**Extra Credit Assignments – 10 points EACH**

**Due – week of May 15**

**3-5 pages each – 10pt. font – double spaced**

1. **Product Repositioning: - describe 2 companies and products that have repositioned themselves – 1 successfully and 1 Unsuccessfully**
2. **Identify how McDonald’s targets both users (primarily Children) and buyers (parents). Provide specific examples of strategies used to target both groups.**

### CASE ASSIGNMENT: Pantone

### This Year’s Color: Honeysuckle

On December 9, 2010, Pantone, which specializes in color management and professional color standards, made an important announcement: the color of the year for 2011 would be “honeysuckle.” The announcement was made by the Pantone Color Institute, Pantone’s color forecasting and consulting division, which under the direction of Leatrice Eismen scours the globe to determine which emerging color trends will be prominent in the coming year. According to Eismen, this complex shade of bright pink with a hint of red and orange, or more specifically Pantone 18-2120 TCX, evokes a sense of summertime. It’s a warm, catchy color, conveying a sense of optimism. Having Pantone’s blessing on “honeysuckle” and the other colors built into its annual pallet, fashion designers, cosmetic producers, makers of home furnishings and appliances, and many other style- and image-conscious businesses will begin to plan their product offerings based on Pantone’s color recommendations.

While the color reports from the Color Institute have become critical reads for product designers and marketers across many industries, only recently has it developed beyond being a mere service of its parent company. For almost half a decade, Pantone has literally provided the industry standard on color management across the whole spectrum of business sectors, from printing to manufacturing to industrial and beyond.

Pantone was founded by Lawrence Herbert in 1963. Herbert, a color-matcher in a New York City print shop, having no industry-wide standardized method of communicating color beyond verbal descriptions, created a code of 500 colors that could be produced through formulas for combining inks. Herbert’s color-matching system was adopted by printers, but it quickly became obvious that this systematic approach to color management could be applied to numerous other industries as well. Pantone’s products were soon being utilized in cosmetics, fashion, plastics, and many other products.

For many years, the Pantone Matching Systems (PMS) served as the standard in color matching and identification, with 1,114 solid, codified Pantone colors. Each color in the system is given a name and is shown with its corresponding ink formula number. The colors are organized in the iconic fan of Pantone color swatches, which caters to many designers who prefer doing color comparison and selection manually. The PMS color guides are printed using 13 base colors, selected and licensed by Pantone, plus black and clear white.

Over time, Pantone has developed supplemental color-matching systems for various applications. As many printers use a four-color CMYK (cyan-magentayellow-black) system for printing, Pantone developed a conversion guide to help printers reproduce Pantone colors in the CMYK format where possible. It also created the HEXACHROME six-color printing system and another guide for correlating sRGB (red-green-blue) formulations with various Pantone colors for digital application. In 2007, Pantone released the Goe system, using ten base colors (four new, six original), which offered 2,058 color formulations, streamlined the color numbering into a more substantive hierarchy, and included sRGB-compatible software. In total, Pantone’s products offer over 10,000 unique colors for use in various industries.

Pantone works hard to expand the functionality of its products. For example, Pantone recently created a handheld gadget called CAPSURE, which can be used to pull color samples from virtually any source. The CAPSURE uses a tri-directional image-capture system to eliminate color variations from texture and uneven lighting on a given surface and identify the color with an existing Pantone hue. Pantone also offers an iPhone app that can be used for isolating and identifying colors in photographs according to the Pantone color systems.

While Pantone offers many different resources to enhance color varieties and applications, its primary service is simply improving communication across various industries and disciplines. With Pantone’s color systems, a designer can send Pantone’s color swatches to a manufacturer and the manufacturer will know what color the designer wants and how to reproduce it. So when it comes to finding the honeysuckle lipstick to match your new honeysuckle sundress, all you have to do is ask Pantone, and it can give you just the right number.

*Sources*: Mary Beth Breckenridge, “Vibrant Pink Named 2011’s color of Year,” Seattle Times, January 13, 2011, http://seattletimes.nwsource.com/html

**a. Pantone’s color-management systems were designed in a business environment and are primarily employed by businesses and entrepreneurs seeking to standardize colors across various production applications. Do you think Pantone’s systems might have any use for regular consumers, though? If so, how?**

**b. The colors in Pantone’s systems are created from the proprietary formulations for a base set of inks. What kind of demand do the inks have with the color management systems as a whole?**

**c. What type of business product is the Pantone Management System?**

### CASE ASSIGNMENT: Starbucks

***Selling Coffee in the Land of Tea***

Starbucks has been doing business in China since 1999 when they opened their first coffee shop in Beijing. Today, hundreds of Starbucks stores sell coffee in the land of tea, including one at the Great Wall. It has become one of the most popular brands among the country’s 20- to 40-year-old upwardly mobile Chinese, or “Chuppies,” as they’re called, but so far China accounts for only about 10 percent of Starbucks’ global sales. Nevertheless, Chairman Howard Schultz believes the country will someday be the company’s largest market outside North America. “The market response,” he says, “has exceeded our expectations.”

This may seem surprising when you consider the fact that the majority of China’s one billion–plus population are tea drinkers who didn’t know what coffee was until Nestlé introduced a powdered version on store shelves in the 1980s. But Starbucks is betting that they can win the new generation over by marketing its signature product as an emblem of modern China’s new sophistication.

“Coffee represents the change,” says Wang Jinlong, president of Starbucks Greater China. “The disposable income is concentrated on the young people, and this is the place they want to come.” Success in China could depend on how well Starbucks markets itself to what Wang calls the “little emperors.” China’s one-child law has spawned a generation that isn’t interested in collective goals, he says. Instead, they embrace the Western belief in individuality that Starbucks embodies.

After surveying Chinese consumers, Starbucks compiled a list of the top reasons they go to cafés. Surprisingly, the number-one reason was “to gather with family and friends,” while “to drink coffee” lagged behind at number six. Living spaces are generally small and cramped there, making places to congregate important to the Chinese.

Da Wei Sun, manager of outlets in Beijing, believes that Starbucks found success in China because they took this idea of a place to gather and gave people in the cities a “third space” beyond work and home, making it cool to have a latte and hang out. Starbucks offers more food on the Chinese menu (including duck sandwiches, moon pies, and green-tea cheesecake) than in other countries, and more seating as well. Only 20 percent of North American customers eat and drink inside the store after ordering, but the number is close to 90 percent in China.

China remains a communist country, so a change in its one-party dictatorship could potentially affect business overnight. Schultz says the key to establishing stores there is to first find local partners who understand the changing political and business landscapes. Starbucks initially entered China by authorizing local developers to use their brand and setting up joint ventures with partners.

Industry analyst Pei Liang advised that for long-term success in the country, Starbucks would need to acquire controlling stakes in its joint ventures. This, Pei explained, would strengthen management’s control and put them in position to reap more of the profits as the market grew. “Licensing or holding a minority stake is an effective tool when first stepping into a new market because it involves a small investment,” says Pei. “But Starbucks, the brand’s owner, receives only royalty fees from the licensee.”

In late 2006, Starbucks announced that it was buying out its partner in China and taking control of 60 stores. The market had changed after Beijing entered the World Trade Organization in 2001, making it easier for foreign companies to navigate alone. “Buying out one’s partner is becoming more common,” says industry consultant Kent D. Kedl. “Starbucks probably feels they know better how China works now so they can go it on their own.”

Chairman Howard Schultz says that Starbucks will concentrate most of its future expansion efforts in China, and Kedl predicts they will see continued success there: “It’s not just a drink in China. It’s a destination. It’s a place to be seen and a place to show how modern one is.” And with China’s economy continuing to grow in double digits, the number of Chuppies willing to pay $3.63 for a Mocha Frappuccino Grande is likely to grow, too.

Open-ended questions

1. **Many of the same environmental factors that operate in the domestic market also exist internationally, including cultural ones. Discuss the key cultural factors Starbucks had to consider as it expanded into China.**
2. **Discuss the key political and legal factors Starbucks had to consider in the Chinese marketplace. What are the risks of entering a country with these factors? What changes have occurred in China’s political and legal structure to the advantage of foreign companies?**
3. **What demographic factors were important for Starbucks to understand in China? What were the demographics it decided to target?**
4. **What was the initial global-market strategy Starbucks employed to enter China? Discuss the advantages and disadvantages to this early strategy. How has its strategy changed since then and why?**