QUESTIONS CHAPTER SEVENTEEN

1. Illinois Tool Works has been uniquely successful over the years. It is highly profitable—in 1996 it made a profit of $486 million, representing a 39 percent return to shareholders. How would you describe its strategy? Answer in terms of the five components—or sets of issues—which collectively make up a well-developed strategy as discussed in Chapter 2.

2. Minnetonka, Inc., is a relatively small firm that has pioneered the development of consumer health and beauty products—such as Softsoap and Check-Up plaque-fighting toothpaste—over recent years. What potential advantages does being the pioneer in new product-markets provide a firm like Minnetonka in an industry dominated by giants such as Procter & Gamble and Colgate-Palmolive?

3. Not all new market pioneers effectively take advantage of the potential benefits inherent in their early lead. What does the research evidence suggest that Minnetonka should do relevant to major elements of its marketing strategy to gain and maintain a leading share position in the new markets it enters?

4. Research shows that companies that increase profits mostly by cutting costs regarding their new product entries have substantially lower profits versus those that emphasize revenue growth with their new entries. How do you explain this finding?

5. Under what conditions do pioneer and follower strategies each have the greatest probability of long-term success?

6. With the exception of certain core businesses—such as adhesives and information storage technology—the 3M Company has often followed a strategy of withdrawing from markets in which it was the pioneer after other competitors enter and profit margins start to decline. It typically does this by licensing products to other firms. Under what kinds of market and competitive situations is such a withdrawal strategy most appropriate? What kinds of products do you think 3M is most likely to license to other firms?

7. In most European markets 3M has wholly owned subsidiaries which it uses to manage the introduction of new products to those markets. In Japan, however, the firm has established a joint venture with Sumitomo for the purpose of marketing 3M products, including new product introductions. What are the relative advantages of each of these two approaches to new product entry into foreign markets? What are some possible reasons 3M follows a different entry strategy in Japan than in Europe?

8. Stouffer's Foods holds a commanding share of the growing market for low-calorie frozen entrees with its Lean Cuisine product line. To maintain its lead as the market continues to grow, what strategic marketing objectives should Stouffer focus on and why?

9. Given your answer to question 8, which specific marketing actions would you recommend for accomplishing Stouffer's objectives? Be specific with regard to each of the 4 Ps in the firm's marketing program.

10. A number of years ago General Foods' Cool Whip frozen dessert topping held nearly a two-thirds share of the market, but it was gradually losing share to low-priced private label competitors in many regional markets. Describe two strategies that General Foods might have adopted to defend its leading share position and the marketing actions necessary to implement them. Which of the two would you recommend and why?

11. How would you characterize the early strategies of the major Japanese auto makers (e.g., Toyota, Nissan, and Honda) when they first entered the U.S. auto market in the 1960s and 1970s? What marketing variables do you think were critical to the ultimate success of their strategies?

12. If you had been the top marketing executive at General Motors during the early years of the Japanese invasion of the U.S. auto market, which strategy would you have recommended to defend GM's leading market share against this new competitive threat? Why do you think GM failed to adopt such a strategy at the time?