

Discussion chapters 7, 9 – Sept 11, 2018

1 - Case study: Canyon, The German Pirate Revolutionizing Cycling

Canyon evolved from a bike store founded in 1985 by Roman Arnold, who just like his father imported bike parts from Italy to resell them in Germany. After making the decision to create a new bike brand named Canyon, the company developed from a mail-order business into an online pure-player. Shortly after, in the late nineties, e-commerce made its entry into European households, which gave Canyon a true first-mover advantage.

Arnold's focus has since been on a close connection to the rider and the cycling community, which made him eager to provide the best bike possible. It was only after he proved successful in doing this that the decision was made to sell abroad. "People started requesting our bikes in other countries," explains Frank Aldorf, "we started off in France and Italy, and today we sell in 104 countries. The desire to create the best bikes possible fueled Canyon's success to become a European business and finally a global brand." Canyon operates 19 local offices with customer support and technical services to support its busiest markets on the ground. The decision to open local service centers was based on the market's strength. Customers in all other countries must connect with the headquarters in Koblenz when they have a problem, and also ship their returns to Germany. Germany, France and the UK- which has been seeing a huge rise in cycling through the successes of the famous Sky Team- are the largest sales markets for the cycling brand, followed by Italy and Spain.

The first-mover mentality and online DNA clearly provide a competitive advantage in a sector where more and more brands are now starting to adopt multichannel marketing and direct-to-consumer strategies in addition to traditional sales channels. "People were telling Canyon it's impossible to sell bikes online. We have proven everyone wrong. The business model has worked for us for a long time now, and we have gradually built up an expertise in running an online business. For others to add an online channel is not that easy, everyone must find their own way," says Aldorf. "Canyon has a unique business model, which has given us a great advantage, but others are catching up fast. In the beginning, people thought we were destroying local bike shops by cutting out the middlemen. But that's no longer the case, we weren't trying to destroy anything – we were just the first to do this."

Today, Canyon boasts the lightest mass-produced bike, as well as the fastest. Since then, the group and its engineering army has become a patenting machine, earning several prizes in the specialized press. Design, quality and prices between in the 499- to 8,499-euro range are the brand's three main features.

The German company sells its bikes for about 30% less than its main competitors. In terms of quality, the products are comparable. It's as if a car company started selling Audis for the price of a Logan. "This is the bike everybody dreams of at a price which most people can afford," employees like to stress.

Questions

1. What is Canyon's competitive advantage?
2. Does Canyon implement any B2B marketing?
3. What are the entities that are part of Canyon's supply chain?
4. How can Canyon sell its bikes for 30% less than its main competitors?
5. Given Canyon's business model, what do you think are Canyon's main challenges? And why?
6. Think about the STP (segmenting, targeting, and positioning) process we discussed in class.
 - a. Which segmentation strategy (geographic, demographic, etc.) is Canyon likely to use? Why?
 - b. Which targeting strategy (undifferentiated, differentiated, etc.) is Canyon likely to use? Why?

2 - Case study: Marriott

Marriott International owns a number of different hotel chains that target specific consumer groups.¹ Specifically, we can find:

- Courtyard by Marriott
- Ritz-Carlton
- Marriott ExecuStay
- Moxy Hotels

Questions

For each one of the Marriott offering:

1. Identify what each chain offers to their customers, and in which way they differ from each other (think about their value proposition).
2. Identify the market segment(s) of each one of the Marriott offerings.
3. How would Marriott target the different segments that you identified?
4. How each one of the offerings is positioned? Think about the value proposition of each one of the offering and draw a positioning map using two dimensions: price (from budget to luxury) and location (from suburbs to centric, i.e., downtown).

¹ If you are not familiar with Marriott and its offering, use Google to obtain the relevant information you need to answer the questions.

3 – WHOLE FOODS SEGMENTATION STRATEGY

Whole Foods Market is an American supermarket chain with its headquarters in Austin, Texas. It was established in 1980 with the merger of SaferWay and Clarksville Natural Grocery stores. Today Whole Foods Market has over 400 stores in USA, Canada and United Kingdom with over 91000 employees. Before being acquired by Amazon, the company was traded on Nasdaq with a market capitalization of over \$10 billion and was a Fortune 500 company. It is the nation's largest retailer of organic foods, 5th largest public food retailer, and the 10th largest retailer overall based on 2014 sales rankings. The company's mission is to "promote vitality and well-being of all individuals by supplying the highest quality, most wholesome foods available". Some of the company's core values are: selling the highest quality natural and organic products, support team member excellence, create wealth through profits and growth, serve and support local and global communities.

Questions

1- Segmentation & Targeting

- a. Identify one or more segmentation methods that Whole Foods is currently using.
- b. What is the main segment of the population that Whole Foods is targeting? (i.e., if you have to describe the typical Whole Foods customer which words would you use?)
- c. Based on the answers above, what are some of the groups of customers (families, young professionals, etc.) that are part of Whole Food target market?

2- Positioning

- a. What is Whole Foods position? (What differentiates Whole Foods from the competition? What is Whole Foods unique value proposition?)

3- Identify Whole Foods marketing mix (4p's)

4 - ETHICAL DILEMMA

Although targeting selected market segments for advertising and marketing messages would seem to be a sound strategy for any company, there can be difficulties. Some companies have been accused of using segmentation approaches that discriminate against certain groups within society. Complaints have been raised about potential discrimination based on race, culture, age, gender, and sexual lifestyle.

Assume that you have been asked to review segmentation profile practices. Pick one company that you believe avoids discrimination in market targeting and one company that you believe does not. Compare the two companies with respect to their market target selection process and how the market targets are approached. Comment on any perceived ethical practices that you are aware of. Be sure to check any information on ethics provided by researching the websites of your two example companies. Lastly, list the ethical guidelines or best practices you believe organizations should follow when selecting market targets.