

The Wall Street Journal Instructor Guide

An Overview for Business Professors
Spring 2018

About The Wall Street Journal's Instructor Guide

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- **Research Papers and Case Studies:** WSJ features provide timely citations for research projects.

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World Bank Unfairly Influenced Its Own Competitiveness Rankings



Reporters: Josh Zumbun and Ian Talley (1/12/18)

Reviewed By: Mindy West, Arizona State University

Topics: Country Risk Analysis, World Bank

Summary: The World Bank is going to correct and recalculate national rankings of business competitiveness in the report called “Doing Business” going back at least four years. “Doing Business” ranks nations on metrics like the number of days it takes to open a business or the cost of getting construction permits. The World Bank’s chief economist said World Bank staff put a thumb on the scales of its rankings by repeatedly changing the methodology that was used to calculate the country rankings. The methodology changes had the effect of sharply penalizing Chile’s ranking under the recent term of Chile’s outgoing president, Michelle Bachelet.

Classroom Application: This article can be used to profile the factors that impact business competitiveness in a nation and to evaluate the importance of a nation’s position on the “Doing Business” ranking.

Questions:

1. Why is the World Bank going to correct and recalculate national rankings of business competitiveness?
2. What factors impact a nation’s attractiveness for business competitiveness?
3. Why is the World Bank’s “Doing Business” report important?
4. How should companies use the information from the World Bank’s “Doing Business” report?

U.S. Imposes New Tariffs, Ramping Up 'America First' Trade Policy



Reporters: Jacob M. Schlesinger and Erin Ailworth (1/22/2018)

Reviewed By: Mindy West, Arizona State University

Topics: Protectionism, Tariffs, Trade Disputes

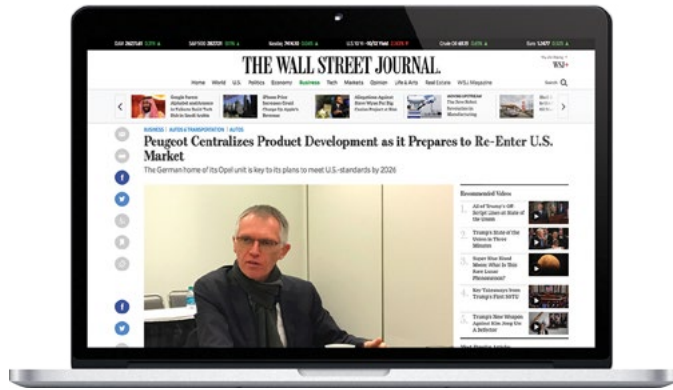
Summary: President Donald Trump slapped steep tariffs on imports of solar panels and washing machines in response to U.S. industry pleas for relief from cheap imports. Quotas and up to 50% tariffs will be imposed on washing machines and tariffs on solar modules would be as high as 30%. The trade actions were taken under a rarely-used “safeguard” law that permits companies to seek relief if they can prove “serious injury” from a sudden surge in imports. More trade-enforcement actions are expected in the coming months as part of Mr. Trump’s “America First” trade policy.

Classroom Application: This article can be used to critique the “America First” trade policy and to analyze the potential consequences of the actions taken by Mr. Trump. You can also explore the possible ramifications of the use of tariffs.

Questions:

1. Why did President Trump impose tariffs on imports of solar panels and washing machines?
2. How will the tariffs impact consumers?
3. Why does the U.S. government rarely use the “safeguard” law to impose trade sanctions?
4. Do you support the decision of Mr. Trump to impose the tariffs? Defend your point of view.

Peugeot Centralizes Product Development as it Prepares to Re-Enter U.S. Market



Reporter: John D. Stoll (1/18/2018)

Reviewed By: Mindy West, Arizona State University

Topics: Government Regulation, International Expansion

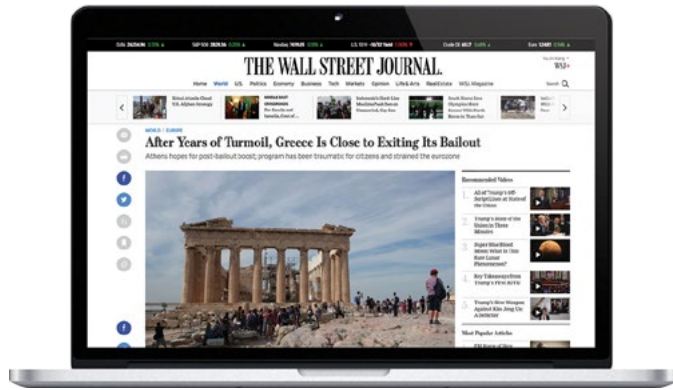
Summary: After a several-decade hiatus, Peugeot plans to return to the U.S. market, but first it must develop a global product lineup that meets U.S. standards. Automotive standards for everything from emissions to exterior elements vary from market to market. The company is also not ruling out pursuing a partnership with Fiat Chrysler Automobiles, but recent comments by Fiat Chrysler's management appear to make such a marriage unlikely.

Classroom Application: This article can be used to profile the challenges automotive companies face when they expand internationally and to analyze the impact of differences in government standards across nations in the automotive industry.

Questions:

1. What challenges will Peugeot face with its return to the U.S. market?
2. Why do governments have different automotive standards around the globe?
3. How could Peugeot create a competitive advantage in the U.S. after such a lengthy absence?
4. How will Peugeot benefit as a result of acquiring the Opel division from General Motors?

After Years of Turmoil, Greece Is Close to Exiting Its Bailout



Reporter: Nektaria Stamouli (1/16/2018)

Reviewed By: Mindy West, Arizona State University

Topics: Euro-Zone Crisis, International Monetary Fund

Summary: After eight long years of economic and political turmoil, Greece is close to exiting its bailout. Greece has approved the latest package of reforms demanded by its creditors to release the next tranche of bailout funds. It is poised to exit from the bailout program at its expiration in August and hopes it will enjoy a post-bailout boost like fellow bailout recipients Portugal and Ireland enjoyed. It remains to be determined if Greece will get a clean exit from the bailout or if any post-bailout program comes with politically sensitive strings attached to prevent new problems or to prevent Greece from back-tracking on the difficult policy changes demanded by its creditors.

Classroom Application: This article can be used to discuss the factors that contributed to the euro-zone crisis and to analyze the difficulties the European Union and the International Monetary Fund faced in addressing the crisis.

Questions:

1. What remains to be done for Greece to exit its bailout program?
2. What factors might make it difficult for Greece to stay on the path to economic prosperity after its bailout program ends?
3. Why does the International Monetary Fund impose loan conditionalities or “strings attached” when it provides bailout assistance?
4. Do you believe Greece should be given a clean exit from the bailout program? Explain your point of view.

Delta, Zara and Medtronic Join Marriott in Beijing's Doghouse After Location Gaffes



Reporter: Wayne Ma (1/12/2018)

Reviewed By: Mindy West, Arizona State University

Topics: Foreign Government Relations

Summary: Several foreign companies angered the Chinese government after including regions like Tibet and Taiwan in a list of independent countries on their websites or marketing materials. Marriott, Delta, Zara and Medtronic all came under fire. Hong Kong and Macau are both part of China, but they are governed under the “one country, two systems” formula, which allows them to maintain certain measures of independence. Tibet has been under China’s control for decades, and Taiwan is still claimed by Beijing as its territory.

Classroom Application: This article can be used to discuss the importance of maintaining effective foreign government relations and to discuss how strategic missteps can damage a firm’s relationships with host governments.

Questions:

1. Why are Delta, Zara, Medtronic, and Marriott in Beijing’s “doghouse?”
2. Why is it important to follow Chinese law when operating in the country?
3. What can companies do to avoid strategic missteps such as the blunder Marriott committed?
4. What actions should the companies take to regain the favor of the government and consumer trust?

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German Economic Growth Hits Six-Year High



Reporters: Todd Buell and Paul Hannon (1/12/18, print page A16)

Reviewed By: Marc Tomljanovich, Drew University

Topics: Business Investment, Economic Growth, Economic Performance, European Central Bank, European Monetary Union, Exports

Summary: The German economy grew at its fastest pace in six years in 2017, aided by surges in business investment and exports, and mirrors macroeconomic improvements across the Eurozone.

Classroom Application: Students discover the factors that boosted German GDP. They weigh the impacts on Germany's inflation rate and fiscal surplus, and offer policy recommendations given current macroeconomic conditions.

Questions:

1. At what annual rate did Germany's economy grow in 2017? When was the last year Germany experienced such high growth? At what rate is the Eurozone's economy expected to have grown in 2017? How do these growth rates compare to the U.S.?
2. What are two main reasons for Germany's strong economic growth rate last year? Has Germany's government been running a fiscal surplus or deficit in 2017?
3. Consider both Germany's public finances and economic performance: What fiscal policy action would you recommend Germany policymakers pursue in 2018; increasing or decreasing public spending, or increasing or decreasing taxes? Be specific as to the type of spending or taxes you would change. In your answer, be sure to explain how this fiscal action would impact Germany's economic growth rate, inflation rate, and unemployment rate in the short run.

The Antitrust Case Against Facebook, Google and Amazon



Reporter: Greg Ip (1/17/18, print page A1)

Reviewed By: James Dearden, Lehigh University

Topics: Antitrust

Summary: Facebook, Google and Amazon dominate their worlds just as Standard Oil and AT&T once did. Critics say they should get the same treatment. The answer to the antitrust question depends on a narrow test: Are consumers worse off?

Classroom Application: Students can learn about barriers to entry to the tech industry, conduct in the industry, the relationship between antitrust issues involving Standard Oil and AT&T in their days and today's tech giants. They also learn about consumer welfare, which involves pricing and innovation, as the standard to evaluate whether antitrust actions should be taken. Lastly, they can learn about remedies for possible antitrust violations.

Questions:

1. The article notes that network effects could be a barrier to entry. What are "network externalities"? How could network externalities create a barrier to entry for today's tech giants?
2. How does competition affect innovation and the adoption of innovation?
3. How can a platform that confers monopoly in one market be leveraged to dominate another?
4. Tech companies have high fixed costs and low marginal costs. Is this cost structure a barrier to entry? Does this cost structure combined with network externalities create a barrier to entry?
5. Do tech firms tend to set prices equal to marginal costs? If so, does this pricing indicate that their markets are competitive?
6. What are possible "remedies" of antitrust violations that authorities could recommend for tech firms?

Visa to Card Customers: Lose the Signature



Reporter: AnnaMaria Andriotis (11/13/17, print page B1 [updated 1/12/18])

Reviewed By: Steven P. Rich, Baylor University

Topics: Credit Card

Summary: Visa Inc. is ditching the signature. The largest U.S. card network announced Friday that merchants, starting in April, will no longer be required to make consumers sign for debit and credit-card purchases, signaling the demise for a procedure that was once a linchpin of keeping transactions secure. The other major U.S. networks, Mastercard Inc., American Express Co. and Discover Financial Services, in recent months said they would take the same step. The signature will still be used by merchants who choose to keep it and, in Visa's case, will still be required at merchants that don't accept the security chips that are installed in newer cards.

Classroom Application: The article can be used to discuss Visa dropping its requirement that consumers sign for debit and credit-card purchase, why Visa made this change after the other major card issuers, whether the change will result in more credit-card fraud, and why some merchants haven't installed chip readers.

Questions:

1. When will Visa no longer require consumers sign for debit and credit-card purchases?
2. Why do you think Visa made this change after the other major card issuers?
3. Will more credit-card fraud result? Why or why not?
4. Why do you think some merchants haven't installed chip readers?

Spotify Disrupted the Music World, Now It's Doing the Same for Wall Street



Reporters: Maureen Farrell (1/16/18, print page A1)

Reviewed By: Steven P. Rich, Baylor University

Topics: Initial Public Offering (IPO)

Summary: Spotify AB upended the world of music with its popular streaming service. Now it is threatening to do the same to Wall Street. Banks working on Spotify's unusual public share listing stand to collect a fraction of the fees underwriters typically charge in big IPOs, in a blow to the already beleaguered stock-selling business. Spotify's three advisers-Goldman Sachs Group Inc., Morgan Stanley and Allen & Co.-are poised to share roughly \$30 million in fees, though that could change depending on the size of the company when it debuts and the success of the deal, according to people familiar with the matter.

Classroom Application: The article can be used to discuss Spotify going public and paying much less than normal to its advisors, why Spotify would go public when not needing cash, why tech firms seek private instead of public funding, why Spotify is taking an atypical route to going public, and the long-term implications of this step for investment banks and investment bankers.

Questions:

1. Who is advising Spotify as it goes public? How much will Spotify pay its advisors?
2. Why do you think Spotify is paying so much less than Snap did when it went public last year?
3. Why would Spotify go public if it is "cash-rich"?
4. Why would tech firms seek private instead of public funding?
5. How will Spotify's debut be "anything from typical"? Why is it going this route?
6. What are the long-term implications for investment banks and investment bankers?

Venezuela's Oil Production Is Collapsing



Reporters: Anatoly Kurmanaev and Kejal Vyas (1/19/2018)

Reviewed By: Steven P. Rich, Baylor University

Topic: Crude Oil

Summary: Venezuela's oil output is collapsing at an accelerating pace, deepening an economic and humanitarian crisis and increasing the chances the country will default on its debts. Crude oil production fell 12% in December from the month before, according to government figures released Thursday. Over all of 2017, output was down 29%, among the steepest national declines in recent history, driven by mismanagement and under investment at the state oil company, say industry observers and oilmen. The drop is deeper than that experienced by Iraq after the 2003 war there—when the amount of crude pumped fell 23%—or by Russia during the collapse of the Soviet Union, according to data from the Organization of the Petroleum Exporting Countries.

Classroom Application: The article can be used to discuss Venezuela's falling oil production, what the country needs to do to turn things around, and whether this will happen.

Questions:

1. How much did Venezuela's oil production fall in December? How about for all of 2017?
2. What factors have contributed to this drop?
3. What are the implications of the drop?
4. What does Venezuela need to do to turn things around?
5. Do you think Venezuela will take these steps? Why or why not?

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Ebay Earnings: What to Watch



Reporter: Laura Stevens (1/31/18)

Reviewed By: Bruce Barringer, Oklahoma State University

Topics: Firm Performance

Summary: Ebay is improving along a number of metrics. Analysts expect fourth-quarter to be up, along with yearly revenue. Revenue of \$2.61 billion is forecast by the analysts, compared with \$2.395 billion the year before. The question now is whether Ebay can keep the positive momentum up. Analysts are expecting roughly two years of initiatives aimed at improving aspects on the site including search and item groupings. Ebay has also added price-match and three-day delivery guarantees.

Classroom Application: Ebay is a company that was once an Internet darling, but doesn't currently come up often in discussions of leading tech or Internet firms. Ask your students to share their impressions of eBay, and whether they use the service. Talk about how positive financial numbers provides momentum for a firm. Speculate on Ebay's future prospects.

Questions:

1. To what extent do you see Ebay as a "top" tech firm? Is Ebay still relevant, at least in your world?
2. Have you ever purchased an item via Ebay? If so, briefly share your experience.
3. Why do you think Ebay's financials are improving? Who is Ebay's core audience and why does it core audience utilize Ebay's services?

Tyson Takes Stake in Cultured Meat Startup



Reporter: Jacob Bunge (1/29/18)

Reviewed By: Bruce Barringer, Oklahoma State University

Topics: Corporate Venture Capital

Summary: Tyson Foods have invested in a startup that grows meat from animal cells, a bet on alternatives to chicken farms and cattle feedlots. Tyson's bet was on Memphis Meats, a company developing technology to produce meat using cell-cultured technology. Memphis has produced a beef meatball and a chicken strip so far, though it said it will be some time before its products are available in stores and restaurants. Tyson, the top U.S. meat producer by sales, also purchased a stake in plant-based burger maker Beyond Meat in 2016. Memphis Meats, Beyond Meat and similar companies tout the technologies they are developing as a cheaper and more environmentally friendly way to produce meat for a growing global population.

Classroom Application: Urge your students to spend time studying Memphis Meat's Web site, and learn as much as the can about what the company is doing. Discuss the potential for companies like Memphis Meat and Beyond Meat. Also, talk about Tyson's rationale for investing in these companies. Will Tyson potentially disrupt itself if one of these companies takes off?

Questions:

1. Spend some time looking at Memphis Meat's Web site. What do you think? On a scale of 1-10 (10 is high), how much potential do you think Memphis Meats has?
2. Why would Tyson invest in Memphis Meats? If the company takes off, wouldn't Tyson be disrupting itself? Is disrupting oneself a good thing or a bad thing?
3. Would you buy Memphis Meat's products if they were available? Why or why not?

Chinese Firm Found Guilty of Stealing Wind Technology From U.S. Supplier



Reporter: Erin Ailworth (1/25/18)

Reviewed By: Bruce Barringer, Oklahoma State University

Topics: Intellectual Property

Summary: A U.S. federal judge found a Chinese wind-turbine maker guilty of stealing technology from a former U.S. supplier, in what was viewed as a test case for looming intellectual property battles between the two countries. The allegation was that Sinovent Wind Group stole trade secrets from American Superconductor, a U.S. based company. Sinovent executives convinced a disgruntled American Superconductor employee to provide them American Superconductor trade secrets in exchange for money, prosecutors alleged. The employee pleaded guilty before an Austrian court in late 2011 and served time in prison. Sinovent denied the allegations. After an 11-day trial in Wisconsin, a jury convicted Sinovent on all counts. The verdict comes amid trade tensions between the U.S. and China. The Trump administration is taking a harder line on intellectual-property theft by China.

Classroom Application: Discuss the importance of intellectual property with you students, and why companies are so protective of the intellectual property they own. Consider asking your students to do additional research on the case referenced above, and why it was such an important test case for U.S. Chinese intellectual property disputes.

Questions:

1. What does the term “intellectual property” mean?
2. Why are companies protective of the intellectual property they own?
3. In terms of the stakes involved, on a scale of 1-10 (10 is high), how important do you think it is that American firms aggressively protect against intellectual property theft by foreign entities?

Activision's Early eSports Payoff



Reporter: Dan Gallagher (1/24/18)

Reviewed By: Bruce Barringer, Oklahoma State University

Topics: New Product Introduction

Summary: Activision is launching an e-sports league based on its popular “Overwatch” game. The Overwatch league kicked off earlier this month. At the same time, investors have bid up Activision’s stock substantially. Anticipation for e-sports clearly contributed to the raise. One analyst has estimated that The Overwatch League could add as much as \$720 million to Activision’s revenue. The premise of e-sports is that people will watch other people play videogames. Some see that as a stretch, but Amazon.com plunked down \$970 million nearly three years ago to buy Twitch, a network that serves up lived videogames for spectators, and the phenomenon seems to have legs. About 191 million people worldwide watched an e-sports competition at least once a month last year. That number is up 59% in just two years. E-sports have long been popular in countries like China and South Korea.

Classroom Application: Ask your students to speculate on whether e-sports will be successful in the United States. Talk about the steps that Activision will have to take to spread the word about e-sports and to get people to its competitions. Ask your students if they would enjoy participating in e-sports, as a competitor and/or a viewer.

Questions:

1. What opportunities are there for entrepreneurs to participate in building the e-sports industry?
2. Would you enjoy participating in e-sports, as either a competitor of a viewer?
3. Are you a believer or a skeptic in whether e-sports will catch on in the United States? Defend your answer.

Alibaba, Foxconn Invest in Chinese Electric-Vehicle Maker



Reporter: Liza Lin (1/29/18)

Reviewed By: Bruce Barringer, Oklahoma State University

Topics: Venture Capital

Summary: A group of Chinese tech heavyweights have invested \$348 million in Xiaopeng Motors, a Chinese electric-vehicle manufacturer. Other investors have put \$1.8 billion into NiO and WH Motors, two additional Chinese electric-car companies. Some of the investors, such as Alibaba (a Chinese e-commerce giant) and Tencent (a Chinese Internet giant), want to see their technology incorporated into cars as autonomous vehicles edge into the marketing, giving them captive audiences for online gaming, streaming video, internet shopping and social media. One of the lead investors in Xiapeng Motors is Foxcom, which is based in Taiwan and is best known for manufacturing Apple iPhones.

Classroom Application: This article provides an opportunity to talk about world-wide interest in both electric-cars and autonomous vehicles. Discuss with your students increasing interest in both innovations, and how the car industry, and the way people travel, is likely to change in the next 5 years, 10 years and beyond. Also, discuss the motivation of the investors who are putting money into Xiaopeng Motors.

Questions:

1. Who do you think has the led in terms of developing electric cars and autonomous vehicles-the U.S., China or another company? Does it make a difference?
2. How do you think you'll travel from Point A to Point B 5 years from now, 10 years from now, and 20 years from now? How confident are you in your predictions? Do you see the future of transportation as exciting or scary?
3. Is Tesla Motors hurt or helped by other auto companies manufacturing electric cars?

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Meet Your New Boss: An Algorithm



Reporter: Sam Schechner (12/11/17, print page B1)

Reviewed By: Bradley Miller, University of Houston - Bauer College of Business

Topics: Automation, Continuous Improvement, Technology

Summary: Companies are using artificial intelligence and other elements of the work-on-demand business model to automate workforce management tasks.

Classroom Application: Students will explore the advantages and disadvantages of developing and purchasing specialized production equipment.

Questions:

1. How can a manufacturer or service decide that it is time to invest in new equipment or technology? What are the challenges to implementing new technology?
2. How is automation changing human work? How is automation being used in management of businesses? What additional challenges is this automation presenting?
3. Is the purchase of technology the same as a continuous improvement effort? How are they different? How are they the same?
4. The article describes how technology is designed to improve productivity. Describe a technology that is currently used at your company that was designed to increase productivity or replace workers. Do you use fewer workers by using this technology? Is the technology improving productivity? Could you obtain the same results using a manual system? What are the advantages and disadvantages to keeping this technology in place?
5. The article provides an opportunity to discuss the differences between technology purchases and continuous improvement. Does your company have a continuous improvement program? How do you determine when to purchase technology and when to improve the process? How could you strengthen your continuous improvement program to reduce the frequency with which you need to purchase new technology?

Fujifilm Sets Focus on Deal-Making After Surviving Fall of Film



Reporters: Mayumi Negishi and David Benoit (1/11/18, print page B1)

Reviewed By: Mark Lehrer, Suffolk University

Topics: Diversification

Summary: Once known mainly for photographic film and its global battle against Eastman Kodak, Fujifilm today generates most of its more than \$20 billion in annual revenue from products other than film. It has branched out into medical equipment, such as mammography machines, as well as cosmetics and electronic materials. Even in photography, Fujifilm focuses not on film but on hardware, such as high-end digital mirrorless cameras and its analog Instax instant camera, popular at weddings and birthday parties. Its printer and copier business faces long-term decline and yet continues to deliver significant profit.

Classroom Application: The pedagogical focus should be on diversification as a way of dealing with major industry disruption. In other words, the way to use this article in class is not to focus on the comparison with Xerox (the focus of the story) but on the contrast with Eastman Kodak, which rather than diversify tried to master the transition to digital photography and ultimately failed.

Questions:

1. In which industry did Fujifilm get its start? Who was its main competitor? Why is this main competitor no longer around?
2. Why is Fujifilm still around and thriving? How did Fujifilm survive the shock to its original business? How did Fujifilm end up in the same business as Xerox?
3. Why is Fujifilm prospering more than Xerox now? Why is Fujifilm now looking at a possible takeover of Xerox? Why would the combination make sense?
4. When Fujifilm started a joint venture with Xerox more than 55 years ago, the Japanese company was in the shadow of its famous US partner. How might one best explain the long-term reversal of positions?

Inside Amazon's Quest for Global Domination



Reporter: Karan Deep Singh (1/12/18, print page B12)

Reviewed By: Mark Lehrer, Suffolk University

Topics: Global Strategy

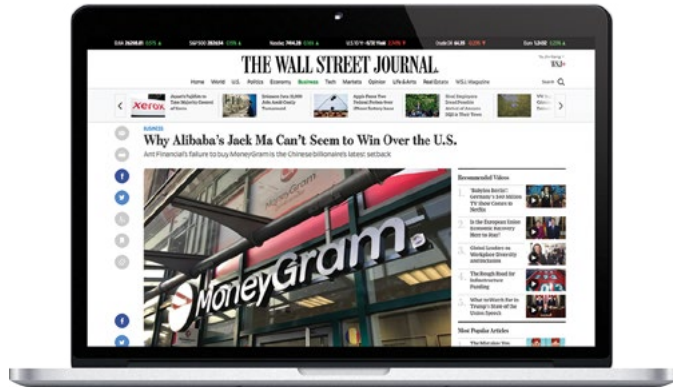
Summary: This article consists mainly of a video about the international expansion of Amazon. As explained in the video, Amazon has been extremely successful in countries like India but has made very little progress in countries like China despite over a decade of effort. Although Amazon has been very successful in the United States and is still growing, Amazon's success overseas has been mixed. The main factor explaining differential international success in the video is related to the intensity of foreign competition.

Classroom Application: The video is ideal as an introduction to the topic of internationalization. Since Amazon already has a 40% share of the online retail market in the US, as mentioned in the video, its main opportunity to increase overall growth lies in expanding abroad.

Questions:

1. What does the video tell us about Amazon's market position in the US? What share of the online market does Amazon have? How great is its further growth potential in the US?
2. How well has Amazon done in China, according to the video? Which factors explain its comparative level of success in China?
3. How well has Amazon done in India, in contrast? Which factors best explain its comparative level of success in India?
4. Overall, which factors (based on the video) seem best to explain why Amazon is more successful in some countries than in others? What do we learn from the Amazon case about internationalization, overall?

Why Alibaba's Jack Ma Can't Seem to Win Over the U.S.



Reporters: Liza Lin and Chuin-Wei Yap (1/3/18)

Reviewed By: Mark Lehrer, Suffolk University

Topics: International Business

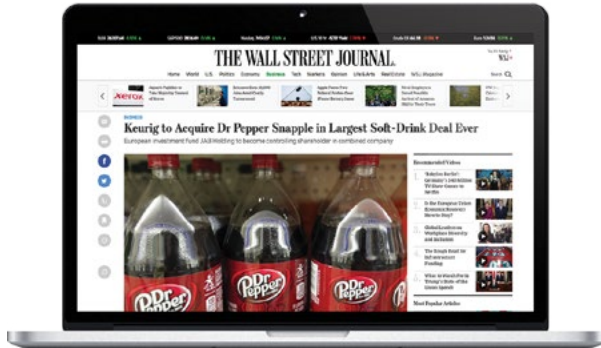
Summary: Jack Ma's Ant Financial Services Group failed bid to acquire US-based MoneyGram after three rounds of reviews by a US national-security panel. It was the latest in a string of setbacks for the Chinese billionaire, who has long sought to establish beachheads in America. Ma created Ant Financial after carving out a payments business from his e-commerce giant Alibaba.

Classroom Application: In IB terms, this is a case of the classic Liability of Foreignness, accentuated by protective Chinese trade policies in high tech. It is not surprising that Jack Ma would like to expand into the US: Ant Financial Services has become one of China's largest privately owned financial institutions, servicing hundreds of millions of Chinese citizens who use its payments network Alipay for everything from daily purchases to investing in mutual funds.

Questions:

1. Who is Jack Ma? How did he become China's leading Internet tycoon? Why and how did he become such a big player in cashless transactions?
2. Why did Jack Ma set his sights on the US market? Why was it important for him to establish a beachhead in North America?
3. What specific types of entry barriers did he face in the US? What kind of regulatory obstacle course was set up for Chinese companies like his?
4. At the end of the day, why were the barriers insuperable? Why did US authorities not allow Jack Ma to enter the US market? Do you think this is a temporary or a permanent setback? Justify your answer!

Keurig to Acquire Dr Pepper Snapple in Largest Soft-Drink Deal Ever



Reporters: Cara Lombardo and Zeke Turner (1/30/18)

Reviewed By: Mark Lehrer, Suffolk University

Topics: Mergers

Summary: The maker of Keurig coffee machines is taking over Dr Pepper Snapple. “To continue to prosper as a company within this space, you need to be able to offer multiple beverage formats, multiple beverage brands and to be able to deliver those brands across platforms,” said Bob Gamgort, who is Keurig’s chief executive and will run the combined company. The merger is being engineered by JAB, a privately held fund that manages the money of the Reimann family, one of Germany’s wealthiest.

Classroom Application: One famous strategy is to be #1 or #2. Dr Pepper Snapple is still dwarfed by the biggest beverage players, Coca-Cola and PepsiCo. But this merger, in a series of several acquisitions destined to continue (timeline included), may eventually make the combined company #2 in the nonalcoholic drinks space. Analyst Caroline Levy expects the new company’s distribution capabilities and combination of hot and cold offerings to give it a competitive advantage. “It’s always been a two-horse race with Coke and Pepsi,” she said. “I wouldn’t be surprised to see this entity pull ahead of Pepsi in the beverage business.”

Questions:

1. Just where are the synergies between Keurig and Dr Pepper Snapple? What does the CEO of the prospective combined company say? What kinds of synergies are these?
2. How would you define the strategy behind the merger of Keurig and Dr Pepper Snapple? For example, how will the prospective combined company have a competitive advantage?
3. Both Keurig and Dr Pepper Snapple have lost a certain momentum. Is this a merger of losers, to overstate the case? Why or why not? When does it make sense to combine two struggling companies?
4. Finally, is a merger really the best way to integrate? To what extent would a simple strategic alliance have been better? Justify your answer!

The Wall Street Journal Instructor Guide

An Overview for Marketing Professors
Spring 2018

About The Wall Street Journal's Instructor Guide

We developed this guide to help you maximize The Wall Street Journal as a resource for your classes. You'll be able to energize discussions and engage students with tangible examples of course concepts that your students can apply in the real world. In addition, with the help of faculty partners, we've curated a special collection of our most popular and thought-provoking articles across marketing. For each of these readings, we provide a summary, correlation to course topics, classroom applications and questions suitable for launching discussions and conducting assessments.

Here are some of the many ways to incorporate WSJ into your courses:

- **Course Readings:** Assign articles as required reading alongside your textbook sections. For best results, include assessment questions on quizzes and exams.
- **Discussion Launchers:** Use articles to spur classroom and threaded discussions in online and hybrid courses on core concepts and current events.
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- **Group Projects:** WSJ is a rich source of real-world topics for group research and presentation projects.
- **Research Papers and Case Studies:** WSJ features provide timely citations for research projects.

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The Cashless Society Has Arrived — Only It's in China



Reporter: Alyssa Abkowitz (1/4/18, print page A1)

Reviewed By: Brian Tietje, Cal Poly, San Luis Obispo

Topics: Consumer Adoption, Consumer Behavior, Financial Services Marketing

Summary: Mobile payments have surged to some \$9 trillion a year, way ahead of the U.S., changing how people shop, borrow-and even panhandle. The growth foretells a future where tech firms like Alibaba and Tencent drive innovation in finance.

Classroom Application: I think there are two different lenses or perspectives you could consider for use in your class. The first lens is from the perspective of consumer adoption, or diffusion of innovation, and can challenge your students to articulate the strategies that Alibaba and Tencent used to get Chinese consumers to adopt their mobile payment systems. The second lens is from a consumer behavior perspective, and can challenge your students to consider how the consumer experience is different in a mobile payment environment from a traditional cash-based or credit card-based payment environment. You could choose either, or both, perspectives!

Questions:

1. What metrics indicate how prevalent mobile payment is in China compared to other countries like the U.S.?
2. What are the primary consumer concerns or objections that you think mobile payment service providers need to overcome in trying to gain consumer adoption?
3. List and briefly describe at least three strategies that either Alibaba or Tencent used to get Chinese consumers to adopt their respective mobile payment systems.
4. What advantages do mobile payment service providers gain in terms of consumer insights?
5. Why do you think consumer adoption of mobile payment services has been far more prevalent in China compared to the U.S.?

Lego Clicks With China's Tencent to Develop Online Games



Reporter: Saabira Chaudhuri (01/16/18, print page B4)

Reviewed By: Brian Tietje, Cal Poly, San Luis Obispo

Topics: Consumer Behavior, Market Growth Strategies, Marketing Research

Summary: Lego is joining forces with Chinese internet giant Tencent to jointly develop online games for children in China, the latest move by the Danish toy maker to increase its focus on digital content.

Classroom Application: One way to use this article is to ask students to articulate the types of marketing research that they would recommend to Lego to help the company better understand how children 'play' these days, and how Lego's products might appeal to children. Another idea is to ask students to describe in more detail than what the article provides how Lego might leverage its partnership with Tencent to gain greater market share in China. This will require students to understand how WeChat works and its functionality so that they can envision how WeChat and other Tencent platforms might enable Lego to engage students more extensively in China.

Questions:

1. What products and services does Tencent offer?
2. For what reasons do you think Lego is interested in a partnership with Tencent? (mention at least two).
3. For what reasons do you think Tencent is interested in a partnership with Lego? (mention at least two).
4. Describe a marketing research strategy that you think Lego should implement to better understand children and how they play.
5. Provide a specific example of how you could envision Lego leveraging its partnership with Tencent to promote greater use of its products in China.

ESPN's New Pitch to Advertisers: 'We Reach Women'



Reporter: Alexandra Bruell (01/09/18, print page B6)

Reviewed By: Brian Tietje, Cal Poly, San Luis Obispo

Topics: Advertising, Media, Targeting

Summary: In the past, advertisers generally turned to sports TV to reach male audiences. But increasingly—with prodding from networks like ESPN—they’re taking a broader view. The timing couldn’t be better. Advertisers are looking for new ways to reach women, and more efficiently reach broader audiences, as consumer viewing habits change.

Classroom Application: This article provides excellent background to help your students understand a crucial point about media - if the underlying business model of a media organization hinges on advertising revenue, then the primary goal of media and content is to attract an audience. In this case, ESPN is discovering how to better attract a female audience to its programming, and it is redesigning its marketing pitches to advertisers as a result. Whenever I cover topics like this, I make sure that my students understand the underlying business model in media, by having them graphically ‘follow the money’ from consumers to advertisers to media companies to content providers. That way, students understand why ESPN is trying to sell a story to advertisers about how it reaches a female viewing audience.

Questions:

1. In your own words, summarize the central premise of this article.
2. What factors do you think are contributing to live sports content becoming a bigger factor in attracting a female audience?
3. What strategies is ESPN implementing to compel advertisers to purchase ad space during its live sports programming?
4. What strategies are advertisers themselves implementing to better appeal to a female audience?
5. What role does Nielsen play in this particular issue? Why is the ‘out of home’ audience measurement issue so important here?

Sam's Club, Your Store for Premium Goods and Rare Imports (in China)



Reporter: Wayne Ma (12/08/17, print page B1)

Reviewed By: Brian Tietje, Cal Poly, San Luis Obispo

Topics: Branding, International Marketing, Retailing

Summary: Wal-Mart Stores Inc.'s Sam's Club warehouse stores are a hit with mothers in China seeking high-quality imported products—even as the chain has struggled in the U.S. to shed a budget-minded image. (Related article) Wal-Mart Stores will shorten its legal name to Walmart, highlighting the company's shift from traditional stores toward competing online with Amazon.

Classroom Application: I think the success of Sam's Club in China and its ability to attract high-end consumers to a greater degree than in the U.S. is primarily a branding and positioning issue, so this serves as an excellent illustration of how a brand's positioning impacts its business success. To convey this through a learning activity, you could ask students to create two perceptual maps - one depicting how Sam's Club is positioned in consumers' minds in the U.S. and one depicting how Sam's Club is positioned in consumers' minds in China, with some narrative explanation and a description of the implications.

Questions:

1. Describe the core customer for Sam's Club in China. How different is that core customer from the typical Sam's Club customer in the U.S.?
2. For what reasons has Sam's Club in China been able to attract a different core customer than in the U.S.? What are the business implications of this differences?
3. How are the differences between Sam's Club customers in China vs. the U.S. related to branding?
4. Describe one strategy that Sam's Club in the U.S. might try to attract more of the type of shopper that its China stores attract.
5. Why has Wal-Mart officially changed the name of its business? What broader trend does this reflect?

Price War Pressures Consumer-Goods Giants



Reporter: Sharon Terlep

Reviewed By: Brian Tietje, Cal Poly, San Luis Obispo

Topics: Consumer Behavior, External Marketing Environment, Pricing, Pricing Strategy

Summary: Household goods from diapers to toilet paper to razors are getting cheaper, but what is a boon for shoppers is squeezing profits at the world's biggest consumer-goods companies. (Related article) Procter & Gamble and Kimberly-Clark are under pressure to invest in expansion.

Classroom Application: After reading both of these articles, I think it would be useful for your students to summarize the key points from this coverage to describe the challenge that consumer-goods companies are facing. It really boils down to factors that are (a) increasing costs, and (b) holding down revenues. Some of these factors relate to consumers, themselves, and other factors relate more to the external marketing environment, such as the higher costs of ingredients and raw materials. Once you are confident that students really understand the pressure on margins that these companies face, then you can challenge them to suggest the strategies that these companies should pursue, and which they should avoid.

Questions:

1. What are the factors causing the profits of consumer-goods companies to be 'squeezed'?
2. Describe and critically evaluate P&G's intended strategy to combat the downward price pressure on its products.
3. What consumer behavior trends are impacting the profitability of consumer-goods companies?
4. What are the potential career implications, good or bad, for someone seeking a career in the consumer-goods industry?

