

¹ Merville Lynch 2 – Teaching Note

Conor Vibert developed this teaching note to guide the use of the multimedia case entitled Merville Lynch 2 for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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SUMMARY

In this multimedia case, Merville Lynch, head of a video production company in Barbados, is faced with a situation of a competitor significantly lowering its prices when pursuing a project from a common client. Advice is being sought as to how to proceed in resolving this real life issue. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case.

KEYWORDS

- Pricing
- Bidding Strategy
- Competitive Reaction

CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

OBJECTIVES FOR TEACHING

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.
- To provide students with a brief introduction to the television production industry.

¹ The Author wishes to thank Merville Lynch for his support of this project. At Acadia University, thanks are in order for Dave Sheehan.

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- To offer students an opportunity to analyze a situation using concepts that illustrate pricing strategy.

POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

POSSIBLE QUESTIONS FOR ASSIGNMENTS

Students can be asked to identify a set of alternatives to address the issue outlined in the case, a solution and rationale. Other questions that will help students prepare for their case analysis include:

- What are some common pricing strategies available to small business owners?
- What are some common bidding strategies?

CASE ANALYSIS

Issue: The *Issue* and *Cause* video clips outline the problem or challenge of the case.

- My name is Merville Lynch of Merville Lynch productions. The issue was on one occasion my key competitor and I were going after a major client. I found out that he was lowering his fees to bring in this client. So I decided to lower my fees as well. So it was a battle back and force. He would go lower and then I would go lower, just to lure this client. It is important to gain more clients. The more clients you have then hopefully the

bigger you will get. But you do not want to grow your company by lowering your standards. Everyone knows that.

Analysis:

To start their analysis of the case, students should view the *Background* video clips. These clips should help students grasp the following points or case facts.

- The company business is video production
- A typical job fee is \$1000 to \$5000
- Government departments and banks are his normal customers
- His firm has three big competitors in Barbados
- There is no government regulation.

Researching information sources other than the content of the cases should enable students to garner the following insights: (Source: Barbados.org)

- As of 2010, Barbados has a population of 280,000 people.
- Services, manufacturing, and agriculture are the most significant sectors in the Barbados economy
- Education is compulsory to age 16, and Barbados has near total literacy due to Government funded primary and secondary schools
- Barbados workers' rights include non-discrimination with respect to race, gender, disability, ethnic, or political background, as well as the freedom of association and the right to bargain collectively

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts.

- A suggestion is to encourage a classroom discussion of pricing strategies which are commonly available online or through the sources noted in the discussion section of this paper.

Effort focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the *Alternatives* video clip.

- Our alternatives were to continue to lower my fees to the extent that I would make a loss on the client as opposed to a profit. I could have worked with my competitor. We could have joined forces together and shared profits for that client. I could have just stood fast and hoped that that client would decide to come with me with our fees and better service.

The *Solutions* video clip offers the interviewees' solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

- I chose at that point in time to remain steadfast and to retain my fees and not to lower them any lower. I did that because I did not want to lower the standard of work or the pay for work that we had decided to do in this country. Once you start doing that then you

find out that you lower the quality and client will use that in further instances to negotiate, to cut you down even further and further. They would probably say that the last time we came to you, you lowered your rates and did it for fifty dollars. They will use that as a bargaining chip to go evening lower. I chose not to go with a partnership with my competitor. You have to be extremely careful who you go into a partnership with. If I am accustomed to a certain standard of work and your partner is not then your partner can bring you down to that level. It is more difficult for you to bring a partner up to your level of work than for the partner to bring you down to their level. So you have to be careful with a partnership.

SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Marketing
- Strategy
- Management

ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about the industry in general might make use of numerous online information sources some of which are noted below.

- Encyclopedia Britannica <http://www.britannica.com/EBchecked/topic/52655/Barbados/54605/Barbados-since-independence> - provides overview of Barbados demographics and culture
- Global Edge, <http://globaledge.msu.edu/global-insights> (Provides profiles of countries and global industries with a focus on risks, trends, events, and trade statistics)
- Government of Barbados: www.barbados.org/govt.htm (Provides general information about Barbados)
- Government of Barbados Ministry of Labour www.labour.gov.bb - information about employees rights and responsibilities in Barbados
- U.S. Department of State: Bureau of Economic and Business Affairs <http://www.state.gov/e/eb/rls/othr/ics/2013/204600.htm>, 2013 Investment Climate Statement - Barbados

REFERENCES

A number of articles, referenced below, offer insight that might help instructors effectively explore this case with students.

- Government of Barbados: www.barbados.org/govt.htm
- Kotler Philip & Gary Armstrong, *Principles of Marketing 13E*, 2010, Pearson Prentice Hall, p.293

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- Monroe, Kent, *The Pricing Strategy Audit*, 2004, Cambridge Strategy Publications, p. 40
- Nagle, Thomas and Holden, Reed. *The Strategy and Tactics of Pricing*. Prentice Hall, 2002. Pages 84-104.