

Case Study 1

MAR2011 Principles of Marketing

Instructions

Case study sections (use appropriate headings to highlight each section)

1. **Summary of the main points of the case** (approx. ½ page- 10 points max).
2. **Discussion of the marketing decisions made** (approx. 1 page- 20 points max).
3. **Detail the 4p's** of the case (approx. 1 page-20 points max) (product, place, price and promotion).
4. **Critical evaluation and discussion** (approx. 1 page-20 points max) of one of the given solutions selected by student.
5. **Multiple student generated possible alternatives** to the solutions given (approx. 2 pages-30 points max). Do **NOT** use the alternative solutions provided by the case study as your alternative solutions. Do **NOT** simply accept that the given solutions were the best possible regardless of the outcome.

Estimated study length: 4-5 pages. Submit your completed case study in .doc or .docx (MS Word) format or choose the write submission option.

Case Study #1: There is no spoon

Continuous Education Corporation is a 19-year-old company based in Jacksonville, FL that has 17 full time employees and uses 7 local college interns per semester. CEC designs and markets courses for the continuing education of older adults.

THE CHALLENGE: After being successful for several years, the business is starting to decline. CEC is at a turning point and needs to decide which direction to take going forward.

THE BACKGROUND:

CEC founder and CEO, Leonard Heilig, was visiting his mother in a nursing home when he noticed the lack of mental stimulation for its residents. He came up with the idea of designing education kits tailored for senior adults that could be administered by local staff, or taken as solo courses. In his spare time from his job working as a professor of English studies at a local college, Mr. Heilig made several small educational “edu-kits.” He took them to his mother’s nursing home and gave them to the staff and residents. These self-contained continuing education courses were a huge hit in his mom’s nursing home. The staff said that the residents were stimulated and invigorated by the various learning challenges that each kit created. The

residents were soon trading the kits with each other and even designing new courses based on Mr. Heilig's unique learning system that combined brain stimulation exercises, like word search and Sudoku-type challenges, with specific learning courses.

Six months later, Mr. Heilig founded CEC to mass produce and market these edu-kits to community centers and nursing homes across the country. He even received a \$1 million award from a senior citizens' national fund to help build the business, in addition to the \$300,000 personal loan he used to start the business. With funding in place, Mr. Heilig hired staff and began producing and selling edu-kits nationwide. The courses were affordably priced at \$59.99 per course, and cost about \$30 to produce and ship, per kit. Courses could also be purchased as a series at a discount of 10%. Institutions that wanted to could purchase in bulk for a rate of \$4,200 per 100 kits, these bulk kits also included an instructor guide and demo kit for free.

Sales grew rapidly; from selling only a few dozen kits in the first few months to now selling over 125,000 edu-kits a year. At an average sale price of \$45 per kit, CEC now has annual revenues of around \$5.6 million. CEC's best year of \$7.2 million was several years ago, and although still very profitable, Mr. Heilig has become concerned that the business may be in decline. He had been doing things the same way for some time, and knew it was time to update the products and his marketing efforts, or the business would continue to decline.

Mr. Heilig recently attended AEC (Advanced Education Convention) held annually in Southern California. AEC showcases the latest in educational resources and instructional devices. Mr. Heilig was amazed by one product in particular, a VR headset. The VR headset is worn by the user and transports them into a virtual 360-degree world. It was a complete immersive experience that Mr. Heilig wanted to incorporate into his business model. Incorporating educational software into his product line would require a large investment of around \$5,000,000 just to develop the virtual version of his edu-kits. But, after the course was designed he wouldn't have the production cost associated with his traditional offering. He could then dedicate more of his time and efforts into marketing and sales of the new product. After running the numbers, Mr. Heilig concluded that the company could not produce the software and traditional products simultaneously. This left Mr. Heilig with facing a serious decision.

THE OPTIONS: Mr. Heilig met with his business advisors and came up with the following three options.

■ **Wait and See.** If it isn't broke, don't fix it. Business has been in decline, but it is still very profitable. An older student probably wouldn't want to use the new technology anyway. What if VR doesn't catch on? Or, the version we design for turns out to be the Betamax of headsets? Besides, every business has a cycle, and as more baby boomers retire, we will have more potential customers than ever before. We should stick it out.

■ **Double Down.** Business is declining because we have not updated our traditional products and marketing. We should invest \$1 million into updating our current products and spend another \$500,000 to develop a similar line of products for pre-school age children. This would

revitalize our current products and also help us break into a new revenue stream from VPK /pre-schools, day care centers, and stay-at-home moms.

■ **Go All-in.** We are confident that VR headsets are the future of all education. We have the opportunity to take our current customer base and resources to build a much larger company. We can rebrand our company and change the name to VirtuaED. We can expand our product offerings and target not only the elderly, but all ages and greatly increase our customer base. The young are especially open to new technology and there is an expanding home schooled market opportunity. There is a huge potential to grow from a \$5mil company to a \$50mil company in the next 5 years taking this approach. But, if this fails, the company will be out of business.

Rubric

CRITERIA	EXEMPLARY	MEETS EXPECTATIONS	DEVELOPING	BEGINNING	NOT ACCEPTATBLE
Summary	10 Points- Complete summary highlighting all the main parts of the case. No grammar or spelling errors.	8 Points- Complete summary highlighting all the main parts of the case. 1-2 Spelling or grammar errors.	6 points- incomplete summary, missing key information. No grammar or spelling errors.	5 points- incomplete summary, missing key information. 2 or more grammar or spelling errors.	0 points- did not respond for this section
Discussion	20 Points- Complete and well written discussion of all of the marketing decisions made in the case. No grammar or spelling errors.	17 Points- Complete and well written discussion of all of the marketing decisions made in the case. 1-2 grammar or spelling errors.	14 points- incomplete, but well written discussion of all of the marketing decisions made in the case. No grammar or spelling errors.	10 points- Incomplete and not well written discussion of all of the marketing decisions made in the case. 2 or more grammar or spelling errors.	0 points- did not respond for this section
Detail 4 P's	20 points- Clear and complete highlighted documentation of all of the 4 p's in the case. No grammar or spelling errors.	17 Points- Clear and complete highlighted documentation of all of the 4 p's in the case. 1-2 grammar or spelling errors.	14 points- missing some of the details of the 4 p's in the case. No grammar or spelling errors.	10 points- missing some of the details of the 4 p's in the case. 2 or more grammar or spelling errors.	0 points- did not respond for this section
Critical evaluation	20 points- Well written critical evaluation and discussion of the given solutions to the case. No grammar or spelling errors.	17 points- Well written critical evaluation and discussion of the given solutions to the case. 1-2 grammar or spelling errors.	14 points- missing elements in the critical evaluation and discussion of the given solutions to the case. No grammar or spelling errors.	10 points- incomplete critical evaluation and discussion of the given solutions to the case. 2 or more grammar or spelling errors.	0 points- did not respond for this section
Alternative solutions	30 points- 3-4 clear and concise original student generated alternative solutions to the case study. No grammar or spelling errors.	26 points- 3-4 clear and concise original student generated alternative solutions to the case study. 1-2 grammar or spelling errors.	22 points- 3 or less original student generated alternative solutions to the case study. No grammar or spelling errors.	15 points- 3 or less original student generated alternative solutions to the case study. 2 or more grammar or spelling errors.	0 points- did not respond for this section