche in Large Markets											X			X					
Donuts & Coffee at Dunkin' Donuts Expands through the U.S.		X								X	X								
Big Box Retailers Are Becoming Big "Greenhouses"			X										X		X				
Whole Foods in London			X	X			X												
Targeted Advertising Based on Your Web Activity					X													X	
Redesigning Packaging for Green Initiatives			X							X				X					
AT&T Re-Brands Itself with Cingular Takeover and iPhone Exclusivity		X								X	X								
The Land of Cool; Tokyo is the new New York City									X							X			
Solo Cup's Distribution Center Combines Labor and Technology															X				
CEO Branding: Their Company or Themselves						X												X	
Do I Deserve to Be Loved? Who's Asking?				X					X										
Ad Spending Down; Media Spending Up																X	X		

[Go to top of document](#)