

# THE FANTASTIC BRAND: A TEACHING CASE ON STRATEGIC DECISION-MAKING

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## CASE DESCRIPTION

*The primary subject matter of this case concerns strategic decision-making. Secondary issues examined include how companies use strategic and financial objectives to make good business decisions. This case has a difficulty level that is appropriate for senior level students in an undergraduate business program. The case is designed to be taught in less than three class hours and is expected to require 2 to 4 hours of outside preparation by students.*

## CASE SYNOPSIS

*In this case, students are challenged to make an everyday business decision using strategic decision-making. Specifically, students must analyze and recommend the best promotion, while making sure the promotion meets the brand's established guidelines and ensuring that it generates the maximum profit. At first this decision may seem somewhat straightforward, but making sure the decision meets all of the established guidelines and brand objectives may challenge some students. That's because students will need to select the appropriate promotion by evaluating the promotional programs, brand guidelines, available product sizes, trial estimates, redemption rates and product contribution margins to ensure they recommend the best promotion for the Fantastic Brand.*

*This is a practical case based on a real-life scenario. Managers are faced with decisions on how to spend or allocate company resources everyday. It is important that managers ensure that all of the activities result in the resources being used effectively and efficiently. In order to do this, companies need to have established guidelines and objectives that are used by managers when making everyday decisions that utilize company resources. This can be accomplished by implementing an effective strategic management framework that can help an organization provide clarity, align employees to organizational objectives and improve decision-making. Overall, this case provides a straight-forward example on how using strategic decision-making can help managers to make good business decisions.*

## INSTRUCTORS' NOTE

Using the case analysis method can be an effective way to address or improve course outcomes. With so many different concepts and theories being presented in a typical course, it can sometimes be difficult for a student to comprehend all of the course content. In order to successfully analyze and present a case, it is generally necessary for students to incorporate more than one concept. Therefore, using the case analysis method can help students bring together more than one concept being presented in a course. Even for students who do well on tests, this method can help to improve their overall level of comprehension because

this approach involves applying course concepts to real-life scenarios. Ideally, this case will be used in an undergraduate Business Policy course. That's because this case requires a basic level of business knowledge in order to understand the case and complete the analysis.

This case is designed to help students better understand how complex decision-making can be in real-life. The focus is on how using strategic management can improve decision-making and help companies achieve organizational objectives. Rarely are companies faced with decisions that are clear-cut and easily made. In most situations, there are a variety of factors that need to be considered. Strategic management provides a framework that can help an organization achieve its objectives and move closer towards its vision. In real life, companies have to balance strategic concerns, like developing an effective strategy, consumer satisfaction, market share, and image with financial concerns like, revenues, costs, and profit. This can often be a daunting task. To deal with this complexity, many successful companies use a strategic management approach, which helps to improve decision-making at all levels in the organization. In this case, students should gain a better understanding of real-life decision-making for corporations. At the end of this case, the following outcomes should have a better understanding of (1) strategic management, (2) how to use strategy and objectives when making business decisions and (3) the complexity associated with decision-making in today's business environment.

### **Group Case Requirements**

Depending on the class size, this case should take no more than two class periods to complete. One class session should focus on preparing students to analyze the case and the second class session should be dedicated to in-class presentations. Students should be divided into groups and each group should analyze the case and present a recommendation that addresses which products and program Jennifer should recommend to her manager, Troy. In some cases, it is also beneficial to require a written report along with the presentation because this can help students to develop their writing skills. However, the focus of this case is more analytical. Therefore, there is less emphasis on writing and more emphasis is placed on analyzing data and communicating the results in a professional, coherent, and actionable manner. Please see the discussion below, which details the suggested activities for this case.

### **First Class Session**

The first class session should be focused on ensuring that students are equipped with enough information to successfully complete the case. Specifically, this class period should primarily be focused on ensuring that students understand the relevant business terms and requirements for this case. First, students need to have an understanding of the relevant business terms and concepts for this case. Therefore, some class time should be dedicated to the following:

- ◆ *Ensuring that students understand the difference between strategic and financial objectives.*
- ◆ *Ensuring that students understand the key business terms in this case like market share, SKUs, trial estimates, product contribution margin, etc.*
- ◆ *Ensuring that students have a basic understanding of how to use data when making business decisions.*

In addition, students should also be put into groups and provided with a copy of the case. After providing the students with a copy of the case, it can also be beneficial to discuss the major issues in this case and review the requirements for this case. Creating a 1-page overview with the requirements for the case and distributing it to students can help to ensure that they are clear on the expectations for the assignment. The overview can include information on due dates, formatting, presentation guidelines, grading criteria, etc. This will ensure that students have the appropriate framework to complete the assignment. It also helps to provide direction and prevent some students from heading down the wrong path. This discussion is not intended to provide a lot of detail regarding the case, but it should be focused on ensuring that students understand the case and expectations for this assignment. After this class session, students should have a clear understanding of the case, the major issues in the case, how to approach the case, and how the case will be graded.

### Second Class Session

One week later the groups should have completed the analysis and be prepared to present their recommendations. Allowing one week for the case analysis and preparation should be sufficient. Since the students do not need to conduct research, this should be enough time for students to meet, analyze the case, and develop the presentation. However, this approach does require the students to work effectively within a group. The students will need to collaborate with one another or the assignment may be difficult to accomplish.

The focus of the second class period is to have students present their case analysis in front of the class. Have each group give a presentation on which products and program Jennifer should recommend to Kevin. The groups will need the appropriate classroom equipment like a laptop, overhead projector, etc. In addition, students should be dressed in business attire. This helps to develop a sense of professionalism.

Finally, the groups should be prepared to answer any questions from the instructor and their classmates regarding the presentation. This is an opportunity to provide quality feedback to each group, discuss concepts or key issues that were not addressed in their presentations, and help students to develop their ability to think on their feet.

### DISCUSSION QUESTIONS

- 1. What program should Jennifer recommend to Kevin? Should it be the sampling or coupon program? What products/SKUs should be used in the program? What criteria should be used in the decision-making process?**

This question will require students to select the products/SKUs before they can recommend a program. This is necessary because each SKU has a different set of characteristics and the brand strategy must be taken into account. In this situation, the best products for this promotion are the 12oz. shampoo and 10oz. conditioner. When these products are used to determine which program Jennifer should recommend, the coupon program is by far the best investment of the \$200,000 in incremental funding. Please see below for a detailed discussion.

## Product Selection

At first, it may be tempting to select the sizes with the highest contribution margins to use in the promotion. This might be inviting because these products will generate more profit for every bottle that is sold. However, in this case, the products with the highest contribution margins have lower market share and are estimated to generate less trial. Therefore, these products would likely generate much less income for the brand. For example, the 14oz. shampoo has a higher contribution margin than the 12oz. shampoo, but the 14oz. shampoo would generate less income because the trial estimate is much lower than the 12oz. shampoo. Specifically, the 14oz. shampoo is estimated to generate \$43,600 in income from the coupon program and \$49,050 from the sampling program, while the 12oz. shampoo is estimated to generate \$123,750 in income from the coupon program and \$128,700 from the sampling program. In both programs, the 12oz. shampoo has higher trial estimates and when combined with good contribution margins, this product generates more income than the 14oz. shampoo. Please see Table 6 for details.

Table 6: Example of Estimated Profit and Loss for Products		
Program Information	Shampoo - 12oz.	Shampoo - 14oz.
Coupon Program		
-Est. New Trial	125,000 units	40,000 units
-Product Contribution	\$0.99/unit	\$1.09/unit
-Income Generated	\$123,750	\$43,600
Sampling Program		
-Est. New Trial	130,000 units	45,000 units
-Product Contribution	\$0.99/unit	\$1.09/unit
-Income Generated	\$128,700	\$49,050

Let's not forget, the brand strategy states that all promotional activities should include a shampoo and conditioner. More specifically, the brand strategy requires that all brand promotions include the 12oz. shampoo and 10oz. conditioner unless a strong case can be made to use another product. In addition, the 12oz. shampoo has the highest market share on the brand, while the 10oz. conditioner has the second highest market share on the brand and the highest market share among the conditioners. This indicates that these are the best selling SKUs on the brand. The 12oz. shampoo and 10oz. conditioner are clearly the best products to use in either promotion. Although there are other products on the brand with higher contribution margins, these SKUs have good profit margins, the highest market share on the brand, the highest estimated trial in both programs, and they adhere to the brand strategy.

## Program Selection

The program that meets the brand strategy and is within the budget allocation is the coupon program. Therefore, Jennifer should recommend the coupon program. The sampling and coupon vendors are both able

to feature the 12oz. shampoo and 10oz. conditioner in the promotion and have provided trial estimates for these products. Therefore, both programs are able to meet the brand strategy.

However, the sampling program is too expensive, as it exceeds the original allocation. Remember, the budget is \$200,000. Since the minimum order for the sampling program is 300,000 units and each sample costs \$.96/unit to distribute, the total cost of the sampling program is estimated to be \$288,000. This is \$88,000 more than the \$200,000 in incremental funding allocated to the Fantastic brand. But, the coupon program follows the brand strategy and is within the budget constraints. The total cost of the coupon program is estimated to be \$181,250, which includes \$100,000 for the coupon program, \$31,250 in redemption costs for the shampoo coupon and \$25,000 in redemption costs for the conditioner coupon. The estimated total cost of the coupon program is \$18,750 less than the \$200,000 allocation. Although it may be tempting to recommend the sampling program because it is estimated to generate more trial, it is too expensive. The budget allocation is a real constraint. Please see Table 7 for a review of the costs for each program.

Program Information	Sampling Program	Coupon Program
Brand Guidelines	ü	ü
Within Budget Allocation	X	ü
Budget Details		
-Cost of Program	\$288,000	\$181,250
-Budget Allocation	\$200,000	\$200,000
-Under (Over) Budget	(\$88,000)	\$18,750

Overall, Jennifer should recommend that the \$200,000 in incremental funding be used on a coupon program that features the 12oz. shampoo and 10oz. conditioner. This recommendation adheres to the brand strategy and is within budget.

**2. Are these programs estimated to lose money, break-even or generate a profit? Which program is the best investment? What criteria should be used to determine whether or not these programs are a good investment?**

Once again, the coupon program is the best program. That's because the coupon program actually generates a profit and is more efficient at obtaining additional trial than the sampling program. Not only is the sampling program not a good investment because it is over budget, it doesn't generate a profit and is less efficient at gaining trial than the coupon program.

First, the coupon program generates a profit, while the sampling program does not. The estimated cost of the coupon program is \$181,250 and is expected to generate 225,000 units in new trial, while the estimated cost of the sampling program is \$288,000 and is expected to generate 235,000 units in new trial. Therefore, the coupon program is expected to generate \$222,750 in income, which pays for the cost of the program and contributes \$41,500 to profit. However, the sampling program is expected to generate \$232,650 in income, which does not pay out the program.

The brand would lose \$55,350 on the sampling program. For details regarding the profitability of the programs, please see Table 8.

Program Information	Sampling Program	Coupon Program
Estimated New Trial		
-Shampoo - 12oz.	130,000 units	125,000 units
-Conditioner - 10oz.	105,000 units	100,000 units
Total Estimated New Trial	235,000 units	225,000 units
Product Contribution Margin	\$0.99/unit	\$0.99/unit
Estimated Product Contribution		
-Shampoo - 12oz.	\$128,700	\$123,750
-Conditioner - 10oz.	\$103,950	\$99,000
Total Expected Product Contribution	\$232,650	\$222,750
Cost of Program	\$288,000	\$181,250
Expected Profit (Loss)	(\$55,350)	\$41,500

Similarly, the coupon program is a more efficient way to spend the incremental funding. The coupon program is estimated to cost \$181,250 and generate 225,000 trial units, which makes the estimated cost per unit \$0.81. However, the sampling program is estimated to cost \$288,000 and generate 235,000 trial units, which makes the estimated cost per unit \$1.23. This makes the sampling program \$0.42/unit more expensive than the coupon program, which means the coupon program is a more efficient way to gain new trial. Although coupon program is estimated to generate slightly less trial, it is more efficient than the sampling program. Please see Table 9 for a review of the estimated unit costs for each program.

Program Information	Sampling Program	Coupon Program
Estimated New Trial	235,000 units	225,000 units
Cost of Program	\$288,000	\$181,250
Cost/Unit	\$1.23	\$0.81

As stated previously, the coupon program is the best investment of the \$200,000 in incremental funding. It meets the brand strategy, adheres to the budget constraints, generates a profit and is the most efficient program.

**3. What are some advantages and disadvantages of using strategic management? Does this approach improve or hinder decision-making?**

In general, using a strategic management approach can be extremely beneficial. When companies are able to successfully implement a strategic management process, it can help to improve the overall effectiveness of the organization. In 1972, the term “strategic management” was introduced by Igor Ansoff (Hussey, 1999). In his article called, “*The Concept of Strategic Management*,” Ansoff (1972) states,

*“The strategic management activity is concerned with establishing and maintaining a set of relationships between the organization and the environment which (a) enable it to pursue its objectives, (b) are consistent with the organizational capabilities, and (c) continue to be responsive to environmental demands” (p.5).*

Strategic management has been adapted by many successful companies. Watson (2005) stated, “...organizations that achieve their goals in the long term plan their work and work their plan” (p. 4). One of the main advantages of strategic management is having clearly stated objectives, which allows the company to focus on both the strategic and financial needs of the organization. However, there can be some disadvantages like having to create and maintain a complicated process that can often be time consuming.

### **Advantages**

Although all of the advantages can't be discussed in this manuscript, two important advantages of using a strategic management approach are (a) the use of established objectives and (b) balanced decision-making. Using a strategic management process can make analyzing potential programs, activities, and opportunities more focused and well-thought out. If the decision-maker knows the criteria upfront, the decision can be made based on the established criteria, which reduces the subjectiveness in the process. Without established objectives, the decision-maker can sometimes be guided by factors that are not directly linked to the company's strategies and objectives. Some programs can be very attractive in one regard, while not very attractive in another. If the decision-maker puts more emphasis on one factor, like trial generated, and doesn't base their decision on more than one relevant factor, like trial, budget constraints and profit, then there is a greater chance of making a poor decision. The end result could mean investing in a program that doesn't help move the organization forward or closer towards its vision.

Another advantage of using a strategic management approach is that it helps to provide a balanced framework for decision-making. The benefit of using both strategic and financial objectives is that it helps to ensure that programs and activities will help the organization to (a) grow and be

competitive and (b) meet the financial objectives and goals of the company. If there is too much focus on the strategic priorities without enough concern for the financial objectives, the company could jeopardize its long-term financial stability. Likewise, if a company is too focused on financial objectives and doesn't properly account for the strategic side of the business, the long-term sustainability of the company could be at risk. When a decision-maker accounts for both strategic and financial objectives, the company is more likely to be in a better overall position. This approach can help to ensure that programs not only develop competitiveness, but also generate the necessary profit. Too often, companies have become unbalance because of short-term gains or lack of appropriate strategic focus and have suffered a loss of sales, revenues, customers, etc. Although the process is not fail proof, using strategic management has been shown to be an effective business approach.

### **Disadvantages**

This does not mean that strategic management is a perfect process. Although there are some real advantages to this process, there are also some realistic challenges. The main disadvantage associated with this process is that it requires a tremendous amount of time, energy and resources. Developing, implementing, and maintaining a strategic management process tends to be a complex and costly venture that requires a great deal of organizational commitment.

One of the most difficult aspects of using a strategic management approach is developing and maintaining the appropriate infrastructure, which can require a lot of resources. As Ansoff suggested (1972), an important aspect of the strategic management process is establishing and maintaining relationships. In order to do this, there needs to be a system in place that allows for coordination between the internal departments and external constituents. This can be challenging because it calls for a tremendous amount of collaboration and communication, which can sometimes be an expensive endeavor. It is not uncommon for companies to invest millions of dollars into developing and managing the appropriate infrastructure.

Once the systems and relationships are in place, it is also necessary to generate and analyze the data to be used in the decision-making process. This can require interacting with several departments, accessing numerous reports, and contacting reliable people to gather the appropriate data. In today's fast paced business environment, it can take time to generate the necessary data, analyze the data, and ensure that the decision is aligned to the organizational strategies and objectives. Even for the most strategic companies, managing this type of process can be timely and require a lot of resources.

Strictly adhering to the process can sometimes be unrealistic for some organizations. As a result, many organizations use strategic management principles when making decisions. Companies may not have a full set of data or the optimum coordination, but the use of established objectives that are based on organizational needs is becoming more prevalent everyday. That's because this approach can help to ensure that a company's programs and activities are more likely to be successful, which can help a business to sustain itself overtime. Strategic management can be complex and require a lot of resources, but this approach can greatly improve decision-making and help a company to achieve its objectives and move closer towards its vision.

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## CONCLUSION

The case analysis method can be very helpful in the learning process because it helps students to apply concepts learned during the course to real-life scenarios. This can help to reinforce information presented during class and provide students with another opportunity to grasp the course concepts. In this case, students get exposed to strategic management by analyzing real life strategic decisions that companies have to make everyday. After completing this case, students should have a better understanding of why it is important to make decisions using data, how a company can achieve its strategic and financial objectives, and how strategic management can lead to the long-term sustained health of the company.

## REFERENCES

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