

CASES
IN
CONSUMER BEHAVIOR
SECOND EDITION



HALE N. TONGREN

Second Edition

CASES IN CONSUMER BEHAVIOR

Hale N. Tongren

George Mason University



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CASE TOPICS

	RESTAURANT EXPRESS	OLDE ODEON THEATER	NIKE INC.	SOURCE PERRIERII— THE SEQUEL	THE NEW FRAGRANCE INDUSTRY	JACK DANIEL'S OLD TIME DISTILLERY	THE NEW L.. L. BEAN	NEPTUNE KITCHEN & BATH REMODELERS	THE HOME SHOPPING NETWORK	THE SPORT OF KINGS
Attitudes					x		x			x
Attitude Change				x						
Consumer Research	✓				✓		✓	x		x
Culture		✓	✓		x	x				
Consumer Decisions	✓		✓					x	x	
Diffusion of Innovation	x		x		x					
Family Decisions	x				✓			x	✓	
Involvement				✓		x	x			✓
Learning				x						
Marketer Communications	✓	x	x	x	x	x	x		x	
Motivation	✓				✓			✓	x	
Perception			x	x	✓	x	x			
Personal Communications		✓	✓			✓	✓	x		
Psychographics	x	✓		✓			✓			x
Reference Groups			x	x				x		
Segmentation	x	x	✓	✓	x		✓	x	✓	✓
Social Class		x		✓					✓	
Sub/cross Culture										

x = Primary Topic

✓ = Secondary Topic

PROCTER & GAMBLE	MARY KAY COSMETICS	PEARL TRAVEL SERVICE	THE PALACE WARSAW	WHEELS & BOARDS OF FORTUNE	OLD SPAGHETTI MILL	RIVERSIDE SAVINGS BANK	HATTON & MAYER GENTLEMEN'S WEAR	TOYS R US	POLAROID CORP.	RADLEY DEVELOPMENT CO., INC.	INNOVATIVE TO TRADITIONAL: CAMPBELL'S SOUP	DISTILLED LIQUOR INDUSTRY
x	x						✓	x			x	✓
			✓								x	x
				✓	x							
	✓		x					x	x			x
	✓				x	✓				x		
					x				x	✓	x	
					x			✓		✓		
✓				x							✓	
x		x	x			x	x	✓	✓	x	x	x
				x	✓					x		
x			✓	✓		✓		x			x	
	x	✓			x				✓	✓		
	x	✓		✓	✓		✓				✓	
✓	✓					✓	✓					x
		x		✓	✓	x	x			✓		✓
✓		✓		x						x		✓
x			x				x	✓				

PREFACE

Cases in this book provide a wide spectrum of consumer behavior situations and problems, from the mighty Procter & Gamble to a small, rural motion picture theater. They also include both for-profit and non-profit organizations as well as service firms. An effort has been made to vary both the style and presentation of the cases and to suggest different approaches to their analysis and solution. Generally, all data and information needed for the analysis is given in the cases and exhibits, supplemented, of course, by class lectures and discussions of the pertinent concepts.

The second edition of *Cases In Consumer Behavior* contains eight completely new cases in a wide variety of situations such as the Polish Warsaw Palace Hotel; Wheels and Boards, about consumers in the gambling industry; Neptune a kitchen-bath remodeling business; and the Home Video Shopping channels. There are also six completely revised and updated cases such as Nike's market battle with Reebok; The search for "behavior-altering" Scents; Campbell Soup's new consumer strategy; and the Perrier benzene disaster. The most popular cases from the previous edition have been continued in this one. There is also an expanded matrix of cases to consumer behavior concepts that will enable users to expand the scope of the case analyses.

American consumers are different from those in most other parts of the world! We tend to be more spontaneous, more interested in the shopping process, and more *committed* shoppers. We choose from an almost endless array of products, brands, and services, yet producers constantly search for more types and va-

case has been carefully analyzed and presented, the reader should be able to predict the solution or recommendations before they are actually presented.

Another common problem occurs when the data are ignored or are analyzed only superficially. A good analyst is able to use quantitative information to develop qualitative relationships. For example, a few heavy users of a product may purchase and consume more than many light users, suggesting perhaps, that a narrower target market might be considered.

Of those who were most helpful in the preparation of this book and the previous edition, I want to express my appreciation to three reviewers: Wayne B. Hoyer from the University of Texas at Austin; Bruce Stern, Portland State University; and Peter B. Turk, University of Oklahoma; as well as several anonymous reviewers who have offered suggestions and comments on the new and revised cases in this edition.

Hale N. Tongren

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CASE ONE

THE RESTAURANT EXPRESS

Jeff Baker drove into his garage, turned off the engine, and sat for a minute in the dark. With a huge sigh, he picked up his bulging brief case and went into the house, noticing that his wife's car was not there. As he walked in, he glanced at the kitchen clock, 7:30. "Over an hour and a half to get home," he muttered as he dropped the brief case in the hall and hung up his coat. He went back into the kitchen just as Terri Baker, his wife, came in. "I'm bushed and I'm starved!" she said, "I thought I would never get out of there tonight."

Jeff was a CPA with a large accounting firm in the downtown area of Brainerd, a city of about two million in the southeast United States. Terri was a partner in a beauty salon in a medium-sized shopping area of the affluent suburb of Pine Valley, where they lived.

This was the third evening in a row they had both arrived home late, tired, and with leftover work to do that evening. Monday, they had a Domino's pizza delivered. Tuesday, Terri brought home a take-out dinner from a restaurant near her shop. Now, they stood in the kitchen, each waiting for the other to suggest what to do about dinner. Finally, Terri sighed, "I just can't face cooking tonight. Do we have time to go out?" "I've got a lot of work to do," said Jeff. "Maybe I can just make a couple of sandwiches and some soup."

A NEW IDEA

They sat in front of the television set eating their makeshift dinner. Jeff was unusually silent. Finally, he began to think out loud. "Wouldn't it be great if we could phone a real restaurant and order a full dinner to be delivered, just like hotel room service," he said. "I'll bet there are a lot of others in our situation wishing for the same thing."

"It might work for a while," Terri replied, "but you would get tired of the menu before long."

"There wouldn't be only one restaurant," Jeff replied. He was excited. "A whole group of them could be served by a delivery service. You would phone your order to a restaurant. The delivery service would pick it up when it was ready and rush it to your home."

THINKING IT THROUGH

Jeff was quite busy at the office for several weeks after he and Terri had talked about the delivery service. But he thought about it a lot while driving to and from work, and waiting in the traffic. He mentally organized a "transfer center" where customers would place their phone orders, and he decided just how the orders would be recorded and transmitted to restaurants. By timing his progress, and making notes, he was able to estimate how long it would take for deliveries at that time of day. He was also able to decide how wide an area a delivery service would be able to cover.

After a quick lunch one day several weeks later, Jeff stopped at the Brainerd main library to gather some data on restaurant take-out services—the demographics of people who use them and how frequently they order. While he was there, he bought a copy of an annual book of county population and other statistics. Back at the office, he borrowed a set of zip code data for Brainerd and its suburbs that an auditor had used for a recent case.

ANALYZING THE BASIC INFORMATION

At home that evening, he and Terri examined his information. They determined that a group of seven townships and districts adjacent to Pine Valley had been a rural farm area 20 years ago. The population of this group had more than doubled from about 40,000 in 1970 to 88,000 in 1980, increased again to 140,000 by 1990, and was expected to reach 175,000 by the end of the century. Brainerd itself is a center for education, technical, and information-processing industries. The city has two major universities and a number of research, consulting, and engineering firms, many of which are located within the seven-district territory Jeff and Terri

had chosen. The rapid expansion of the population came about through inward migration of highly educated individuals, most of whom possessed the skills needed by the “knowledge” industries.

Jeff and Terri set the boundaries of the tentative territory of seven adjacent districts on a local map, shown as Exhibit 1-1. They then superimposed zip codes on these areas and found that five zips covered them, with only a relatively minor overlap. Using the zip demographics, they were able to prepare a set of characteristics that described a “typical” resident of the area. These are listed in Exhibit 1-2.

A GAME OR REALITY

Until this evening, the speculation about a food delivery service, the data collection, and analysis had been a “game” for the Bakers as a relief from the routine problems of their jobs. Now, however, they came to realize they were caught up in the challenge of putting the “puzzle” together. Here were the beginnings of a basic plan that might actually become a reality, and a profitable one at that.

Neither Terri nor Jeff actually said so, but suddenly they were approaching the problem in earnest. They began to arrange more of the population data from zip codes into meaningful sets, such as the number of different types of dwelling units in each area, the household size in each of them, and area median incomes. These are shown in Exhibits 1-3, 1-4, and 1-5. County demographic data also revealed that the overall population of the seven areas was composed of the following groups:

Dual Income Families, no kids (often referred to as “DINKs”)	22%
Empty Nesters (older couples whose children have left the home)	19%
Small Nuclear Families (three-person families)	16%
Medium Nuclear Families (four-person families)	24%
Large Nuclear Families (five or more person families)	13%
Single Persons	6%

Since the mid-1970s, the percentage of husband-wife-headed households in the seven areas has dropped from 86.5 percent to 65.3 percent in 1991. Although married-couple families remain the dominant type, they have been decreasing steadily while nontraditional living arrangements have increased. These include primarily single parents, persons living alone, and persons living within a household with nonrelated individuals.

Unemployment has been relatively low in the entire Brainerd area with a rate of only 2.8 percent in 1990. Nearly three-quarters of the work force is concentrated in white collar occupations, as follows:

Managerial/Professional	40.9%
Administrative Support	25.7%
Technical/Services/Sales	10.4%
Other	23.0%

A PROMISING POTENTIAL

Later that evening the Bakers looked over the data they had assembled. "From all the demographics, it looks as though this kind of service has a lot of potential," said Terri. "Do you think we could actually start something like it?" Jeff shook his head and said, "We're both over our heads in work now, and more has piled up in the last couple of weeks while we've been working on this. And we still need more information about the business. If prospects still look promising after we get that, then we have to think about our jobs and if one or both of us can give all our time to starting up the service."

"Won't we need a good deal of capital to start?" asked Terri. "It will probably take most of our savings as a base for a bank loan. Do you think we can take in one or two partners who would invest and work in the business too?"

They also realized they needed more information about the food delivery industry if they were to project sales and expenses for the area they selected. These and other projections were needed to prepare pro forma balance sheets and income statements for the bank and prospective partners. Since it was getting late, they decided to "sleep on the problem" and come to some decision the next evening.

TO PROCEED OR NOT

They met after work at a local restaurant and during dinner discussed the merits of flinging themselves headlong into the project, approaching it more cautiously, or forgetting it altogether. Oddly, they had both decided on the middle course as they mulled over the matter that day. Although this course may simply have been a device to delay a final decision, it seemed to be a prudent one and involved two additional steps:

1. Hire a consultant to obtain information and data on prepared food delivery operations already in existence, including procedures, operating systems, customer characteristics, restaurant relationships, financial break-even considerations, and any other pertinent items.
2. Both Terri and Jeff would "talk-up" the proposal to friends and business acquaintances who might be contacted later as prospective investors or partners.

TWO SPECIFIC RESEARCH PROJECTS

The next morning, Jeff called Bob Weinberg, a former client who headed a large business consulting firm. After listening to Jeff's problem, Bob exclaimed "You couldn't have called at a better time. One of our restaurant group is making his final presentation today on a job, and the next client doesn't need him for two weeks. I can give you a nice break on the hourly billings." Over lunch, Jeff and Bob came to an agreement, that the researcher, Bob Larsen, would begin work the next day.

The following weekend, Jeff and Terri mentioned the idea to several people they knew at a party given by the senior partner of Jeff's firm. They were careful, however, not to elaborate but to give hints about the potential profitability. Terri also brought the subject up at the shop, describing the service briefly to customers whenever the occasion arose. She also asked them if they thought it was a good idea and if they would use it. The grapevine had begun, and before long, friends began asking about the venture and when it would start.

After several days of questions-and-answers at the beauty shop, Terri began to wonder if some type of general survey in the area might not sharpen their focus on the market and give a better indication of how the service might be received. She knew that the restaurant research would include some information about consumers of delivered food nationally, but local data would be more useful in specific planning. The research was going to cost over \$2,000, even with the discount, so the survey would have to be inexpensive.

She and Jeff discussed how it might be done. Jeff recalled reading about a survey that business school students at the nearby university conducted for the Chamber of Commerce and wondered if it would be possible to hire them at a reasonable rate. He phoned Professor Fred Holmes from the Marketing Department, whom he had met at a business luncheon, to see if such an arrangement was possible. "Certainly," the professor replied after Jeff gave the details, "I can hire several students to do personal interviews at five locations in the area and help with the questionnaire for about \$1,700. But you will have to do the tabulating and cross-referencing yourself. Keep in mind, though, that this will be a rather quick-and-dirty operation at that price, but it should give you a reasonable feel for the market and its potential." They met a few days later, worked out the questionnaire, decided on the interview locations, and set a date for the survey the following week.

RESEARCH RESULTS

Meanwhile, Bob Larsen had been conducting his secondary research and promised a report the following Friday, right on schedule. Excerpts from the report are shown in Exhibit 1-6.

About ten days later, Fred Holmes delivered a stack of 350 completed sur-

veys. "There are roughly 50 from each of your seven areas," he said. "Not too reliable a sample, but they are not all that different, so the information should be helpful. You can make a straight tabulation on your computer, but you will need more sophisticated software for cross tabulations. Why don't you see if the tabulation gives you what you need and if not, perhaps I can find some help for you. Good luck!"

Jeff and Terri, together with Terri's partner in the shop and her friend worked on the surveys the next Saturday evening. They first tabulated the results by individual area, then decided that the most useful groupings for market segmentation could be made primarily on the number of persons in the household, and secondarily on age. They arrived at four of these segments and were able to write short descriptions of each of them, relating to their potential use of the delivery service, and the extent to which they might use it. The descriptive segments are shown in Exhibit 1-7.

THE FINAL DECISION

When the others left, the Bakers looked at the mass of information they had collected over the past several weeks. "Let's go over it all tomorrow," Jeff suggested, "to see if the numbers and other information show that the service will really be a big moneymaker, and worth the big change it will make in our lives."

CASE ANALYSIS QUESTIONS

1. How did the Bakers go about making their decision as to the segment of consumers and geographical area they planned to target? Was this a reasonable way to do it?
2. What other segment does the case data indicate they might have considered? What additional information would help in evaluating this segment?
3. How are consumer "expectations" involved directly in the success or failure of this venture?
4. If you were the Bakers, would you go ahead with the venture on the basis of information they now have? Why or why not?

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