

OLLSCOIL NA hÉIREANN, GAILLIMH
NATIONAL UNIVERSITY OF IRELAND, GALWAY
(in conjunction with IRISH MANAGEMENT INSTITUTE)

SUMMER EXAMINATIONS, 2000/01

MASTER OF INFORMATION TECHNOLOGY
EXAMINATION

MANAGEMENT AND STRATEGY

Professor P. Willman
Professor R. Green
Mr. J. Cunningham
Mr. M. Moroney
Dr. P. Ryan

Time allowed: **THREE** hours

Please attempt **THREE** questions. All students must attempt **Question 1** in Part A, in addition to **TWO OTHER** questions in Part B.

Please use **separate answer books for each question.**

PART A (Case Study)

1. Analyse the attached case, “Lonely Planet Publications”, using the following guidance questions:
 - a) Describe the mission and business strategy of Lonely Planet and outline the bases of its success.
 - b) Outline the bases of competition historically in the travel publishing sector.
 - c) Outline the driving forces in the industry.
 - d) Recommend a course of action for Lonely Planet.

(50% of Total Marks).

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PART B (Essay Questions)

2. Describe the methods involved when management conducts a situation analysis prior to crafting a strategy. Include in your discussion the extent to which such analysis combines science and art on the part of the manager.

(25% of Total Marks).

3. Describe the business strategy options open to management and the circumstances under which each option is most appropriate. Briefly outline what analysis precedes such strategic choice.

(25% of Total Marks)

4. Compare and contrast transnational, global and multinational strategies for international companies.

(25% of Total Marks)

5. Describe the issues and processes involved for management in building a capable organisation and appropriate corporate culture for successful strategy implementation.

(25% of Total Marks)

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LONELY PLANET PUBLICATIONS

By 1998 Lonely Planet had come a long way from the husband and wife operation working on a kitchen table in 1972. The company produced 350 titles (some of which were in their ninth edition), covering some of the most inaccessible regions in the world. It employed over 250 staff in four offices in three continents, though the largest proportion (around 60 per cent) were employed in Melbourne, Australia, where the company continued to undertake the production of its English language books. Titles covering Americas, Caribbean, Micronesia and Antarctica were produced in the US office. Lonely Planet also had 1000 contracted authors and an annual turnover of A\$34m.

The financial performance of Lonely Planet was impressive by almost any measure. During the early 1990s the company enjoyed rapid growth and high profitability. For example, in 1998 sales were up 22 per cent over the previous year's A\$27million. Ninety-three per cent of sales come from guidebooks (Shoestrings and Travel Survival Kits), the remainder coming from its newer lines such as city guides and phrases books, diving guides, atlases and travel literature.

In spite of the change in the nature of the organisation as it grew, the books retained their chatty style and practical format, with much material being sent in from backpackers on the road.

Early Days

A newly married English couple, Tony and Maureen Wheeler, had founded the company after walking, hitching and backpacking their way to Australia in 1972. Soon the numerous 'how did you do it?' enquiries inspired them to write down their travel experiences and produce a 'cut and paste' publication called *Across Asia on the Cheap*. It was an instant success, which encouraged them to postpone their return to England and return to their first love of being 'on the road'. Tone Wheeler reflected on the early successes:

Now I can look back and think that was a really clever idea, but at the time I didn't realise it. It was just a nice thing to do. As soon as we saw how well the first book went, we thought 'Lets do another'. We grew very slowly at first. It took us five years to get to ten titles.

Jim Hart: a New Partner

The year 1980 was an important one for Lonely Planet. Jim Hart, a friend of the Wheelers, with a mixture of travel and publishing experiences, joined Lonely Planet from a major publishing house in Adelaide, South Australia. With Jim's involvement, the Wheelers' shoestring operation gradually took on more permanence, allowing them more time to travel and to undertake the intensive year-long research effort necessary for the production of an India guide. When the first edition of *India: A Travel Survival Kit* came out in 1981, it marked a major turning point for Lonely Planet. Previously, books priced at A\$3.95 had sold up to 30,000 copies: by 1981 books priced at A\$14.95 sold 100,000 copies. The India guidebook provided the steady income desperately needed for the company to finance its operations.

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By the time Jim joined, Tony and Maureen had already established the Lonely Planet name and set up the beginning of an international distribution system. With Jim's involvement and with the publication of the India guide, Tony and Maureen could look forward to a period of stability.

In 1984/85 they set up a US office, which proved to be both difficult and costly. Nonetheless, it eventually worked, and in 1991 they were ready for further international expansion. The UK was the natural choice given the English language and its proximity to Continental European markets too.

The expansion into Europe was another major test for the company. Lonely Planet had created a name for itself by publishing guidebooks to the world's more out-of-the-way places, and did not have an image as a provider of travel information about the industrialised countries of the West. Lonely Planet expected to meet fierce competition in the European market, which was dominated by the big American-produced guides.

In 1993, heartened by its UK experience, Lonely Planet set up an office in France. The French office marked a significant development of the company in that, unlike its other overseas offices, its role was not limited to promotion and distribution but included production of French translations. It also marked the company's first attempt to diversify into non-English-speaking markets and to control the content, presentation and marketing of its products and brand in those markets. Until this time, Lonely Planet had considered itself to be exclusively an English-language publisher. Foreign publishers had undertaken the translation of its books into other languages under various licensing arrangements.

On the Road Again: the Wheelers in the 1990s

While continuing to run the business, much of the Wheelers' time was still spent on the road - researching, which they described as 'dawn to dusk hard work and not without some annoyances'. Typically they travelled overseas half a dozen times a year, investigating new places, double-checking facts from one of their books, or simply enjoyed life on the road. In 1997 and early 1998, for example, they went on safari in Zimbabwe and 'road-tested' the Antarctica guide, as well as visiting Tahiti, Guatemala and Belize.

The primary passion of the Wheelers was always to produce good travel information. Profit was important, but mainly because it was the means to grow and do more for travellers.

Publishing Industry Changes

The move towards global consolidation of publishing interests appeared to the part of the large players' corporate strategies. Control of newspapers, printing works, film libraries and production, databases, book retailing and publishing, radio and television broadcasting, satellite television and magazines began to converge in the expectation of massive economies of scale.

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These global companies were also at the forefront of the implementation of new technologies that offered the possibility of increasing audience size and hence, further leveraging their returns from their information stores. In this climate, smaller publishers survived by catering for specialist markets, which the larger corporates could not service economically.

These were also important changes in distribution channels. In the late 1980s, the owner-operators of independent bookstores dominated the market numerically. In Australia, for instance, 75-80 per cent of bookstores were owner-operated stores or were small chains with two or five stores. The majority of these were not commercially aggressive and books were generally sold at publisher's recommended retail price. This pricing structure was supported by a 100 year-old international publishing cartel. Book retailers competed on the basis of convenience and service rather than price.

By the early 1990s, however, bookstore chains and large department stores were becoming increasingly dominant in the book retailing segment throughout the world. Book superstores had emerged in the USA to compete with discount stores - Wal-Mart alone had 18 per cent of the US book retail market. These stores were very commercially oriented. They offered a wide selection of books, and their size and buying power allowed them to negotiate large margins with publishers, who often had no choice but to comply or to be denied access to their readers. Lower prices were in part passed on to consumers through heavy discounting of many titles.

Technology was changing too. The basic concept of presenting prepackaged information via the printed page in book form, the primary method of communicating information since the invention of the printing press, was being challenged. Publishers of travel information were frantically trying to assess the implications of new technologies. Further, the Internet allowed virtually free access to information from anywhere in the world and, significantly for Lonely Planet with its two-year recycle time, allowed users to gain instant access to current information - for example on current train timetables and weather patterns.

Lonely Planet went its own way in developing applications in response to these rapid developments in technology. In 1994 it had gathered a small group of editors and cartographers to develop applications for a Lonely Planet Internet site. In a few months, this group of half-a-dozen 'experimenters' had developed what became one of the largest Internet sites in Australia. Although it was fun, they could not see anybody using anything but books on their travels well into the future. By early 1998 the Website was receiving 6 million hits per month and Lonely Planet was also providing travel information to other major sites such as Yahoo!, Travelocity and AOL.

Initially, Tony Wheeler, it was said, could not get himself excited about multimedia and sometimes wished the new technology would 'go away'. The younger staff did not share this sentiment. By 1998, however, he had been won over by the success of the Website.

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Products

Lonely Planet attributed its success to a large range of titles, brand loyalty and the best form of advertising that accompanied that loyalty - word of mouth. Lonely Planet guidebooks were thoroughly revised every two to three years on average. By contrast, most of the company's competitors updated only small sections of their books, some on a yearly basis. Each Lonely Planet book was in a constant state of revision.

Most printing and binding of finished books was done in Hong Kong and Singapore. Apart from cost considerations and delivery times to major overseas markets, printers had to be able to 'section sew' books. This type of binding, which prevents pages from falling out and book spines from being broke, guaranteed that Lonely Planet books stood up to the hard treatment that they receive on the road.

Bulk distribution was decentralised through regional warehouses located in Melbourne, San Francisco, London and Singapore. From these locations, books were supplied to wholesale distributors in each country except Australia and the USA where sales and distribution to retailers were done directly by Lonely Planet.

A Valuable Asset

Lonely Planet also attracted the attention of the corporate giants of the publishing industry. During the late 1980s the Wheelers began to receive lucrative buyout offers from a number of large organisations including the software giant Microsoft, whose activity in multimedia led it to an approach about joint development of multimedia travel publications. Although flattered by Microsoft's interest, Tony, Maureen and Jim declined the offer, feeling that an association with such a large and powerful organisation could compromise Lonely Planet's independence. As Tony said, 'It really felt like we would be going to bed with an elephant and if it rolled over we would be crushed'. When asked why they didn't 'take the money and run', Maureen said:

I don't know if I'd like to travel without a reason, and I really, really like the books we do. I always did, right from the very first book. On a day-to-day basis, I really like all the people who work here, and who still enjoy working here. I suppose I just love the books.