CASE[1] 6

UNIVERSAL TELEPHONE AND TELEGRAPH
Assessing a Market Research Proposal

On Wednesday afternoon Mr. Harold Lepage, Marketing Manager of Universal Telephone and Telegraph, was reading through a "Proposal to Assess the Possible Impact of the Certified System on UT&T's Marketing of Residential Telephones," submitted by Datamagics Research Associates, a Toronto-based market research firm. Mr. Lepage knew Datamagics to be a reliable, competent firm.

He had invited Datamagics to submit this proposal following the government's decision to force upon all the telephone companies the so-called "certified" system. In effect, this system meant that his company would have to allow customers to hook up equipment manufactured by anyone. Now he faced the problem of whether some market research would have to be done and, if so, whether this particular proposal would generate the information that UT&T needed. Mr. Lepage leafed through the proposal, idly wondering if it was really worthwhile to attempt to collect any such data. He had seen far too many instances of such data misleading managers rather than informing them, because of incomplete research designs or improper sampling techniques. Then he decided to ask John Ames, a staff researcher, for an opinion. He called John and explained the situation.

"Sure," John said. "I'll look it over. Can you give me about a week?"

"Yes, O.K. -- I'll look for a report from you next week."

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1 Adapted from the original UT&T case written by Professors Douglas Tigert, Babson College, Wellesley, Massachusetts, and George H. Haines Jr., School of Business, Carleton University. Used with permission. All characters and incidents described in this case are disguised or fictional.

After he had hung up the phone, Mr. Ames called over Ms. Harriet Fendrick, a newly-hired B. Comm. who had been assigned to his office. He explained the situation to her. Then he asked her to get the proposal and prepare a report for him to give to Mr. Lepage next week.

**A PROPOSAL TO
ASSESS THE POSSIBLE IMPACT OF THE CERTIFIED SYSTEM
ON UT&T'S MARKETING OF RESIDENTIAL TELEPHONES**

by

Datamagics Research Associates, Inc.
November, 1982

for

Universal Telephone & Telegraph Company
Attention: Mr. Harold Lepage, Marketing Manager

Background

Over the years, UT&T has not only provided technically improved telephone sets, but also sets that are functionally and visually appealing. For the residential market, three basic sets are provided: desk sets model (500), Trimline, and Princess decorator sets. For the latter models, extra charges are made to cover development, inventory, and handling costs.

Other types of decorator sets are also made available by certain independent telephone companies. In addition, antique reproductions (from non-company sources) are offered through various retail outlets. UT&T provides installation service for non-company sets and, where necessary, modifies them to meet its standards. However, for the most part, individual customers hook up such sets illegally and deprive the company of service charges. With such illegal installations, customers run the risk of poor transmission and service problems. Present studies indicate that the incidence of antique phone installation is about two per cent of all households served.

With the advent of the certified system, UT&T is likely to lose some of the control it presently exercises over the ownership, use, and installation of telephone sets in homes. In time, this could represent a considerable reduction in the company's revenue. In view of this, UT&T wishes to assess what impact the certified system will have on its future business. The present distribution of the three basic sets by number of telephones for households is shown in the following matrix:

Exhibit 6-1

DISTRIBUTION OF TELEPHONE SETS*

Households (100's)	% of Total Households	Sets per Household	500	Princess	Trimline	Total (100's)
27,428	58	1	24,045	1,250	2,131	27,426
16,477	35	2	25,773	3,828	3,353	32,954
2,692	06	3	5,988	1,171	1,727	8,886
680	01	4+	1,994	392	508	2,894
47,547	100	-	57,800	6,641	7,719	72,160

* Source: Universal Telephone and Telegraph

UT&T's Market Planning Objective

To develop strategies for future market conditions, UT&T requires a realistic projection of possible set loss resulting from the adoption of the certified system over time. Specifically, marketing management needs to know how the above matrix will change within three periods of time (T1, one year after adoption; T2, three years; and T3, five years)

Research Implications

In order to meet the market planning objectives, totally new and hitherto unavailable data will need to be generated through comprehensive research in the residential market. Preliminary findings from qualitative research (group interviews among residential subscribers) by UT&T's marketing group indicate that the appeal of Princess and Trimline sets centres on their decorator value, and that a considerable measure of reluctance toward acquiring sets from non-company sources exists. The attitude toward the latter is understandably less pronounced among multiple-set households,where a failure in a set does not really impair communication. Moreover, the interest in such ownership appears to be relatively low, although when given the right stimulus, it tends to increase.

While such findings regarding set ownership may be current today, there is no assurance of their remaining so. Indeed, one must hypothesize that when the certified system goes into effect, new styles, accompanied by strong promotional activity, will appear on the market. All of this is likely to heighten the awareness of the availability of the decorator sets and increase the appeal of their use. Possible economies resulting from set ownership are likely to add further weight in increasing its desirability.

In order to assess the growth potential for decorator sets, in view of a certified system where a proliferation of styles must be hypothesized, it will be necessary to expose respondents to a wider variety of decorator concepts than are presently on the market, and to elicit their reactions (i.e. inclination to acquire) to such sets. To this end, UT&T may already have designs suitable for such research. It is recommended here that new and existing design ideas be subjected to consumer evaluations in various use locations. For example, Princess-type phones today are used essentially in bedrooms. It can be hypothesized that a decorator set as compact as the Princess phone, but styled to conform more closely with period furniture in vogue today, such as Mediterranean, French Provincial, Oriental, Regency, etc., might have an even wider appeal than the Princess phone; the availability of such new sets would expand the market for decorator phones.

Preparatory, therefore, to this consumer research would be an analysis of decorator trends in home furnishings, to arrive at set design concepts that go beyond those presently available. Such an analysis may include eliciting insights from leading home decorators, editors of shelter magazines, and even home furnishings buyers in leading department stores.

The outcome of such a style trend analysis would be specifications for new and viable design concepts. DRA is prepared to undertake such a study and, if desired or needed, to carry it through the execution phase for the development of test illustrations required for market testing. All such drawings should be uniform in drawing techniques, so that no bias in rendition can be present. In all, ten to twelve such concepts ranging from avant-garde to antique sets are envisioned at this time.

Inasmuch as the research will, by necessity, have to deal with future (possible intent) customers' purchase inclinations and behaviour, under market conditions not yet realized, projections should not merely be based on respondents' statements of intentions, but on more reliable indices, namely, psychographic dimensions (e.g. innovativeness or venturesomeness of target groups). The rationale here is that, since many telephone subscribers already have Princess and Trimline sets, it is possible to determine how their psychographic profile differs from those who do not have such phones and who reject the idea of set ownership. It will then be possible to determine the incidence of people who do not have decorator sets, but who have the same or similar psychographic characteristics and who can, therefore, be considered vulnerable and, as such, potential owners of decorator sets.

Informational Research Objectives

The questions that follow exemplify the kinds of insights and information the study proposed here would provide. They are not meant to be exhaustive.

1. In what way(s) do users of regular, Trimline, or Princess sets differ from each other, and how do they differ from users or potential users of antique telephones (old wall style, or old desk style)?

2. How do the above user groups react to new decorator concepts (traditional and modern)? Are potential users of such new concepts similar to users of Trimline or Princess sets? (If so, a substitution effect would dominate with small effect on sales. If not, potential users of new decorator concepts would be found in the segment of regular set users, with potentially explosive effects on sales. However, the potential for additional Princess and Trimline sets would be reduced.)

3. In what way(s), if any, do early adopters of Trimline and Princess sets (innovators) differ from those following them into the market? And in what way(s) are such groups similar or dissimilar to those reacting favourably to new decorator concepts?

4. What is the relative size of market segments for new and existing decorator concepts? And what are the user profile characteristics for each segment?

5. What are the likely growth patterns for decorator sets and what would be the potential loss to UT&T resulting from new non-company decorator concepts coming into the market over time?

6. What are the alternative strategies available to UT&T to counteract potential new competition?

7. What is the attitude of residential users towards acquisition of decorator sets? How do their attitudes change when economic implications are considered?

8. To what extent are residential users aware of potential service problems arising from sets not made or supplied by UT&T? How do users' attitudes change when the service implications of such ownership are brought to their attention?

9. What are the predominant use locations for the various decorator sets now available? What would be the acceptance of

new decorator concepts (e.g., period sets, such as Colonial or French Provincial) under the following assumptions:

(a) Free installation and monthly service charge equivalent to current Princess/Trimline charge;

(b) Installation charge to cover manufacturing costs plus some service charge as in (a);

(c) Same as (b) but lower monthly service charge?

General Study Approach

Below is a summary of the proposed approach to this study.

1. General Design

The research plan can be logically divided into three phases. Phase I will include orientation and overall planning, questionnaire development, visual aid development, field training and sample specification, pilot testing, and development of a growth model (from historic company data on Princess and Trimline sets). Phase II will consist of field data collection, editing, coding, and keypunching. Phase III will include computer setup and data runs, analysis, and presentation of findings (orally and in writing).

2. Sample Considerations

We propose to use Runnen Research, of Winnipeg, to conduct the fieldwork. They are experienced in this type of research and we have worked with them before, with very satisfactory results. Runnen Research has reliable interviewers available in 35 Canadian cities, from which DRA will select 30 sampling points as most representative of the Canadian population. It is possible to increase the number of sampling points and to use a complicated set of weights for national projection in order to reach an "ideal" sampling design, but this would raise research costs (by 30-40%) unnecessarily, in our opinion.

3. Outline of Research Plan

Phase I. Phase I will involve two days spent in-house at UT&T to review the marketing problem, reach a complete understanding of research needs, and obtain all necessary background information. The net sample quotas will be as follows:

Number of Phones	Phone Type model 500	Princess	Trimline	TOTAL
One	200	200	200	600
Two	200	200	200	600
Three	200	200	200	600
TOTAL	600	600	600	1,800

NOTE: "Net sample" of 200 per cell requires an original sample of 300 per cell. We assume 250 of every 300 respondents will agree to fill out a self-administered questionnaire, and 200 of those questionnaires will be usable. The sample breaks down to about seven respondents per cell per city.

It is possible to interview females only, males only, or both. The rationale behind the first option, which we recommend, is that males may be decision-makers on when to buy a new phone or how many to have, but that females are decision-makers on style and location of phone. Surveying 1800 males and 1800 females (perhaps best approach) involves much higher research costs. Splitting the sample (900 each) could reduce data reliability if male/female preferences differ sharply from one another.

There will be two questionnaires. The In-Home Questionnaire, conducted in person following pre-screening calls to secure respondent suitability and cooperation, will collect information on present phone types, furniture styles, appliance ownership, demographics, and reactions to new and exciting decorator concepts and to alternative service and pricing options. The Lifestyle Questionnaire, to be left behind for self-completion by the respondents (and collected later), will include 150 generalized lifestyle questions, 20-30 product-specific lifestyle questions (e.g. phone use, role of phone in the home), and questions on media exposure patterns and social/leisure activities. The questionnaires will be pilot-tested at 30 pre-selected households, and redesigned if necessary.

Analysis of secondary company data (historical data on sales growth and other characteristics for present Trimline, Princess, and regular phones) will be carried out concurrently with Phase I.

Phase II. For the fieldwork, potential respondents will be pre-screened by telephone. In-home interviews will last 30-45 minutes. Lifestyle interviews will be mailed back to local interviewer by the respondent after completion. All editing, coding, and keypunching will be done at Runnen Research in Winnipeg, under detailed written instructions from Datamagics.

Phase III. Data analysis will include frequency distributions, cross-tabulations, factor analysis, multiple discriminant analysis, and classification and description of segments. We estimate to produce at least 7,000 tables plus factor and discriminant analysis.

Time and Cost

The project can be completed within 28 weeks following your authorization. The total cost will be $164,200 (Phase I, $25,350; Phase II, $98,000; Phase III, $40,850).

Cost/Benefit Analysis

1. Assuming that revenue from households with Princess or Trimline phones averages $1.50 per month, that the age of the average household head in Canada is 35, and that the phone is kept to age 65, then the payment stream is $18.00 per year per set for 30 years.
2. The present value at 8 percent of the cost of capital on a household basis is $200.00. Therefore, the present value of 1 per cent of the total Canadian market (50,000 households) times $200 equals $1,000,000.
3. Assuming the probability of research preventing a 1 per cent market loss is 0.2, then the expected benefit of research is 0.2 times $1,000,000, or $200,000.
4. Therefore, the cost-benefit ratio equals $200,000/ $164,000, or a ratio of 1 to 0.8.

Conclusion

It goes without saying that DRA will treat all information obtained or generated as confidential, and that we will keep you fully informed on progress as the work unfolds. We are looking forward to working with you on this important assignment.

Joseph Ferguson,
President, DRA Inc.

Questions

1. Assess DRA's proposal. Will it generally meet UT&T's information requirements? Are there any missing elements from the proposal? From the research itself? What improvements can be made?

2. Identify strengths and weaknesses specifically in relation to (a) the overall conceptualization, (b) the questionnaires, (c) the sample design, and (d) the approach to the fieldwork, of the proposal.

3. Describe the results UT&T would expect to obtain from this research, and how it might use them.

Source: Aaker, Kumar, and Day (2007) Market Research. pp. 72–75
9th Ed. John Wiley & Sons.

CASE 3-2
Sperry/MacLennan Architects and Planners

In August 1988 Mitch Brooks, a junior partner and director of Sperry/MacLennan (S/M), a Dartmouth, Nova Scotia, architectural practice specializing in recreational facilities, is in the process of developing a plan to export his company's services. He intends to present the plan to the other directors at their meeting the first week of October. The regional market for architectural services is showing some signs of slowing, and S/M realizes that it must seek new markets. As Sheila Sperry, the office manager and one of the directors, said at their last meeting, "You have to go wider than your own backyard. After all, you can only build so many pools in your own backyard."

About the Company

Drew Sperry, one of the two senior partners in Sperry/MacLennan, founded the company in 1972 as a one-man architectural practice. At the end of its first year, the company was incorporated as H. Drew Sperry and Associates; by then Sperry had added three junior architects, a draftsman, and a secretary. One of those architects was John MacLennan, who would later become a senior partner in Sperry/MacLennan.

Throughout the 1970s, the practice grew rapidly as the local economy expanded, even though the market for architectural services was competitive. With the baby-boom generation entering the housing market, more than enough business came its way to enable Sperry to develop a thriving architectural practice, and by 1979 the company had grown to 15 employees and had established branch offices in Charlottetown and Fredericton. These branch offices had been established to provide a local market presence and meet licensing requirements during this aggressive growth period.

But the growth could not last. The early 1980s was not an easy time for the industry, and many architectural firms found themselves unable to stay in business through a very slow period in 1981–1982. The company laid off all but the three remaining partners: Drew, Sheila Sperry, and John MacLennan. However, one draftsman and the secretary refused to leave, working without pay for several months in the belief that the company would win a design competition for an aquatics center in Saint John; their faith in the firm is still appreciated today.

Their persistence and faith was rewarded in 1983. Sperry won the competition for the aquatics facility for the Canada Games to be held in Saint John. Sperry had gained national recognition for its sports facility expertise, and its reputation as a good design firm specializing in sports facilities was secured.

From the beginning, the company found recreational facilities work to be fun and exciting. To quote Sheila Sperry, this type of client "wants you to be innovative and new. It's a dream for an architect because it gives him an opportunity to use all the shapes and colors and natural light. It's a very exciting medium to work in." So they decided to focus their promotional efforts to get more of this type of work and consolidate their "pool designer" image by associating with Creative Aquatics on an exclusive basis in 1984. Creative Aquatics provided aquatics programming and technical operations expertise (materials, systems, water treatment, safety, and so on) to complement the design and planning skills at Sperry.

The construction industry rebounded in 1984; declining interest rates ushered in a mini-building boom, which kept everyone busy for the 1984–1987 period. Mitch Brooks joined the practice in 1987. The decision to add Brooks as a partner, albeit a junior one, stemmed from their compatibility. Brooks was a good production architect, and work under his supervision came in on budget and on time, a factor compatible with the Sperry/MacLennan emphasis on customer service. The company's fee revenue amounted to approximately $1.2 million in the 1987 fiscal year; however, salaries are a major business expense, and profits after taxes (but before employee bonuses) accounted for only 4.5 percent of revenue.

Now it is late August, and with the weather cooling, Mitch Brooks reflects on his newest task, planning for the coming winter's activities. The company's reputation in the Canadian sports facility market is secure. The company has completed or has in construction five sports complexes in the Maritime Provinces and five in Ontario, and three more facilities are in design. The awards have followed, and just this morning, Drew was notified of their latest achievement—the company has won the $10,000 Canadian Architect Grand Award for the Grand River Aquatics and Community Center near Kitchener, Ontario. This award is a particularly prestigious one because it is given by fellow architects in recognition of design excellence. Last week Sheila Sperry received word that the Amherst, N.S., YM-YWCA won the American National Swimming Pool and Spa Gold Medal for pool design against French and Mexican finalists, giving them international recognition. Mitch Brooks is looking forward to his task. The partners anticipate a slight slowdown in late 1988, and economists are predicting a recession for 1989. With 19 employees to keep busy and a competitor on the West Coast, they decided this morning that it is time to consider exporting their hard-won expertise.

The Architecture Industry

Architects are licensed provincially, and these licenses are not readily transferable from province to province. Various levels of reciprocity are in existence. For this reason, joint ventures are not that uncommon in the business. In order to cross provincial boundaries, architecture firms in one province often enter into a joint venture arrangement with a local company.

It is imperative that the architect convince the client that he or she has the necessary experience and capability to undertake the project and to complete it satisfactorily. S/M has found with its large projects that the amount of time spent meeting with the client requires some local presence, although the design need not be done locally.

Architects get business in a number of ways. "Walk-in" business is negligible, and most of S/M's contracts are the result of one of the following five processes:

1. A satisfied client gives a referral.
2. A juried design competition is announced. (S/M has found that these prestigious jobs, even though they offer "runners up" partial compensation, are not worth entering except to win, since costs are too high and the compensation offered other entrants too low. Second place is the same as last place. The Dartmouth Sportsplex and the Saint John Aquatic Center were both design competition wins.)
3. A client publishes a "Call for Proposals" or a "Call for Expressions of Interest" as the start of a formal selection process. (S/M rates these opportunities; unless it has a 75 percent chance of winning the contract, it views the effort as not worth the risk.)
4. A potential client invites a limited number of architectural firms to submit their qualifications as the start of a formal selection process. (S/M has a prepared qualification package that it can customize for a particular client.)
5. S/M hears of a potential building and contacts the client, presenting its qualifications.

The fourth and fifth processes are the most common in buildings done for institutions and large corporations. Since the primary buyers of sports facilities tend to be municipalities or educational institutions, these are the ways S/M acquires a substantial share of its work. Although juried competitions are not that common, the publicity possible from success in landing this work is important to S/M. The company has found that its success in securing a contract is often dependent on the client's criteria and the current state of the local market, with no particular pattern evident for a specific building type.

After the architect signs the contract, there will be a number of meetings with the client as the concept evolves and the drawings and specifications develop.

Therefore, continuing client contact is as much a part of the service sold as the drawings, specifications, and site supervision and, in fact, may be the key factor in repeat business.

Developers in Nova Scotia often are not loyal buyers, changing architects with every major project or two. Despite this, architects are inclined to think the buyer's loyalty is greater than it really is. Therefore, S/M scrutinizes buyers carefully, interested in those that can pay for a premium product. S/M's philosophy is to provide "quality products with quality service for quality clients," and thus produce facilities that will reflect well on the company.

The Opportunity

In 1987, a report entitled "Precision, Planning, and Perseverance: Exporting Architectural Services to the United States" identified eight market niches for Canadian architects in the United States, one of which was educational facilities, in particular post-secondary institutions. This niche, identified by Brooks as most likely to match S/M's capabilities, is controlled by state governments and private organizations. Universities are known not to be particularly loyal to local firms and so present a potential market to be developed. The study reported that "post-secondary institutions require design and management competence, whatever the source" (p. 39). Athletic facilities were identified as a possible niche for architects with mixed-use-facility experience. Finally, the study concluded that "there is an enormous backlog of capital maintenance and new building requirements facing most higher education institutions" (p. 38).

In addition to the above factors, the study indicated others that Brooks felt were important:

1. The United States has 30 percent fewer architectural firms per capita than Canada.
2. The market shares many Canadian values and work practices.
3. The population shift away from the Northeast to the Sunbelt is beginning to reverse.
4. Americans are demanding better buildings.

Although Brooks knows that Canadian firms have always had a good reputation internationally for the quality of their buildings, he is concerned that American firms are well ahead of Canadian ones in their use of CADD (computer-assisted design and drafting) for everything from conceptual design to facility management. S/M, in spite of best intentions, has been unable to get CADD off the ground, but is in the process of applying to the Atlantic Canada Opportunities Agency for financial assistance in switching over to CADD.

Under free trade, architects will be able to engage freely in trade in services. Architects will be able to travel to the United States and set up an architectural practice without having to become qualified under the American Institute of Architects; as long as they are members of their respective provincial associations and have passed provincial licensing exams and apprenticeship requirements, they will be able to travel and work in the United States and import staff as required.

Where to Start?

At a meeting in Halifax in January 1988, the Department of External Affairs had indicated that trade to the United States in architectural services was going to be one positive benefit of the Free Trade Agreement to come into force in January 1989. As a response, S/M has targeted New England for its expansion, because of its geographic proximity to S/M's homebase in the Halifax/Dartmouth area and also because of its population density and similar climatic conditions. However, with all the hype about free trade and the current focus on the United States, Brooks is quite concerned that the company might be overlooking some other very lucrative markets for his company's expertise. As part of his October presentation to the board, he wants to identify and evaluate other possible markets for S/M's services. Other parts of the United States, or the affluent countries of Europe, where recreational facilities are regularly patronized and design is taken seriously, might provide a better export market, given S/M's string of design successes at home and the international recognition afforded by the ~~Amherst facility~~ design award. Brooks feels that designing two sports facilities a year in a new market would be an acceptable goal.

In his search for leads, Brooks notes that the APPA (Association of Physical Plant Administrators of Universities and Colleges) charges $575 for a membership, which provides access to its membership list once a year. But this is only one source of leads. And of course there is the U.S. Department of Commerce, Bureau of the Census, as another source of information for him to tap. He wonders what other sources are possible.

S/M appears to have a very good opportunity in the New England market because of all its small universities and colleges. After a decade of cutbacks on spending, corporate donations and alumni support for U.S. universities has never been so strong, and many campuses have sports facilities that are outdated and have been poorly maintained. But Mitch Brooks is not sure that the New England market is the best. After all, a seminar on exporting that he attended last week indicated that the most geographically close market, or even the most psychically close one, may not be the best choice for long-run profit maximization and/or market share.

Questions for Discussion

1. What types of information will Brooks need to collect before he can even begin to assess the New England market? Develop a series of questions you feel are critical to this assessment.
2. What selection criteria do you believe will be relevant to the assessment of any alternative markets? What preliminary market parameters are relevant to the evaluation of S/M's global options?
3. Assuming that S/M decides on the New England market, what information will be needed to implement an entry strategy?

Source: This case was adapted with permission from a case prepared by Dr. Mary R. Brooks, of Dalhousie University.

Case Study #1: Boomerang Juice Company: A Taste for International Market Research

Thirsty for expansion

Located in Perth, Australia, Boomerang Juice is a small enterprise that specializes in exotic organic fruit juices. It was founded with four employees who were able to capitalize on the local market and grow to 26 employees. Their beverages are marketed successfully within Australia as a high end product, targeted to middle-class, health conscious adults, and are distributed to organic food markets, juice bars and a retail supermarket chain. A majority of the product is dispensed in recyclable, single serve bottles, and the company has recently packaged juice in 1L tetrapack containers for supermarkets. Although Boomerang Juice is a small firm, their in-house research enabled the company to target foreign markets that resulted in business growth. Today, Boomerang Juice employs 95 staff and is looking to further expand their product distribution.

The company CEO and marketing director started participating in food and beverage trade shows to exhibit the range of company products. Throughout 2003 and 2004, company representatives participated in five such events throughout South East Asia and learned that there were very few foreign companies who specialized in organic juice. Company representatives provided samples to trade show participants, and conducted taste tests. Reactions were positive and the appetite for this product appeared, on the surface, to be there.

Squeezing out the details

Back in Perth, the CEO initiated a small international market research project to determine the optimal location for export. The company was not in a financial position to dramatically alter their labeling or packaging, and they needed to identify a suitable local distributor. The CEO had made a number of contacts with potential local distributors at the trade show within Japan, Hong Kong and Singapore. Boomerang Juice determined that its research budget would allow a team of in-house researchers a month to compile and organize the data on a suitable first market. Management decided that it did not have the budget to purchase data reports, hire an outside research firm or conduct extensive taste testing in each of these markets.

The research results yielded promising conclusions for the Boomerang Juice Company. All targeted countries offered some potential. In Singapore and Hong Kong, Australia ranked among the top three exporters of juice while in Japan, the United States supplied 38% of Japan's fruit juices, followed closely by Mexico and Brazil.

The distribution and sales channels for fruit juices in Japan are held by the large manufacturers, and research demonstrated significant hurdles in securing a channel for the short to medium term.

Source: FITT (2008) International Trade Research
5th Ed. Supplemental Resources

Research also revealed that a large part of the sales of beverages comes from vending machines, but because there is already a surplus of these machines, it would be extremely difficult to sell their organic fruit juice through them. Some cultural behavior studies showed that Japanese families tended not to drink juice at breakfast time, but indicated an appetite for low priced organic products. The research team determined that its higher priced product could not be sold competitively in that market. In addition, their limited marketing budget prohibited Boomerang from competing with the American, Brazilian and Mexican companies already established in the Japanese marketplace.

The market potential in Hong Kong was deemed more promising. Regulations for the labeling of pre-packaged foods allowed for English, Chinese or both. Market trends revealed that high end products that rely upon a perception of prestige or quality used English packaging over Chinese. However, Boomerang felt that it required consumer understanding of the product quality and differentiation and did not have the budget to conduct further market research to determine the most suitable Chinese names for their products, or to provide effective product labeling. Research showed that the make-or-break decision would not pertain to labeling, but to the nature of the supermarket trade. There are more than 800 supermarkets in Hong Kong, dominated by two chains, which rarely import food and beverages from overseas, but prefer to purchase from local distributors to save operational costs. The Boomerang Juice Company had weak contacts with Hong Kong distributors and could not identify any immediate potential for partnership within that market.

Could Boomerang soar to new heights?

Early research results signaled that Singapore was the ideal starting point. Its population is concentrated in one city and it has an affluent and health conscious demographic that contains a large number of English speaking ex-patriates. The product was well suited to the market and no significant changes were required to their existing labels. Growth in fruit juice consumption in all categories continues to rise, and today's consumer is more aware of the attributes of pure fruit juice (as opposed to fruit-based beverages that contain a lot of sugar), and are willing to pay the price. Distributors in Singapore not only import juice products for national consumption, but also re-export to neighboring countries such as Malaysia, Brunei and Hong Kong. Boomerang determined that the most cost-effective option to ease into the Singaporean market was to form a partnership with a local distributor. This could have been a serious hurdle for the company, but continued participation in food and beverage showcases in Singapore generated interest with distributors and buyers. After a rigorous selection process, Boomerang chose a small but dynamic distributor they had met at a showcase. They had been established for seven years and were backed by a large logistics company.

The research generated about the Singaporean market, coupled with efforts to establish direct contacts in the market allowed management to abandon their attempts to enter the Hong Kong and Japanese markets for the short term and focus exclusively on Singapore. With its first export sale complete, and a distributor partnership established, the Boomerang Juice Company was able to triple its sales within a year and has long term plans for further expansion into other Asian markets.

Case Study Discussion Questions

1. What general types of market intelligence did the Boomerang Juice Company carry out during the course of their limited budget, in-house research? What general types of market intelligence were not conducted?
2. How did Boomerang use market intelligence to make their decision to partner with the distributor in Singapore?
3. Based on the evidence provided in this case study, did Boomerang's researchers thoroughly investigate the market potential within Singapore?
4. What would you recommend as a next step for the Boomerang Juice Company in terms of market research?

Source:

VALLEY CABLE TELEVISION—C

THE FIRST FIVE YEARS

Valley Cable Television had been providing cable television services to six towns in rural New Brunswick for five years, and the company's president, Don McLaren, and its board of directors were generally pleased with sales and profit levels. To date, approximately 60 percent of homes in Valley Cable's licence area had become cable subscribers. The company had done little advertising in its first

"Bill, we've l
very well for
and more th
penetration l
that in our f
television an
matter what
those who ha
Bill Wright
question that
the type of i

three years of operations, although marketing efforts had been stepped up two years ago, when pay-TV was introduced.

Having now signed up almost 60 percent of homes in the company's licence area, Don McLaren realized that to increase the penetration beyond this level would take considerably more effort than had been needed to sign up the existing subscribers. Since the company first started providing cable services, it had been able to add a number of new channels, including CBS network from the United States and an Atlantic Canada television network (ATV). Also, pay television had come on the Canadian scene within the past two years and, for an additional fee, Valley Cable could now offer its subscribers access to a movie channel, a rock video channel, and an all-sports channel. Only about 10 percent of Valley Cable subscribers had signed up for any of these pay-TV channels in the first 18 months that they were available.

KNOWING THE MARKET

The marketing vice president of Valley Cable, Jack Davidson, realized that the company had achieved its present level of success without ever really finding out very much about its target market or about the people who had subscribed to the Valley Cable service. Although the company had undertaken two marketing research projects, they were not designed to reveal much detailed information about the characteristics of the target audience. Possibly even more important in Mr. Davidson's view was the fact that he knew even less about that 40 percent of area households who had decided not to subscribe to cable television. It was very important to him to know more about this latter group so that appropriate marketing efforts could be developed for the future if Valley Cable was to increase its penetration beyond the present level.

In order to explore the possibility of obtaining the type of information which would help him better develop appropriate marketing strategies to retain present subscribers and to reach new ones, Jack Davidson again contacted Bill Wright, manager of the Halifax office of Atlantic Facts, the marketing research company which had completed the two earlier market studies for Valley Cable. He arranged a meeting for later that week in Mr. Wright's office.

PRESENTING THE PROBLEM

"Bill, we've been in this business for almost five years now and things have gone very well for us. We've got about 60 percent of the homes in our area as subscribers and more than 10 percent of them now have pay-TV as well. But getting the penetration level up to 70 or 80 percent is not going to be as easy. I have a feeling that in our first five years we have signed up those people who watch a lot of television and can afford to pay for greater variety or who want that variety no matter what they have to pay. What we need now is to develop a strategy to reach those who haven't signed up yet. But I don't know much about them."

Bill Wright thought for a moment and then responded, "Well, Jack, there's no question that we can get the information for you, but I'll need to know more about the type of information you think you will need."

Jack Davidson replied, "I'd like to know what makes those who haven't signed up for cable different from our subscribers. Why haven't they become subscribers? Do they watch much television? What do they do with their time? What types of programs do they watch? What other media do they use and for what purposes? Obviously, the more we know about those who haven't subscribed, the more likely we can develop a marketing program that will appeal to them."

"Could you tell me a little more about what you will do with the results of the research?" asked Wright.

"Well, we are going to have to develop some new marketing strategies designed to reach those people who haven't subscribed to cable yet. Of course, we can't lose sight of our present subscribers either. We still need more information about them as well. We know something about price sensitivities from our earlier research. But we really don't know whether the mix of programming which we offer is the type of product which will appeal to the non-subscriber or whether we should consider offering some of the new channels which will be available via satellite. We also need to know what these people like so that we can develop advertising content which will appeal to them. Generally, I guess we would like to know what makes them tick. Obviously, the more we know, the better I can come up with appropriate marketing and advertising strategies."

Bill Wright seemed a little bothered by Jack Davidson's response. He replied, "I don't normally like to get into a research project where a client takes a 'Wouldn't it be interesting if we knew . . . ' approach. We can't design a project which will collect everything you think you might need. Not only will much of the information be of little use to you, but it will cost you too much. We are going to have to narrow it down to those types of information which are going to be of greatest value to you in developing your marketing strategies. Why don't you leave it with me for a week, and I will get back to you with our proposal for the type of project which we think you will need. I'll plan to call you next Wednesday and possibly I can visit you to discuss our ideas on Friday."

THE ATLANTIC FACTS PROPOSAL

"Good morning, Jack. As I indicated to you on the telephone on Wednesday, I've reviewed your problem with Rick Elliott and our other senior staff people, and we've put together this proposal. If you like, we can discuss the basic points and then you can have a few days to review it with Don McLaren before you let me have your decision to proceed or not."

Jack Davidson settled into his chair. "That sounds like a good idea, Bill. Why don't you quickly run through what you are proposing."

Bill Wright proceeded to outline the proposed research project. "We feel that you need information about your current subscribers as well as about those who have not yet signed up for cable. If we do a random sample of the households in your area, then we should get about 60 percent subscribers and 40 percent non-subscribers. To get any reasonable level of statistical accuracy, we feel you should have a sample of 400 households or more. We have recently used a data collection technique which has proven quite effective in producing high response rates where long questionnaires are involved. As we feel this will be a fairly long questionnaire, we would plan to select the households randomly and then drop off the questionnaire to be completed by either the male or the female head of the household. We would then return two or three days later to pick up the completed questionnaire. We feel we are going to have to offer some incentive to complete this questionnaire, so we are proposing that we give each respondent a gift worth five dollars or so."

Davidson interjected, "That sounds like an interesting technique to collect the data. How high do you think the response rate will be and who will be responsible for actually collecting the data?"

Wright went on, "In the past we have had as many as 90 percent of the households contacted agree to participate. Once they see the gift which they will receive and find out that they can complete the questionnaire at their leisure over the next two or three days, most people are quite cooperative. Our field supervisor in Saint John would be responsible for supervising the data collection. She has worked with us for five years and is very thorough. We have a part-time staff of four or five interviewers in your area who would actually drop off and collect the questionnaires. Because we are dealing with a fairly small geographic area, we feel that data collection can be completed in approximately two weeks."

"Fine. Sounds good so far. Now, what questions would you plan to include in the questionnaire?"

Bill Wright turned to a page in the proposal headed "Proposed Questions." "As we have indicated in the proposal, we don't normally prepare a detailed questionnaire at the proposal stage. But here is a listing of the topics which we feel should be covered in the questionnaire. As we see it, you need to know about the media usage habits of television families, both cable and subscribers and non-subscribers. So, we would include questions about their use of newspapers, magazines, and radio, as well as television. These would deal with how much time they spend with each of these media, what radio stations they listen to, what magazines they read, what types of television programs they prefer, and so on."

Davidson again interrupted, "I can see why we need the data on television usage and performance, but I'm not sure we need to know about the other media. I'll have to think about that one. Go on."

Wright continued, "Then I think we should try to find out how they spend their leisure time. We would include questions dealing with their reading patterns and how much time they spend each week at a number of different leisure time activities, such as hobbies, sports, going to movies, and so on. We are also suggesting that we include some questions dealing with children. We have reviewed some studies done on cable television, and it seems that children are quite important in a family's decision whether or not to get cable. We would like to include a series of questions dealing with the use of television by children and the parents' attitude toward the whole issue of children and television. Finally, we would propose a fairly extensive series of demographic questions. What do you think?"

Davidson seemed pleased with what he had heard. "I like the idea of including questions about the kids, and the leisure time questions are important. I still have reservations about some of your ideas about media questions, but I will think that over. With all of this information, we should be able to paint a fairly detailed profile of those people we haven't been able to sign up yet and of our present subscribers, of course. Now, Don McLaren is going to want to know what all of this is going to cost."

Wright flipped to the back page of the proposal. "I think you will be pleased with the budget. Because the data collection method is quite efficient, we have been able to keep the budget down to a reasonable level. We'll be able to deliver a final report in about eight weeks from getting a go-ahead from you. The total cost won't exceed $20,000."

"I'm going to have to do some convincing around here to get approval for that kind of money," replied Jack Davidson. "I'm sure that's more than Don and the finance committee were prepared to spend. But they weren't even sure we needed the research in the first place. You leave that to me. I'll be able to get back to you in a few days with a decision. I'll get together with Don this afternoon, and I'm confident that I can get approval to proceed. I should be able to call you on Tuesday or Wednesday to tell you to gear up to start the project. In the meantime, you might get started on the development of a detailed questionnaire. Thanks for coming up here today."

QUESTIONS

1. Evaluate the approach which Atlantic Facts has proposed to collect the information which Jack Davidson needs.
2. Comment on whether the information to be collected will be sufficient to allow Mr. Davidson to develop the marketing strategies which Valley Cable must have in order to increase its penetration rate.
3. What details concerning data collection and analysis should have been included in the Atlantic Facts proposal which were not mentioned in Mr. Wright's overview?

Case Study #2: HomeShare International: Qualitative Research

A win-win situation?

PRX Holdings is an American owned company with substantial property ownership in the Home Counties in the United Kingdom (Hertfordshire, Essex, Kent, Surrey, Buckinghamshire). Housing in this area is highly sought after and market trends suggest that property values will continue to soar into the future. Nevertheless, 24.3 per cent of potential first-time buyers cannot afford to buy locally, as residential property prices have soared 189 percent in the past ten years. London, which is where growth has been strongest, has seen property prices triple in the past ten years, while income levels have not experienced the same dramatic rise. PRX Holdings has devised a radically new approach to acquiring property in these exclusive neighbourhoods. PRX wants to establish a new form of mortgage company, providing a service to those who cannot afford to purchase a property in an overpriced housing market. As a lender, PRX will purchase the property on behalf of prospective buyers, and offer them loans that will equal 25 to 50 percent of the purchased price. As a result, PRX and the prospective buyer will in effect own shares of that property. The holding company wants buyers to know that this is an affordable alternative to renting. The company needs to conduct research to determine receptivity from potential homebuyers to establish if this initiative is attractive to British homebuyers.

To address the need for first time homebuyers to be able to purchase property, PRX Holdings has developed an innovative solution that enables PRX to gain more property in these exclusive markets, as well as provide an attractive alternative to renting for prospective home buyers. This new concept, HomeShare International, will enable people to buy a home on the open market. They will purchase a share (options range from 25% to 50%) with HomeShare International holding the remaining share. (Shares will increase or decrease with the value of the home.) Furthermore, offering potential homebuyers a low interest mortgage, with a 3% annual fee, is thought to be a win-win situation for both the homeowner and PRX. This will extend home ownership to those who currently cannot afford to buy their own home at current market values, and provide PRX with annual revenues with each home purchased (on top of the equity gained from the purchased property). PRX Holdings commissioned a private research firm, DelQuest, to undertake a program of qualitative research to explore consumer reactions to the proposed HomeShare International product.

PRX's Marketing Director and their CEO wanted to understand the perceptions and expectations from a range of non-homeowners about the HomeShare concept. They wanted to determine the impact the literature (marketing pamphlets and sample contracts) had on the acceptance of the concept.

Source: FITT (2008) International Trade Research, 5th ed.
Supplemental Resource (not included in the text)

Currently, the marketing literature for HomeShare International described two charging options. Both options required rent to be paid at 3% of the equity loan received. However, the first allowed for an initial "rent free" or "reduced rent" period while the second required full rent to be paid from the outset. In addition, the literature was designed to target a range of demographics, including renters, homeowners and residents of subsidized housing between the ages of 25 to 50+. This marketing literature was a focal point of discussion within the depth interviews and focus groups.

DelQuest established ten focus groups, involving 7-8 people for approximately two hours, and ten hour-long depth interviews of couples looking to purchase a home. The demographics of the participants covered a range of categories that included their current residential status (home owners, renters, subsidized housing renters), occupation, various ages (25-35, 36-49 and 50+), ethnicity, gender, with or without children, and number of incomes. Respondents consistently had questions in two areas: what did shared ownership mean and the concept of rent/annual charge.

Qualitative research demonstrated that the concept of HomeShare International was well received, but that their communications strategy needed to address doubts among respondents over the extent to which HomeShare International would make properties affordable to first-time buyers. It was clear that communication would have a significant impact on acceptance of the idea, and that existent programs were highly influenced by word of mouth, the media, first hand experiences and communications. Participants were at first confused with the concept of home sharing. Many felt they could be co-residing with another family, which is not the case with this particular initiative. The use of the word "rent" was widely disliked, while the term "charge" was preferred, as it was more indicative of ownership. Furthermore, the research demonstrated that the program was most attractive to younger buyers who were keen to climb the property ladder. The 50+ demographic, who currently live in government subsidized housing, or rented, were not attracted to the idea of incurring a twenty-five year mortgage.

DelQuest recommended changing the product's name from HomeShare to something more indicative of ownership, and to clarify all program communications, especially when using the terms "rent". PRX implemented these recommendations without further investigation or research. They invested heavily in establishing a sales office in London, and after the first year, reports determined that sales were slow and stagnating. The company was incurring more costs with their mortgage program. One unanticipated cost included the completion of the Home Information Pack (a regulatory requirement that provides the British government with information regarding ownership documentation, development potentials in the area, energy efficiency ratings). They were garnering little interest with current homeowners and anecdotally, sales associates heard that purchasing shares on a home offered current owners little advantage when selling to purchase a new property. Two family income earners still could not afford the price of a 50% share of a London area home. The CEO and Marketing director were somewhat surprised by the sluggish sales. The qualitative research gathered the year before provided insightful marketing guidance as well as suggesting that the service would be received favorably by the public. A decision needed to be made regarding the future and viability of this venture.

Case Study Discussion Questions

1. What were the research objectives for PRX's original qualitative research project?
2. Which research instruments were used in this particular project?
3. What research objectives would have helped determine the suitability of this product for the British housing market?
4. If PRX decides to fund another round of research to better understand their difficulties, decide whether primary or secondary research should take precedence, and explain why.

The study data appear to support the notion that CFC grape juice is held in high esteem in Puerto Rico, yet a solution to CFC's sales problem is needed. With this in mind, Ms. Verbrugge arranged a meeting with Jeff Hartman, Market Research Manager, to discuss and review the situation. Ms. Verbrugge wanted to examine the problem in more detail and was prepared to commit additional funds for marketing research. Before making any decision, however, she wanted Mr. Hartman's assessment of the situation.

Source: This case was reprinted with permission from Subash C. Jain, *International Marketing Management*, CA: Southwestern Publishing Co., 1993.

Source: Aaker, Kumar and Day (2007) Market Research pp. 106-108 9th Ed. John Wiley & Sons.

CASES FOR PART I

Nature and Scope of Marketing Research

CASE I-1

Clover Valley Dairy Company

In the fall of 1978, Vince Roth, General Manager of the Clover Valley Dairy Company, was considering whether a newly developed multipack carrier for yogurt was ready for market testing and, if so, how it should be tested.

Since 1930, the Clover Valley Dairy Company had sold, under the trade name Valleyview, milk, ice cream, and other milk by-products—such as yogurt, cottage cheese, butter, skim milk, buttermilk, and cream—in Camden, New Jersey. The raw milk was obtained from independent farmers in the vicinity of Camden and was processed and packaged at the Clover Valley Dairy.

Clover Valley's sales had grown steadily from 1930 until 1973 to an annual level of $3.75 million. However, between 1973 and 1977, a series of milk price wars cut the company's sales to $3.6 million by 1977. During this time, a number of other independent dairies were forced to close. At the height of the price wars, milk prices fell to 75 cents per half-gallon. In the spring of 1977, an investigation of the milk market in Camden was conducted by the Federal Trade Commission and by Congress. Since then, prices had risen so that Clover Valley had a profit for the year to date.

Clover Valley served approximately 130 grocery store accounts, which were primarily members of a co-operative buying group or belonged to a 10-store chain that operated in the immediate area. Clover Valley no longer had any major chain accounts, although in the past they had sold to several. Because all three of the major chains operating in the area had developed exclusive supply arrangements with national or regional dairies, Clover Valley was limited to a 30 percent share of the Camden area dairy product market.

Although Clover Valley had a permit to sell its products in Philadelphia, a market six times the size of Camden, management decided not to enter that market and instead concentrated on strengthening their dealer relationships. In addition, it was felt that, if a price war were to ensue, it might extend from Philadelphia into the Camden area.

With the healthier market and profit situation in early 1978, Clover Valley began to look for ways to increase sales volume. One area that was attractive because of apparent rapid growth was yogurt. During the previous three years, management had felt that this product could help to reverse Clover Valley's downward sales trend, if given the correct marketing effort. However, the financial problems caused by the loss of the national grocery chains and the price war limited the firm's efforts. As a result, Mr. Roth felt that Clover Valley had suffered a loss of share of yogurt sales in the stores they served.

Since 1975, Mr. Roth had been experimenting with Clover Valley's yogurt packaging with the hope that a new package would boost sales quickly. All dairies in Clover Valley's area packaged yogurt in either 8-oz or 1-lb tubs made of waxed heavy paper. Clover's 8-oz tub was about 5 in. high and $2\frac{1}{2}$ in. in top diameter, tapering to $1\frac{3}{4}$ in. at base.

The first design change to be considered was the use of either aluminum or plastic lids on the traditional yogurt tubs. However, these were rejected because the increased costs did not seem to be justified by such a modest change. Changing just the lid would not make their tubs appear different from their competitor's tubs, it was felt.

By 1976, Mr. Roth had introduced a completely different package for Clover Valley's yogurt. The 8-oz tubs were replaced by 6-oz cups, designed for individual servings. In addition, the new cups were made of plastic and had aluminum foil lids. The 1-lb tubs were unchanged. No special promotional effort was undertaken by Clover Valley, but unit sales of the new 6-oz cups were more than triple the unit sales of the old 8-oz tubs (see Exhibit I-1). While the increased sales volume was welcomed, the new plastic cups increased unit packaging costs from 7.2 cents to 12.0 cents. This more than offset the saving of 4 cents because of the reduction in the amount of yogurt per container. Retail prices were reduced from 41 cents to 34 cents for the

EXHIBIT 1-1

Clover Valley Dairy Company: Sales Results

	1974	1975	1976	1977	1978
Unit Sales of Yogurt—8-oz Tubs (6-oz after June 1977)					
January		1,203	3,531	7,899	18,594
February		996	3,651	7,629	20,187
March		960	3,258	6,677	20,676
April		853	3,888	6,081	20,199
May		861	4,425	5,814	18,420
June		915	4,044	12,726*	14,424
July		978	3,546	13,422	16,716
August		1,254	3,696	15,105	16,716
September		1,212	3,561	23,601	18,657
October	1,740	1,485	4,731	23,214	
November	1,437	2,928	4,499	22,146	
December	1,347	3,528	6,177	17,916	
Unit Sales of Yogurt—1-lb Tubs					
January	3,882	3,715	3,937	3,725	2,971
February	4,015	3,596	3,833	3,510	3,232
March	4,061	3,670	3,285	3,344	2,866
April	3,573	3,405	3,333	3,503	3,392
May	3,310	3,482	3,609	3,101	2,390
June	3,252	3,376	3,366	3,537	2,094
July	3,383	3,366	2,837	3,827	2,589
August	3,721	3,307	2,616	3,103	2,384
September	3,415	3,275	2,729	2,871	2,895
October	3,276	3,450	2,816	3,028	
November	3,865	4,650	3,375	2,796	
December	4,110	3,908	3,386	3,086	

*6-oz tubs.

new 6-oz cup, while the price for the 1-lb tub remained at 75 cents. The increased sales then increased the total dollar contribution to fixed costs from yogurt by only 5 percent. (All dairies priced their yogurt to give retailers a 10 percent margin on the retail selling price. Competitor's retail prices for their 8-oz tubs remained at 41 cents.)

Mr. Roth felt that both the change to plastic and the convenience of the smaller size were responsible for the increased sales. However, he was disappointed with the high packaging costs and began to look at ways of reducing them, without changing the package much further. He felt another package change would be too confusing to consumers. Because of the economies of scale needed to produce plastic containers, costs could be reduced if more units were produced and sold. Mr. Roth felt that packaging a number of cups together would make the 6-oz cups easier to carry home, which might increase sales, and would certainly reduce packaging costs.

By 1978, work had begun on developing a multipack holder to hold six cups together. A single strip of aluminized plastic would serve both as holder and as the top for two rows of three yogurt cups. A single cup could be readily separated from the others in the pack. Dairy personnel constructed wooden models of several different cups for use with the holder and with plastic-molding experts, choosing one that would mold easily and cheaply. Eventually, some of these carriers were made to order for testing in the plant and among Clover Valley employee families.

Several problems soon became apparent. The holder did not always fasten securely to all six cups in the multipack. While the holder strip was being put on, the side walls of the cups were slightly compressed, causing some cups to crack at the edges. When consumers tried to remove one of the cups, they sometimes pulled the top from an adjacent cup. The problem was the strength of the aluminized plastic, which made it difficult to tear even when perforated.

The multipack was redesigned and again tested in the plant and by employee families. It appeared that the new package was performing satisfactorily. Negotiations with Clover Valley's carton supplier resulted in an estimated price of 8.5 cents for the first 100,000 units. Thereafter unit costs would drop to 7.5 cents per 6-oz cup.

Mr. Roth decided that the best multipack carrier presently possible had been designed. His attention then turned to methods of testing the new packs for consumer acceptance. Mr. Krieger, his father-in-law and president of Clover Valley, sent him the following letter concerning market testing:

Dear Vince,

Concerning the market test of the new cups and carriers, I have a few suggestions that may be helpful, although the final decision is yours. I think we should look for a few outlets where we are not competing with the other dairies, perhaps the Naval Base or Bill's Market. Actually, if we use Bill's, then the test could be conducted as follows:

1. *Give Bill a special deal on the multipacks for this weekend.*
2. *In the next two weeks, we'll only deliver the multipacks and no single cups at all.*
3. *In the third week we'll deliver both the packs and the single cups.*
4. *During the third weekend we'll have someone make a survey at the store to determine its acceptance.*
5. *Here is how it could be conducted:*
   a. *Station someone at the dairy case.*
   b. *After the shoppers have chosen either single cups or the multipacks, question them.*
   c. *If they chose the multipacks, ask them why.*
   d. *If they chose the single cups ask them why they didn't buy the packs.*
   e. *Thank them for their help and time.*

Yours,
CHARLES KRIEGER
(signed)

Questions for Discussion

1. Should the new multipack carrier be tested?
2. If a test is judged necessary, what should be the criteria for success or failure?
3. How useful is the proposed test in addressing the management problem? What changes, if any, would you recommend?

CASE[1] 7

RENT-A-BAG CO.

Researching a Market and Identifying Target Markets

Introduction

In the winter of 1976, Lea Baker and her roommate, Greg Johnson, two business students attending Central Canadian University (CCU), were discussing possible business ventures. Greg remarked that during the past three years, when he was working full-time, he had to travel infrequently on business. However, he remembered on these few occasions how much of a problem it was to find decent luggage which he could borrow. He felt, on the other hand, that luggage was simply too expensive to buy for these few, occasional uses. At this point Lea's eyes brightened. She suggested that a luggage rental business might have been the solution to his travel problem.

The two spent the rest of the evening discussing the idea. By the time the evening was over, the two students felt that they had firmly rationalized the idea in their own minds. They had already dubbed the new venture with the somewhat generic name of "Rent-A-Bag".

Lea and Greg felt that the company could initially serve its customers by:

i) eliminating the need to purchase and store luggage;
ii) ensuring their luggage was always in fashion (they felt that luggage was an expensive item, with a proliferation of new styles always coming onto the market);
iii) their luggage having such advantages as wheels, built-in racks, etc.;

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1 Adopted from a case prepared by G.C. Burt and P.A. Belanger under the supervision of Professor George H. Haines Jr. Used with permission. All names and some data are disguised.

iv) selling or renting such ancillary items as travel insurance, personal grooming items (portable hair dryers, combs and travel irons), electric current converters and adapters;
v) giving helpful travel and packing hints;
vi) eliminating the self-consciousness felt when seen vacationing using old and shabby luggage.

In many small ways, the market's vacation enjoyment would be increased.

The students now sought the helpful advice of Prof. William McClutteron Jr., who was a marketing professor at CCU. All agreed that a market study should be done. Before the questionnaire could be started, they knew that hypotheses about the target market and the nature of the elements in the marketing mix would have to be determined.

One source of information that the students found most helpful was the Luggage Manufacturers Trade Association. One survey was made available. It had been completed by students in the M.B.A. program at a neighbouring university. Highlights of this study are given in Exhibit 7-1.

Customer Profiles

Lea and Greg saw as their target market the young working person in the metropolitan area. Information from Statistics Canada on the proposed target market could be obtained easily. They felt that the target market was characterized by the following points:
i) aged 18-30, males and females;
ii) working in the lower levels of the corporate hierarchy;
iii) income range of $20,000 to $45,000;
iv) average and above average fashion consciousness;
v) susceptible to wanting things NOW!!

This market segment would accept renting as a means of satisfying their needs. They also felt that the target market:

i) purchased a vacation travel package (this single expenditure would be one of their high points of the year; thus, their desire to maximize its enjoyment);
ii) usually shared small living quarters with typically little storage space;
iii) had a low desire to invest in infrequently used assets;
iv) used handed-down or borrowed luggage on their trips.

Exhibit 7-1

Previous Market Survey
- Highlights -

1. 191 people in survey
2. 31% travel one or more times/month
3. 50% travel one or two times/year
4. majority of suitcases were over three years old
5. the following attributes rank high:
   - i) modern styling
   - ii) locks
   - iii) zipper closing
   - iv) inside divider
   - v) secondary straps to augment closing
   - vi) wheels
   - vii) guarantee
6. Sex: Male - 40% Female - 60%

   Ages: 18-44 - 67%
   Under 18 - 4%

   Marital Status: Married - 45%
   Single - 47%
   Other - 8%

Product Line

Luggage is now seen as a high fashion item. Lea and Greg felt that their business should offer the latest styles consistent with durability and price constraints. Therefore, they set down the following description of their desired product line:

i) only "soft-side" luggage would be used;
ii) size and weight constraints as imposed by the airlines would dictate the assortment to be offered;
iii) specialized bags for golfers, skiers, and sailors available on a trial basis;
iv) the sale of small, inexpensive tote/flight bags with the company's name and logo would be offered. The reasons are:
   a) price would be too low to warrant rental,
   b) bag would serve as an ongoing reminder of the service between trips. This tote/flight bag may be the only luggage available for use during other times of the year.

A supplier of such bags, located in Metro, was already known.

Advertising

The advertising campaign would be characterized by three main thrusts.

i) newspaper advertising in the travel sections of the city's daily papers. The targeted individual would read the travel section of the paper searching for that "perfect travel experience";

ii) a four-colour brochure for distribution to major apartment blocks. The pamphlet would show a selection of the company's pieces, describe its services and, in detail, its contractual arrangements;

iii) tie-ins with travel agents around the city. Professionally designed lighted fixtures with actual pieces on display will be set up in the agent's office. A commission will be paid for recommending and advertising Rent-A-Bag service.

Channels of Distribution

Greg and Lea were considering a number of methods for getting their product to the market.

They thought that they might move into a larger apartment and store the luggage in the spare room. They would then buy a van and emphasize the delivery feature in their advertising.

Another possibility was to rent two store locations near or in the downtown area. The inventory for each store would be self-contained. A store size of 15' x 40' was thought to be needed. Rent for the stores was estimated at $20/sq. ft. Although this would be much more expensive, the pair thought that it would lower customer resistance, as the customer could actually see, touch and smell what he or she wanted. This also afforded the opportunity to trade the customer up to a better bag. They also considered smaller stores with a central warehouse for storage. This would greatly reduce store rental costs. A warehouse could be rented for $5/sq. ft.

Finally, if the pair found that store reputation was an important element in the rental decision, they felt that they would then explore the possibility of renting space in one of the large department stores.

Pricing Policy

The pricing policy would be the result of two pressures:

i) to charge 1/3 of the retail value of the item for the average rental periods (the generally accepted strategy of most central outlets);
ii) to encourage the rental of the bag for the longest period possible consistent with customer travel patterns. Lea and Greg were very anxious to determine price sensitivity levels and what price level the market would bear, via their questionnaire.

Luggage Repairs and Refurbishing

One major policy was seen to be the offering of clean and sanitary luggage in good working condition. Costs in this task were not seen as prohibitive. All carriers have insurance to claim against. Most damage would occur in their hands. An inhouse department for minor repairs would also be maintained. Major repairs would be sent to a specialty firm dealing with this problem.

Disposal of Used Luggage

It was anticipated that all luggage would be replaced each year. This was due to changing tastes and styles and physical deterioration. An estimate by an owner of a luggage manufacturing firm was that each bag would be capable of being rented from 10 to 20 times. Lea and Greg agreed that all pieces could be sold through auctions and flea markets that proliferate within driving distance of the Metropolitan area.

Operating Policies

The students recognized four main policies that would determine the success of Rent-A-Bag. They were:

i) all customers must receive a clean and sanitary piece of rented luggage;
ii) all orders booked must be filled on time. It was, therefore, recognized that a strong, well-organized inventory control system should be installed;
iii) the rental contract terms must be clearly stated and understood. The customer must realize where his or her responsibilities begin and end;

iv) the luggage should be top quality and in good working condition. The latest features would be necessary to enhance the enjoyment of the trip or vacation.

Questionnaire

A. Objectives

Upon reviewing their work, Lea and Greg decided that answers to the following questions were most important:

1. frequency of travel;
2. visits to travel agent;
3. ownership of luggage;
4. satisfaction with luggage;
5. style consciousness of users;
6. price sensitivity;
7. disposition towards the possibility of luggage rental;
8. factors most influential in luggage rental including delivery;
9. more exact demographics of target market.

B. Execution

The first draft of the questionnaire was pretested on 33 sales and office people. They were approached during their lunch hour, as they strolled through a large office complex in the downtown area. These individuals, who appeared to be under the age of 35, were asked to first complete the questionnaire and then to discuss its clarity with the two students.

The questionnaire was revised using this information. Its final form appears in Appendix 7-A.

Because of cost and time constraints, Lea and Greg decided to mail 200 questionnaires. They felt that this would give them enough information to make their decision on investment in Rent-A-Bag. They decided that if they did not get a 20% return rate, they would continue their survey efforts.

The questionnaires were dropped into the mail boxes of two large and one small apartment buildings in different parts of the city. Each envelope contained a covering letter, the questionnaire and a self-addressed, pre-stamped return envelope.

The students saw the covering letter as an important determinant of the return rate. Therefore, two letters adopting different tones were prepared. They are shown in Appendices 7-B and 7-C.

C. Results

The return rate for their questionnaires was an outstanding 37%. Appendix 7-B accounted for 57% of the returns. Summary results of the survey are shown in Appendix 7-D.

Further Considerations

In addition to the survey data, Lea and Greg felt that they must take a number of environmental influences into account for their Rent-A-Bag decision.

The travel business had experienced strong growth in the '70s, reaching a peak in 1975. However, it is now in a "down" period, reflecting its lag behind the movements in the economy. This trend was seen as continuing in the near future.

Demographic trends in the target market indicated that the market size was nearing its peak. A substantial decline in the number of potential customers was then seen to be distinctly possible. However, they also felt migration of young single people to major metropolitan areas in Canada would continue.

The implications of the above factors appeared to be:

i) the need for quick entry and capitalization, involving minimum long-term equity;
ii) a greater propensity to rent because of the tight economy;
iii) shorter or less frequent holidays;
iv) higher energy costs making travel more expensive.

The survey results were now in. The students felt that they had to make a decision quickly, as they both had lucrative job offers with large corporations now that their years in school were ending.

Questions

1. Assess the strengths and weaknesses of the Rent-A-Bag business concept and of the research study. What do the study's findings suggest in terms of the feasibility of the project? What are some of the interesting aspects of the research design?

2. Does the research provide adequate, reliable and usable information for the project at hand? If yes, outline the elements that make this a satisfactory research design. If no, develop an alternative research plan that, in your opinion, would be better.

3. Based on the findings of this research, on the other information provided in the case and on secondary information which you can collect locally (e.g. luggage prices and styles, secondary statistics on travel), develop a market segmentation and targeting plan for Rent-A-Bag.

APPENDIX 7-A

1. How many trips have you made to places over 150 kilometres from home in the last year for which where you needed luggage?

(Check one box in each line)

	None	1-2	3-5	over 5
A. Business				
B. Weekend vacations				
C. Vacations of one or more weeks				

2. Did you visit a travel agent when you planned your trip(s)?

YES NO

3. Please check the words that describe the luggage that you used.

Soft-sided	Too small	Light-weight
Old	Suit bag	Locks
Backpack	Attractive	Wheels

Other , PLEASE SPECIFY ____________________

4. Overall, would you describe this luggage as:

Very satisfactory

Satisfactory

Unsatisfactory

Very unsatisfactory

5. Do you own luggage? YES NO

6. If you needed more luggage would you:

Borrow

Purchase

Rent

7. Do you think you will need more luggage within the next year?

YES NO UNDECIDED

8. Would you describe yourself as:

More fashion-conscious than my friends

As fashion-conscious as my friends

Not as fashion-conscious as my friends

9. On average a person would use 1 large and 1 smaller piece of luggage on a week's trip

A. If you were going to buy this combination, what do you think that you would pay for it?

Under $30	$81-100
$31-50	Over $100
$51-80	Don't know

B. If you could rent this combination for 1 week, how much would you expect to pay?

Under $10	$26-30
$11-15	$31-35
$16-20	$36-40
$21-25	Don't know

C. Would you rent luggage?

Yes

No

Don't know

Please explain: ____________________

10. We would like to have your opinion on various factors related to rental of luggage. Now, imagine that you were about to rent this item. How important would you consider the following factors to be? You may give your answer by indicating on the printed scales the degree to which you regard the factor's importance.

	Very Important						Not Important At all
1. Fashionable	1	2	3	4	5	6	7
2. Price	1	2	3	4	5	6	7
3. Quality	1	2	3	4	5	6	7
4. Store Location	1	2	3	4	5	6	7
5. Store Reputation	1	2	3	4	5	6	7
6. Delivery	1	2	3	4	5	6	7

11. Please tell us which of the above factors (from question 10) would be the most influential in your rental decision. Please indicate the factor by its number. If only one or two factors are important, leave blanks.

_______________ Most influential

_______________ Second most influential

_______________ Third most influential

THE FOLLOWING INFORMATION WILL HELP US TO UNDERSTAND AND SUMMARIZE OUR SURVEY RESULTS. AS ALL RESPONSES ARE POOLED, COMPLETE ANONYMITY IS ASSURED.

Please check

Sex: Male Female

Status: Single Married Other

Age: Under 20 20-25 26-30 Over 30

accommodation: Shared Unshared

What type of work do you do? ____________________

Income Range: Under $15,000
$15,000-24,999
$25,000-34,999
$35,000-44,999
Over $45,000

THANK YOU FOR YOUR TIME.

APPENDIX 7-B

Dear Sir/Madam:

Once again your privacy has been invaded by persons wanting you to answer questions. However, this time there is a difference. We are two graduate students at Central Canadian University who honestly need your help. This market research project is a key requirement in order for us to graduate!

The enclosed questionnaire will take only a few minutes of your time to fill out. We can only afford to send this form to two hundred households and, therefore, your reply is most important to us.

After you have completed the questionnaire, please drop it in the mail, using the postage-paid envelope enclosed.

If you are interested in a summary of our results, simply send your name and address under separate cover to the address shown on the return envelope.

Thank you for your kind cooperation!

Yours truly,

ıa Baker,

Greg Johnson.

APPENDIX 7-C

Dear Sir/Madam:

We are two graduate students at Central Canadian University who honestly need your help. This market research project is a key requirement in order for us to graduate!

The enclosed questionnaire will take only a few minutes of your time to fill out. We can only afford to send this form to two hundred households and, therefore, your reply is most important to us.

After you have completed the questionnaire, please drop it in the mail, using the postage-paid envelope enclosed.

If you are interested in a summary of our results, simply send your name and address under separate cover to the address shown on the return envelope.

Thank you for your kind cooperation!

Yours truly,

Lea Baker,

Greg Johnson.

APPENDIX 7-D

QUESTIONNAIRE RESULTS

Questions			All Data	"Yes" and "Undecided" Rentals (responses to question 9C)
Q.1.	Weekend Vacations:	None	23.7	33.3
		1-2	24.7	33.3
		3-5	13.4	0
		5+	38.1	33.3
	Vacations of 1+ weeks:	None	14.3	22.2
		1-2	70.4	66.6
		3-5	12.2	11.1
		5+	2.1	0
	Business	None	57.3	61.1
		1-2	20.2	16.6
		3-5	9.0	16.6
		5+	13.5	5.5
Q.2.	Used travel agents?	Yes	37.7	38.9
		No	62.3	61.1
Q.3.	Most prominent responses, in order of importance: soft-sided, lightweight, locks.			
Q.5.*	Own luggage?	Yes	88.8	83.3
		No	11.2	16.7
Q.6.	Buy, Borrow, Rent?	Purchase	67.2	50.0
		Borrow	29.9	37.5
		Rent	2.9	12.5
Q.7.	Need more luggage?	Yes	35.5	44.4
		No	64.5	55.6
Q.8.	Most prominent response: describe one's self as "fashion conscious".			

* Insufficient responses received to Question 4.

Questions		All Data	"Yes" and "Undecided" Rentals (responses to question 9C)
Q.9A. Purchase cost:	$31-50	17.6	5.5
	$51-80	28.7	38.9
	$81-100	19.4	27.8
	Over $100	17.6	11.1
	Don't know	16.7	16.7
Q.9B. Rental cost:	Under $10	23.7	22.2
	$11-15	25.2	44.4
	Over $15	20.6	16.7
	Don't know	29.9	16.7
Q.9C. Would you rent?	Yes	16.7	56.3
	No	75.3	0
	Undecided	8.0	43.7

Reasons given for not renting: "own; like to own" (10 respondents); "required often; not economical to rent" (9); "unsanitary" (8); "can borrow" (4); "damage" (3); "loss" (3); "bother to pick up and return" (2).

Q.10-11. Most influential factors in rental decision:

	Price	74.7	77.8
	Quality	66.4	77.8
	Store reputation	31.8	22.2
	Fashion	27.1	33.3
	Store location	25.2	38.9
	Delivery	18.7	11.1

Demographics:

Sex	Male	40.6	38.9
	Female	59.4	61.1
Age	Under 20	4.0	0
	20-25	36.3	44.4
	26-30	37.3	33.3
	Over 30	22.5	22.2
Marital status	Single	53.8	72.2
	Married	37.7	22.2
	Other	8.5	5.6

Questions		All Data	"Yes" and "Undecided" Rentals (responses to question 9C)
Income	Under $15,000	13.8	11.1
	$15-24,999	24.1	16.7
	$25-34,999	14.5	22.2
	$35-44,999	28.7	50.0
	Over $45,000	13.8	0
Accommodation	Shared	34.2	38.9
	Unshared	65.8	61.1