B. CASES:
All students must prepare written reports on the assigned cases. Criteria for grading will include the content of the subject material covered, grammatical structure, spelling, proper format and methodology of the case. The reports are due at the end of the class period on the date assigned. **THE GRADE OF LATE ASSIGNMENTS WILL BE PENALIZED 10% PER DAY!!**

FORMAT OF CASE:
(SOURCE: ***Cases in marketing: Orientation, Analysis, and Problems.*** Thomas V. Greer. MacMillan Publishing Company: New York. 1987.)

The following is a condensation of the methodology of the case method presented within the above mentioned text:

THE CASES SHALL BE TYPED OR KEYBOARDED USING STANDARD-SIZE (8 ½" x 11") PAPER AND BE DOUBLE-SPACED. THE CASES SHALL USE NO LARGER THAN A 12-POINT FONT AND USE STANDARD MARGINS (1.25 " FOR LEFT AND RIGHT; AND 1.00" FOR TOP AND BOTTOM).

METHODOLOGY FOR DEVELOPING CASE

Recommended Procedure:

1. Read the case quickly to determine its nature. Then reread the case and begin to sort out the fact. During subsequent readings, it will probably be desirable to outline and/or rearrange the case information for a more ready comparison of data.

2. After you have mastered the facts and general situation, identify the problem to be solved. In some cases, the issues may be clearly stated; however, in others the issues may be somewhat obscure and you may have to make certain assumptions in order to ferret out the facts and primary problems.

3. As a transition step between organizing the date of the case in a logical manner and proceeding with the analysis of the data to reach a decision, the following outline may be of assistance. It is suggested that you use these major headings within your case in order to organize.

Recommended Format

1. Statement of Problem(s)
This section should contain a statement of the problem(s) which the case will attempt to solve. Although there may be more than one problem, there is usually one primary problem which is the underlying cause of the other secondary problems. Determine this primary problem and be fairly specific. For example, the problem statement, "Company XYZ is not using effective methods of positioning its product." is much more specific than "Company XYZ is having some marketing problems".

2. Relevant Facts of the Case
This section should include facts of the case which are pertinent to the problem or to the solution offered. In other words, the identification of facts relevant to the problem(s) within the case so as to make an intelligence solution. In a marketing case, such facts may include product, market, pricing policies, channels of distribution, promotion, cost structure, competition, position of the product in the life cycle, and miscellaneous items such as company personnel, patent problems, and the degree of urgency in solving the problem. The foregoing list is not presented in order of importance nor is it intended to be all-inclusive. Not all points will require consideration in every case and some cases will include points not mentioned above.

ALL SOURCES OF INFORMATION SHALL BE INTERNALLY CITED WITH A PROPER REFERENCE PAGE. NOT TO ACKNOWLEDGE SOMEONE ELSE'S THOUGHTS OR IDEAS IS PLAGIARISM. PLAGIARISM IS A VIOLATION OF THE HONOR CODE AND WILL BE PROSECUTED!!

Video Case Zappos

These days, online retailers are a dime a dozen. But in a short period of time, Zappos has become a billion-dollar e-tailer. How did it hit the dot-com jackpot? By providing some of the best service available anywhere. Zappos customers are showered with such perks as free shipping both ways, surprise upgrades to overnight service, a 365-day return policy, and a call center that is always open. Customers are also delighted by employees who are empowered to spontaneously hand out rewards based on unique needs.

With such attention to customer service, it's no surprise that Zappos has an almost cultlike following of repeat customers. But remaining committed to the philosophy that the customer is always right can be challenging. This video highlights some of the dilemmas that can arise from operating within a highly customer-centric strategy. Zappos also demonstrates the ultimate rewards it receives from keeping that commitment.

After viewing the video featuring Zappos, answer the following questions:

1. Describe Zappos' market offering.
2. What is Zappos' value proposition? How does it relate to its market offering?
3. How does Zappos build long-term customer relationships?

Company Case In-N-Out Burger: Customer Value the Old-Fashioned Way

In 1948, Harry and Esther Snyder opened the first In-N-Out Burger in Baldwin Park, California. It was a simple double drive-thru set up with the kitchen between two service lanes, a walk-up window, and outdoor seating. The menu consisted of burgers, shakes, soft drinks, and fries. This format was common for the time period. In fact, another burger joint that fit this same description opened up the very same year just 45 minutes away from the first In-N-Out Burger. It was called McDonald's. Today, McDonald's boasts over 33,500 stores worldwide that bring in more than $85 billion every year. In-N-Out has only 276 stores in five states, good for an estimated $550 million a year. Based on the outcomes, it would seem that McDonald's has emerged the clear victor.

But In-N-Out never wanted to be another McDonald's. And despite its smaller size—or perhaps because of it—In-N-Out's customers like the regional chain just the way it is. When it comes to customer satisfaction, In-N-Out beats McDonald's hands down. It regularly posts the highest customer satisfaction scores of any fast-food restaurant in its market areas. Compared to McDonald's customers, patrons of In-N-Out are *really* "lovin' it." Just about anyone who has been to an In-N-Out believes it's the best burger they've ever had. It comes as no surprise, then, that the average per-store sales for In-N-Out eclipse those of McDonald's and are double the industry average.

Breaking All the Rules

According to Stacy Perman, author of a definitive book on In-N-Out, the company has achieved unequivocal success by "breaking all the rules." By rules, Ms. Perman refers to the standard business practices for the fast-food industry and even retail in general. In-N-Out has maintained a tenacious focus on customer well-being, but it has done so by doing the unthinkable: not changing. The company's original philosophy is still in place today and best illustrates the basis for the company's rule breaking: "Give customers the freshest, highest quality foods you can buy and provide them with friendly service in a sparkling clean environment." The big burger giants might take exception to the idea that they aren't providing the same customer focus. But let's take a closer look at what these things mean to In-N-Out.

For starters, at In-N-Out, quality food means fresh food. Burgers are made from 100 percent pure beef—no additives, fillers, or preservatives. In-N-Out owns and operates its own patty-making commissaries, ensuring that every burger is fresh and never frozen. Vegetables are sliced and diced by hand in every restaurant. Fries are even made from whole potatoes. And, yes, milkshakes are made from real ice cream. In an industry that has progressively become more and more enamored with processing technologies such as cryogenically freezing foods and preparing all ingredients in off-site warehouses, In-N-Out is indeed an anomaly. In fact, you won't even find a freezer, heating lamp, or microwave oven in an In-N-Out restaurant. From the beginning, the company slogan has been "Quality you can taste." And customers are convinced that they can do just that.

In-N-Out hasn't changed its formula for freshness. But in another deviation from the norm, it hasn't changed its menu. Unlike McDonald's or Wendy's, which introduce a seemingly unending stream of new menu items, In-N-Out stays true to Harry Snyder's original mantra: "Keep it real simple. Do one thing and do it the best you can." This charge from the founder focuses on what the chain has always done well: making really good hamburgers, really good fries, and really good shakes—that's it. While others have focused on menu expansion in constant search of the next hit item to drive traffic, In-N-Out has tenaciously stuck to the basics. In fact, it took 60 years for the company to add 7up and Dr. Pepper to its menu.

Although the limited menu might seem restrictive, customers don't feel that way. In another demonstration of commitment to customers, In-N-Out employees will gladly make any of the menu items in a truly customized fashion. From the chain's earliest years, menu modifications became such a norm at In-N-Out that a "secret" menu emerged consisting of code words that aren't posted on regular menu boards. So customers in the know can order their burgers "animal style" (pickles, extra spread, grilled onions, and a mustard-fried patty). While the "Double-Double" (double meat, double cheese) is on the menu, burgers can also be ordered in 3 × 3 or 4 × 4 configurations. Fries can also be ordered animal style (two slices of cheese, grilled onions, and spread), well done, or light. A Neapolitan shake is a mixture of chocolate, vanilla, and strawberry shakes. The list goes on and on. Knowledge of this secret menu is yet another thing that makes customers feel special.

It's not just In-N-Out's food that pleases customers. The chain also features well-trained employees who deliver unexpectedly friendly service. In-N-Out hires and retains outgoing, enthusiastic, and capable employees and treats them very well. It pays new part-time staff $10 an hour and gives them regular raises.

Part-timers also receive paid vacations. General managers make over $100,000 a year plus bonuses and a full-benefit package that rivals anything in the corporate world. Managers who meet goals are sent on lavish trips with their spouses, often to Europe in first-class seats. For gala events, managers wear tuxedos. Executives believe that the men and women who run In-N-Out stores stand shoulder-to-shoulder with any blue-chip manager, and want them to feel that way. Managers are promoted from within. In fact, 80 percent of In-N-Out managers started at the very bottom. As a result, In-N-Out has one of the lowest turnover rates in an industry famous for high turnover.

Happy, motivated employees help create loyal, satisfied customers. In fact, words like *loyal* and *satisfied* don't do justice to how customers feel about In-N-Out Burger. The restaurant chain has developed an unparalleled cult following. When a new In-N-Out first opens, the line of cars often stretches out a mile or more, and people stand in line for an hour to get a burger, fries, and a shake. Fans have been known to camp overnight to be the first in line. When the first Arizona store opened in Scottsdale, people waited in line for as long as four hours while news helicopters buzzed above the parking lot.

Slow Growth Nurtures Fans

Some observers point out that it may be more than the food and the service that created In-N-Out's diehard customer base. In-N-Out's slow-growth expansion strategy means that you won't find one of the famous red-and-white stores with crisscrossed palm trees on every corner. By 1976, In-N-Out had grown to only 18 southern California stores, whereas McDonald's and Burger King had opened thousands of stores worldwide. It took the company 40 years to open its first non-California store in Las Vegas. And even as the company expands into Arizona, Utah, and Texas, it sticks tenaciously to its policy of not opening more than about 10 stores per year.

The lack of access to an In-N-Out in most states has created legions of cravers coast to coast. Countless Facebook pages have been created, filled with posts by consumers begging the family-owned corporation to bring In-N-Out to their states. But In-N-Out's policy is driven by its commitment to quality. It will open a new store only when it has trained management and company-owned distribution centers are in place.

The scarcity of In-N-Out stores only adds to its allure. Customers regularly go out of their way and drive long distances to get their fix. Driving a little further contributes to the feeling that going to In-N-Out is an event. Out-of-state visitors in the know often put an In-N-Out stop high on their list of things to do. Jeff Rose, a financial planner from Carbondale, Illinois, always stops at In-N-Out first when he visits Las Vegas to see his mother. "You have to pass it when you drive to her house," he says in his defense. "It's not like the time I paid an extra $40 in cab fare to visit an In-N-Out on the way to the San Diego airport."

Consistent with the other elements of its simple yet focused strategy, In-N-Out doesn't spend much on advertising—it doesn't have to. In fact, while the company doesn't release financial figures, some estimates place total promotional spending at less than 1 percent of revenues. McDonald's shells out 7 percent of its revenue on advertising. In-N-Out's small promotional budget is for local billboards and radio ads. But when it comes to really spreading the word, In-N-Out lets its customers do the heavy lifting. Customers truly are apostles for the brand. They proudly wear In-N-Out T-shirts and slap In-N-Out bumper stickers on their cars. Rabid regulars drag a constant stream of new devotees into restaurants, an act often referred to as "the conversion." They can't wait to pass along the secret menu codes and share the sublime pleasures of diving into a 4 × 4 animal style. "When you tell someone else what 'animal style' means," says an analyst, "you feel like you're passing on a secret handshake. People really get into the whole thing."

In-N-Out doesn't use paid endorsers, but word-of-mouth messages regularly flow from A-list celebrities. When former *Tonight Show* host Conan O'Brien asked Tom Hanks what he recommended doing in Los Angeles, Hanks replied, "One of the true great things about Los Angeles is In-N-Out Burger." Paris Hilton famously claimed she was on her way to In-N-Out when she was pulled over for a DUI. And paparazzi have snapped shots of scores of celebrities getting an In-N-Out fix, including Miley Cyrus, Selena Gomez, Christian Slater, and Nick Jonas. The fact that such celebrities aren't paid to pay homage to the brand underscores that In-N-Out is truly a hip place.

A Questionable Future?

Many have questioned whether or not In-N-Out's unwavering 64-year run can be sustained. For example, the company that had been run only by Harry, Esther, or one of their two sons for its first 58 years hit a barrier in 2006 when Esther Snyder passed away. The only direct descendant of the Snyder family at that time was 23-year-old Lynsi Martinez, who was not yet in a position to take over the company. That left In-N-Out in the hands of Mark Taylor, the former vice president of operations. But as directed by Esther Snyder's will, granddaughter Lynsi took over as In-N-Out's sixth president in 2010 before her 28th birthday. Often described as shy, Martinez also progressively gained ownership of the company.

The fact that the changing of the executive guard has gone by unnoticed by customers and fans is an indication that the In-N-Out legacy carries on. With long lines snaking out the door of any location at lunchtime, demand seems as high as ever. "The more chains like McDonald's and Burger King change and expand, the more In-N-Out sticks to its guns," says the analyst. "In a way, it symbolizes the ideal American way of doing business: Treating people well, focusing on product quality, and being very successful." In-N-Out's customers couldn't agree more. When it comes to fast-food chains, delighted customers will tell you, "There's In-N-Out, and then there's everyone else."

Questions for Discussion

1. Describe In-N-Out in terms of the value it provides for customers.
2. Evaluate In-N-Out's performance relative to customer expectations. What is the outcome of this process?
3. Do you think In-N-Out should adopt a high-growth strategy? Why or why not?
4. With so many customers drawn in to In-N-Out's "no-change" philosophy, why don't more burger chains follow suit?

Sources: Jay Weston, "In-N-Out Burger's 'Secret Menu' Revealed," *Huffington Post*, April 6, 2012, www.huffingtonpost.com/jay-weston/in-n-out-burgers-secret-menu_b_1407388.html; Meredith Land, "Inside the In-N-Out Burger Empire," *NBCDFW*, November 17, 2011, www.nbcdfw.com/the-scene/food-drink/Inside-the-In-N-Out-Burger-Empire-134008293.html; Stacy Perman, "In-N-Out Burger: Professionalizing Fast Food," *Business Week*, April 9, 2009, www.businessweek.com/stories/2009-04-08/in-n-out-burger-professionalizing-fast-food; Dan Macsai, "The Sizzling Secrets of In-N-Out Burger," *Fast Company*, April 22, 2009; www.fastcompany.com/blog/dan-macsai/popwise/sizzling-secrets-n-out-burger-qa and www.in-n-out.com, accessed November 2012.