

How to Analyze a Case?

An Introduction to the Case Method

For many of you, this will be the first course using cases that you have ever taken. The fact that this form of learning is new to you will naturally cause you some concern, and early on, some difficulty. Your textbook has twelve chapters that present aspects of the strategic marketing planning process, and a large number of “stories” about companies called cases. These cases give you the chance to look at the present situation facing an organization, and after a systematic analysis, make recommendations that will produce a change in the results or outcomes. While you cannot be certain what that outcome will be, through the discussion and critique of your suggestions by fellow students and your professor, projections can be made about the foundation for the probable success of your recommendations.

In this course you will have the opportunity, through cases, to see how well you can assess and address a business issue or problem. The role of the case course is to provide you with the opportunity to utilize the knowledge you have gained to this point to evaluate and make recommendations to enhance the performance of real organizations. This is not a substitute for real world experience in a job with an organization, but it is the type of learning that helps prepare you to begin using the business knowledge you have acquired.

Analysis Frameworks

Because the process of learning through case analysis may be new to you, we will devote much of this discussion to providing you with a framework to use in analyzing the cases found in your textbook. Such a framework is useful not only in analyzing cases in textbooks, but also in considering business situations described in publications such as *The Wall Street Journal*, *Business Week*, *Fortune*, and *Forbes*. In reality, most articles about companies in magazines and newspapers are mini-cases. The cases in your text tell stories, including facts, opinions, projections, results, expectations, plans, policies, and programs. As readers, we need some way to structure the information presented in a way that makes it more useable. Analysis frameworks provide a means to accomplish this end.

There are several benefits in having a framework to use for analyzing situations. The first is that a framework provides *comprehensive coverage* of the topics and issues involved. Without a framework, the analyst may overlook some issues. For example, a person might not consider the various effects of the economic environment facing the organization at a given point in time. Recommendations made without this consideration may not be appropriate, and they may even lead to the failure of the organization. Another benefit of a framework is *ease of communication*. When everyone uses a similar framework to analyze cases, the terms each person uses have similar meanings. This is a huge advantage in discussing cases in and outside of class. A final benefit is *consistency of analysis*. A framework provides a blueprint to approach situations consistently every time. This is a great aid in getting started and conducting the analysis effectively and efficiently. Using the framework repeatedly will make you very proficient with it.

In fact, experience shows that students continue to use this framework in their jobs long after graduation. They continue to get these benefits, and in times of crisis, the framework gives them something to rely on in dealing with difficult situations.

The framework presented in the remainder of this discussion is certainly not the only one that is useful in analyzing cases. We also cannot claim that it is the best framework. Your professor may provide his or her own framework, and if so, you should follow it. In all probability, it will be some modification of the one outlined here. As long as the framework provides you with the benefits outlined above, you feel it suits your needs, and you use it consistently, the case analysis process will be made more manageable and valuable.

The Seven-Step Case Analysis Framework

The seven-step framework presented here is a synthesis of the frameworks used by your book's authors in their many years of combined experience in teaching marketing. It has been improved over the years through discussions with other marketing professors who use case analysis in their courses. It is straightforward to use, and provides the benefits of comprehensiveness, communication, and consistency. It will not, however, serve as a substitute for carefully reading (usually three or more times) and considering the cases. It will provide a solid structure to organize the diverse information presented in a case.

As you work your way through this framework, or a similar approach to case analysis, we offer the following hints to increase your probability of success:

1. No one can analyze a case after reading it only one time, or even worse, doing the analysis during the first reading of the case. You should read through the case once just to get an understanding of the nature of the case. During the second reading, you can begin to structure and classify the issues as they appear. A truly comprehensive case analysis will probably require at least three readings.
2. Don't get trapped into thinking the "answer" to the case is hidden somewhere in the case text. There is never a single answer to a case just as there is never a single marketing strategy that is appropriate for all situations. Each case is unique. Looking for tricks or shortcuts is not appropriate.
3. Make an effort to put yourself in the shoes of the decision maker in the case. The use of role-playing as part of the analysis can be very useful. It helps you gain some feeling for the perspective of the key parties at the time the case took place. After you have done several analyses, you will likely come up with your own additional procedures or guidelines that assist you with this process.

Step 1: Situation Analysis

The material presented in a case is much like the communications we have in our daily lives. Usually our conversations involve the selection of a topic and then the discussion of that topic,

and so it is with cases. The problem is that we end up with bits and pieces of information that by themselves are not very useful, but once organized, can be quite valuable in our assessment of the situation. The first step in the framework helps you organize the pieces of information into more useful topic blocks.

The process of assessing a situation is widely accomplished through the use of *SWOT Analysis (strengths, weaknesses, opportunities and threats)*. The issues and procedures involved in SWOT Analysis are fully explored in Chapter 4 of your text. Our role here is simply to reinforce the issues covered in SWOT and to emphasize its role in the case analysis framework.

Looking at an organization's strengths and weaknesses is the first half of Step 1. This involves looking at the organization's internal environment. Strengths are those aspects of the internal environment that can help the firm address a present problem, issue, or opportunity, while weaknesses are negative factors or deficiencies that do not allow the firm to reach its full potential. One topic that should be addressed is the content and appropriateness of the current marketing plan. Is the marketing plan current? Do the key parties understand and utilize it? Was it developed with input from all levels of the organization? The organization's financial condition may also present strengths and weaknesses. Is it in a solid position, and does it have, or can it acquire, needed funds at a reasonable cost of capital? Other possible strengths and weaknesses might include managerial expertise, human resources, product reputation and customer loyalty, patents and trademarks, age and capacity of production facilities, channel relationships, and promotional programs (sales force, advertising program, publicity, and sales promotion efforts). These are all issues that we want to consider in terms of both the present state of the firm and identifiable trends.

Students assessing a case situation see the importance of considering the organization's internal environment fairly naturally. The aspect of SWOT analysis that gives students the most difficulty is the external environment where all opportunities and threats reside. These are issues that exist outside the boundaries of the firm. All opportunities and threats will exist at their present levels even if the organization in question does not exist. Technology, competition, the macroeconomic environment, regulation, and social and cultural trends are all issues that affect the success of an organization's strategies, but the organization has only limited influence on them.

Because the power to affect the external environment significantly is usually absent, management must view the factors and forces present in the external environment as issues to be considered, but not usually controlled. Managers should take steps to minimize the exposure to threats and to take full advantage of the opportunities. You might think of opportunities and threats as currents in a river. It is much easier to find a river whose currents will help take you where you are going than to try to make headway going against the force of the river.

You may get hung up on several points when conducting a SWOT analysis. First, while a factor will usually fall into only one of the four categories, this is not always the case. A factor can be both a strength and a weakness, or an opportunity and a threat. For example, excess capacity in a factory would be a weakness from a production efficiency standpoint. But, it could be a strength if the firm is looking to introduce a new product because it will not have to build a new factory.

The second and more serious issue is the difficulty in identifying opportunities. There is a tendency to confuse opportunities with possibilities. Something the company might do, such as franchise its operations in an effort to expand, is not an opportunity. The mention of the organization's name in the opportunity is a clear indication that it is not an issue from the external environment. Both threats and opportunities would be present even if the organization did not exist.

Third, if your professor asks you to update the case material, you must be sure to get an explanation of what it means to update a case. To some professors, updating a case means locating additional information about the case situation *at the time the situation actually took place*. Thus, if a case situation took place in late 2003, updating that case would involve gathering information that was published in 2003 or earlier. Using more recent information sources can bias your strategy recommendations and conclusions. However, many professors will prefer that you use recent sources of information to bring a case into the present day. We personally do not recommend this approach because it usually changes the focus of the case. What the organization did is not a key issue because there is no one right recommendation for any case. Even if the company was successful with its subsequent strategy, it does not make that strategy the *only* good option.

Finally, you are accustomed to the material in a textbook containing accurate information that should be believed and remembered. However, in some cases, you will find statements of opinion that are often biased by a person's motives and position in a firm. The organization's CEO who has just recently given approval to the firm's strategic plan might say, "This is an excellent mission statement that will effectively direct our firm's efforts for the next decade." Is this really true? It might be, but it will be up to you to determine what is fact as opposed to someone's opinion. Opinions will need to be assessed in your case analysis to determine their accuracy.

Step 2: Assumptions and Missing Information

As with life, it is neither possible nor realistic for cases to contain all the information a decision maker might wish to have available. Usually a decision maker has only bits and pieces of information. He or she must either fill in the gaps, or make the decision that the information is not critical, fairly predictable, or simply too costly and time-consuming to justify collecting for the decision at hand. A marketing manager might want to know the history of competitive reactions to price cuts by his firm. This information may be present in company files. It also might be available from trade sources or other noncompetitive channel members.

Following the seven-step framework, in step two you will list important information not contained in the case, why that information might be useful, and how you might go about acquiring it. This is more than just a wish list. The items included here should be considered thoroughly. The list should contain pieces of information that would help shore up or fill gaps in your SWOT analysis. Some of the materials may be available from secondary sources, such as U.S. Department of Commerce reports, the Bureau of the Census, or trade publications such as

Sales & Marketing Management Magazine. Internal records will contain much of the needed strength/weakness information, such as employee turnover or historical sales levels.

Some of the information that is not available can be addressed through assumptions. One might assume that if information about the firm's advertising budget were not available, it would be equal to industry averages. The same assumptions might be made for other costs and revenues. It is critical that these assumptions be realistic and clearly identified before and during the case analysis. This list should contain only those items that will be truly useful in enhancing the quality of the decisions made. It should not be a list of things that would be interesting to know. The quality of your analysis will depend on your coverage of the framework, the depth of your analysis, and the degree to which you can defend your recommendations.

Step 3: Statement of The Problem(s)

The identification and clear presentation of the problem(s) or issue(s) facing the company is the most critical part of the analysis framework. Only a problem properly defined can be addressed. Define the problem too narrowly, or miss the key problem all together, and all subsequent framework steps will be off the mark. Getting a clear picture of the problem is one major benefit derived from SWOT analysis.

The process of identifying problems is similar to the one people go through with their doctors. A nurse or assistant comes in to conduct a strength and weakness assessment on you. Your vital signs are taken and you are asked about any symptoms you may be experiencing. Symptoms are observable manifestations or indications that a problem may be present. ***Symptoms are not the problem themselves.*** If you have a temperature of 103 degrees, that is a symptom. If the medical staff were to pack you in ice for several minutes, that reading would probably approach 98.6 degrees. Would that make you well? It might make your condition worse! The doctor uses the information collected from you, with knowledge of the viruses and diseases that are present in the external environment, to identify what has led to your high fever. The doctor will attempt to diagnose the real problem, then prescribe treatment from a set of feasible alternatives (make recommendations about what steps will help solve the problem) and provide you with a prognosis (an indication of the things you can expect to occur as you are recovering).

The case analysis process is similar to the doctor's analysis and treatment of a patient in several basic ways. First, symptoms are the most observable indication that a problem exists. Many students are very quick to start treating the symptoms found in a case, as opposed to digging deeper to find the underlying problem(s). A symptom may be that sales are down from previous periods. If this is how you define the problem, your answer might be to cut the price. This might be an appropriate step, but not based on the analysis to this point. Sales might pick up, but will this reaction make the company healthier? This is a clear case of prescription without adequate diagnosis.

The most important question in the identification of any problem is "Why?" The Why question should always be asked after a potential problem has been proposed. To illustrate, pinpointing the problem associated with the sales decline in our previous example might progress like this:

The problem is that sales have declined.

Why have sales declined?

Sales have declined because there are too many sales territories that are not assigned to a salesperson.

Why are so many sales territories unassigned?

Sales territories are unassigned because sales force turnover has doubled in the past year.

Why has sales force turnover doubled?

Turnover began to increase over a year ago when the sales force compensation plan was altered in order to reduced variable expenses.

When you can no longer devise a meaningful response to the Why? question, you have probably found the problem. In this instance, the problem statement might read:

The current sales force compensation plan at XYZ Company is inadequate to retain an acceptable percentage of the firm's salespeople, resulting in lost customers and decreased sales.

The problem statement should be brief—almost always one or two sentences. It should be to the point, and it should provide a clear indication as to what must be addressed to improve the performance of the organization.

Given this problem statement, our first reaction, to work on the symptom of reduced sales by cutting prices, would clearly not solve the problem. When we work on symptoms, the symptom may go away, but the problem will always manifest itself again with the same symptom, or a related one. Cutting prices would enhance sales, but would it be profitable? And, with an understaffed sales force, could the firm serve customers at a level that would keep them satisfied?

It is often said, and very true: a problem well defined is a problem half solved. This is certainly the situation when performing case analyses.

Step 4: Development of Alternatives

Once we have the problem clearly and succinctly defined, we are in a position to develop a set of strategic alternatives that have a reasonable potential to solve the problem. A key problem students face in this step is that they generate a laundry list of a dozen fairly detail-oriented items. These items have a lot more to do with the tactics of implementing a strategy than with presenting alternative strategies from which we will make our selections. Going back to the sales force example above, the list may include ideas such as:

- Take candidates through a more rigorous interview process
- Lengthen the training program
- Give every salesperson a company car
- Offer both individual and regional bonuses

- Increase company contribution to the retirement program for each year of employment
- Conduct an employee-evaluation training program for the firm's sales managers

While these may all be good ideas, they are not strategic alternatives. The term *alternative* suggests an either/or situation. From the list above, you might include several items in your recommendation section. Strategic alternatives should identify basic directions the firm might go with the sales force support of its product.

One alternative is always the *status quo*. You must understand that this is not a means of avoiding a decision. If recommended as the next step, it is a conscious decision, based on a careful evaluation, that the present strategy in use, perhaps with some tactical modifications, is the best course of action in the current situation.

Besides the status quo, you should use creative thinking to come up with several truly strategic alternatives. For our present example, one option might be to eliminate the external sales force and start using a manufacturer's representative network to sell to the firm's customers. Another alternative would be to use direct marketing, with an inside sales force to market the product. Another possible option is to reemphasize the sales force with a more effective sales management program, including better selection, compensation, evaluation, and recognition of the sales force.

Frequently, the underlying problem facing the organization is the failure to have a current, widely used, well-developed marketing plan. If the analysis indicates this to be the case, conducting a comprehensive strategic market planning process should be one of the alternatives listed. This is one of the few options that might be selected in combination with some other alternative.

Step 5: Evaluation of Alternatives & Recommendations

Once you have developed a set of realistic alternatives, it is time to do a thorough evaluation of each of the options. Three major criteria should be used in this evaluation process. First, how well does the alternative address the problem or issue as stated in Step 3? Closely related to the first criterion is the consistency of the alternative with the organization's mission statement, as well as its ability to assist in achieving the plan's stated goals and objectives. These issues are addressed in Chapter 2 of your textbook. Clearly, for an organization whose mission includes providing the most innovative health care products to doctors, nurses, and patients, a low cost/price competitive organization model would be inappropriate.

This does not mean alternatives that are not consistent with the present plan should never be selected. It does indicate that part of the evaluation for such alternatives must address the complete modification of the organization's strategic plan. Likewise, an objective of increasing profit margins from 15% to 25% is not consistent with the alternative of becoming a low-price provider. The deletion, or at the very least modification, of this aspect of the plan must be considered in evaluating this alternative.

For each alternative, you should make an effort to estimate and evaluate the cost and revenue implications of the option. Probable income statements, under corresponding stated assumptions, should be included for each alternative. Exhibit 1 provides an example of just such an assessment. Costs are certainly easier to calculate than revenue projections, but an effort must be made to do both. To conclude simply that developing a new innovative product line for the organization, without any discussion of the costs and benefits involved, or in what year each is likely to occur, is an incomplete and unrealistic approach to case analysis. You should use what you have learned from your accounting and finance courses when you conduct case analyses. Look at any financial information you are given in the case, or that you can acquire, as a key resource in conducting your analysis.

<Insert Exhibit 1 Here (see end of file)>

The final criterion is an important one that relates to the feasibility and probable success of each alternative: How well do the alternatives coincide with the key findings from the SWOT Analysis you conducted in Step 1? In other words, how well does each alternative match up with the internal and external environments of the organization? Does the organization have, or can it realistically acquire, the human and financial resources required by each alternative? Building additional capacity to increase volume as the low-price provider is probably not a reasonable alternative for an organization in great financial difficulty. Conversely, for a firm with limited history and investment in research and development, becoming the innovative leader in the industry will not be possible in the near term.

The external environment, in terms of the economy, competition, regulation, and cultural trends, will have a major impact on the pro forma revenue projections you make in this step. Any alternative that adds pollution to the environment will not be well received today. Often, alternative analyses assume the competition is an inanimate object. Thinking that competitors will stand still while you steal their customers with a new marketing strategy is not at all realistic. Part of the evaluation of alternatives, and making projections about their potential success, is to use the assessment of the external environment to make assumptions about what key competitors will do. You must remember that as one company is setting a course for the future, most of its effective competitors are doing likewise.

The recommendation portion of this step is often included as a separate phase in the case analysis framework. We include evaluation with recommendation because, if the former is done well, the latter should be a natural continuation of the process. The alternative chosen is the one that stands up best in terms of all three criteria: consistency with mission, goals and objectives as stated or as modified, strongest probable financial performance, and harmony with the internal and external environments of the organization. With a thorough evaluation, the recommended alternative should be a natural move. This does not mean that two alternatives will never be close in terms of their attractiveness, but usually one will be a better match for the organization as a whole.

One more note: Become accustomed to making recommendations in the face of unknown economic or competitive conditions. While you will be able to know some things for certain (such as gross domestic product or consumer spending), no one can possibly predict all future

events. As long as your evaluation is thorough, and your assumptions are clearly stated and reasonable, your recommendations will be justified.

Step 6: Implementation

This step has historically been omitted from the strategic planning process. However, in modern strategic planning, implementation has become so critical that we devoted all of Chapter 11 in your textbook to its discussion. Implementation includes actions to be taken, the sequencing of marketing activities, and a time frame for their completion. A timeline, like the one shown in Exhibit 2, can be a very useful tool in directing the implementation discussion. Students are often very optimistic in terms of the time needed to carry out certain tasks. However, small things, like the development of a questionnaire and the collection and analysis of data, can take several weeks, if not months. Be careful to provide reasonable amounts of time for each step.

<Insert Exhibit 2 Here (see end of file)>

It is frequently noted that Americans are great innovators, while the Japanese are great implementers. In U.S. organizations, the selection of the alternative to be pursued is often made on a majority-rules basis. If ten people are on the decision-making team, and six speak in favor of introducing a new product line and four speak against it, a decision to introduce the new line is the likely result. Under this system, six people leave the room with their reputation on the line to make the decision work, but what about the other four? Will they be committed to the project? This can cause serious problems in implementing the selected alternative. Contrast this process with the traditional decision-making process in Japanese organizations, where an alternative is not chosen until *everyone* agrees that it is the appropriate course of action. The selection process is much more time consuming, and often requires compromises that can make the selected alternative less distinctive. On the plus side, everyone leaves the process agreeing that the selected course of action is best. With everyone working together, implementation becomes a much easier process.

This aspect of the decision-making process makes internal marketing a critical issue that you must address in your discussion of the implementation phase. Who will be the critical players in carrying out the plan? Are they likely to be naturally in favor of the selected alternative? What can be done to get them on board? Giving more people, particularly frontline personnel, more input during the decision-making process will be a plus here. Top-down planning often creates resistance in the implementation phase. Part of the problem with some strategic plans is that the frontline employees, those people who are most likely to come in contact with suppliers and customers, feel that the plan “handed down” is not realistic given what they know about the day-to-day working environment. They may feel that management is out of touch. Getting their input early and late in the planning process can go a long way toward easing the implementation of the selected alternative.

In all instances, it is very difficult for employees to market the firm and its products as planned until the plan has been marketed to them. Internal marketing plays a major role in determining the success of the plan. If employees can be shown they will get things they value by helping the firm carry out this plan, the process has an excellent chance for success. Many managers feel that

they would rather have a mediocre plan vigorously implemented, than an excellent plan implemented in a mediocre fashion.

Step 7: Evaluation and Control

As the firm is implementing the selected alternative, it must constantly monitor the results achieved. What do you expect this chosen alternative to accomplish, and by when? This is a major concern, as the firm must determine if the selected strategy is working as anticipated. Clear objectives must be set. A 20% increase in awareness and a 10% increase in sales within six months are possible examples of the benchmarks that might be used to determine if the selected alternative is on course.

If objectives are not being met by the targeted dates, a tough decision must be made. Is it a poorly devised strategy, poor implementation, or an unfavorable environment that is leading to these results? The answer to this question will dictate how the organization will respond. As we said earlier, planning cannot assume an inanimate set of competitors. If your recommendation is to cut price and expand distribution, can you reasonably assume that competitors will do nothing and let you take their business away without a fight? This is seldom the case. The competitive situation will almost always change, sometimes significantly. Other external environmental factors, such as the economy or technology, may also not remain constant or turn out as planned.

Such changes that result in outcomes that do not meet expectations point to the need for the development of contingency plans. Contingency plans are not centered on the most preferred alternative under the present conditions, but are a “fall-back” position in case things do not work out as planned for the selected alternative. For example, more expensive, upscale products might have been recommended for the firm. If the competition slashes prices at the same time the economy weakens, the firm might need to respond by implementing a contingency plan. To blindly carry out a strategy that no longer matches the environment is an almost certain route to failure. In this instance, a contingency plan of heavy sales promotion might need to be implemented. Firms can try to predict what future environments will be like, but they cannot guarantee the future external environment with much certainty.

Conclusion

We conclude with one final piece of advice: Like anything else, the learning benefits of case analysis are dependent on the amount of effort you put into the analysis. Learning to think critically and see the big picture are important lessons to be learned in a case course. Likewise, learning how business activities (not just marketing activities) can be strategically integrated to achieve superior results is the ultimate goal.

Exhibit 1
Hypothetical Pro Forma Assessment

	Unfavorable Environment	Neutral Environment	Favorable Environment
Sales			
Dollars	\$2,000,000	\$3,500,000	\$7,000,000
Units (\$5 per unit)	400,000	750,000	1,400,000
Costs			
Product development	\$250,000	\$250,000	\$250,000
Production costs	\$1,200,000 (\$3 per unit)	\$2,062,500 (\$2.75 per unit)	\$3,500,000 (\$2.50 per unit)
Advertising	\$300,000	\$300,000	\$300,000
Sales commission (10%)	\$200,000	\$350,000	\$700,000
Other selling expenses	\$100,000	\$135,000	\$200,000
Earnings before taxes	\$ -50,000	\$402,500	\$2,050,000

Exhibit 2

A Hypothetical Implementation Timeline

[illegible]