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CASE 6 THE BEACH CARRIER

Mary Ricci has a new product concept, The Beach Carrier, that she is ready to bring to market. Ricci is creative, optimistic, enthusiastic, flexible, and motivated. She is willing to put substantial time into developing and bringing The Beach Carrier to market. Although she lacks capital, Ricci is unwilling to license or sell the pattern to a manufacturer; she is determined to maintain control and ownership of the product throughout the introduction and market penetration phases. Ricci believes there is a significant amount of money to be made and refuses to sell her product concept for a flat fee.

THE PRODUCT

The Beach Carrier is a bag large enough to carry everything needed for a day at the beach, including a chair. When empty, the bag can be folded down to a 12-inch by 12-inch square for easy storage. The bag's 36-inch by 36-inch size, adjustable padded shoulder strap, and various-sized pockets make it ideal for use in carrying chairs and other items to the beach or other outdoor activities, such as concerts, picnics, and barbecues. The bag can also be used to transport items, such as ski boots, that are difficult to carry. Manufactured in a lightweight, tear-resistant, fade-proof fabric that dries quickly, the bag will be available in a variety of fluorescent as well as conservative colors.

COMPETITION

Currently there are two competitive products sold online that Ricci felt would compete with The Beach Carrier. The first one, found at www.shadeusa.com, is the "Caddy Sack" and is advertised as a backpack-type

Source: This case study was prepared by Michael P. Peters with the intention of providing a basis for class discussion.

product that can hold a beach chair, an umbrella, a boogie board, and even a small collapsing table. There is also an outside pocket for a towel, a snorkel, or fins. It is available in three colors and is priced at \$16.95. Ricci purchased one of these and felt that it would not hold all the items advertised at one time. The chair had to be very small, and room for extra beach accessories was very limited. This item was ideal for someone biking or walking to the beach with gear for only himself or herself.

The second item is called the "Wonder Wheeler" and can be found at www.4thebeach.com. It looks similar to a two-wheel shopping cart that might be used to carry purchased groceries while walking home from the store. This product is advertised as having oversized wheels; it weighs less than 10 lbs. and folds up easily. It can hold a significant amount of beach gear, such as multiple chairs, an umbrella, a cooler, beach towels, and toys. It has a list price of \$59.99, and Ricci felt that even with the advertised oversized wheels it would be cumbersome to maneuver on the sand. Its high price was also felt to be a negative for many consumers.

MARKETING RESEARCH

Ricci commissioned a consulting company to perform a feasibility study for the product, which included a demographic profile, cost estimates, packaging recommendations, and a patent search. The patent search revealed the above-mentioned products and a chair that could be folded and carried as a small tote bag that could also hold a few small beach items. None of these were felt to be a threat to Ricci's product, and she was optimistic that a patent could be obtained.

A focus group was used to determine potential consumer response. Results of the focus group indicated that several features of the product should be modified. For example, the material was perceived as durable; however, the fluorescent color was see-through and considered "trendy," lessening the perceived quality of the

bag. The size also represented an issue, as the bag was perceived as much larger than necessary.

MARKET POTENTIAL

People who use suntan and sunscreen products have been identified as the primary target market for The Beach Carrier. Research indicates that 43.9 percent of the adult U.S. population, or 77,293,000 people, use suntan and sunscreen products. Of these, 57.8 percent are female. Assuming that women are the primary purchasers of beach bags, the potential market is estimated at 44,675,000. Beach bags are replaced every three years. The primary market for suntan and sunscreen products is described in Exhibit 1. The marketing share objectives for the first year of The Beach Carrier's sales have been determined based on the following assumptions:

- People who use suntan and sunscreen products represent the market for The Beach Carrier.
- Most men do not buy beach bags; consider women only (57.8 percent of population).
- Women buy new beach bags every three years on average; that is, one-third will buy a new bag this year.

Based on these assumptions, the unit sales needed to achieve market share objectives of 1 percent, 2 percent, and 5 percent of the total market during the first year of The Beach Carrier's sales are shown in Exhibit 2. Ricci is targeting 1 percent of this potential market. Regional market share objectives can be developed from the same data as seen in Exhibits 3A and 3B.

STRATEGY

Ricci investigated several methods of marketing The Beach Carrier, including selling it in upscale (i.e., Bloomingdale's) or discount (i.e., Wal-Mart) stores, licensing the product concept to a manufacturer, selling the idea for a flat fee, selling the bag to corporations for

EXHIBIT 1

Segment	Percentage of Total Users of Suntan/Sunscreen Products
Ages 18-44	66.9
High school graduate	40.2
Employed full time	60.5
No child in household	54.5
Household income of \$30,000+	55.3

EXHIBIT 2

	Population	Sunscreen Users	Replace Bag This Year
Total adults	176,251,000	77,293,000	25,764,333
Females	92,184,000	44,671,000	14,890,333
Market Share			
	1%	2%	5%
Total adults	257,643	515,287	1,288,217
Females	148,903	297,807	744,517

EXHIBIT 3A

	Population	Sunscreen Users	Women	Replace Bag This Year
Northeast	37,366,000	17,165,000	9,921,370	3,307,123
Midwest	43,426,000	19,630,000	11,346,140	3,782,047
South	60,402,000	23,980,000	13,860,440	4,620,147
West	35,057,000	16,518,000	9,547,404	3,182,468
Total	176,251,000	77,293,000	44,675,354	14,891,785

EXHIBIT 3B

Market Share			
	1%	2%	5%
Northeast	33,071	66,142	165,356
Midwest	37,820	75,641	189,102
South	46,201	92,403	231,007
West	31,825	63,649	159,123
Total	148,917	297,835	744,588

use as a promotional item, selling it on the Internet, and setting up a mail-order operation. Ricci believes that the mail-order option, while requiring the most effort, will provide higher margins, lower risk, and the overall best fit with Ricci's strengths and weaknesses, her market penetration objectives, and her limited financial resources. The Internet could also create opportunities, but Ricci was unsure of this option.

The mail-order sales strategy will be implemented nationally using a regional rollout and following a seasonal demand pattern. With three-month intervals between rollout phases, national market exposure will be achieved within 12 months. Ricci is also exploring how to set up a Web site with a local university team of student consultants.

PROMOTION

The product initially will be promoted in novelty and general interest mail-order catalogs and special interest magazines that appeal to beachgoers and boat owners.

PRICING

The costs of manufacturing have been estimated at \$6.50 per unit for material, zippers, Velcro, and so on. The costs for assembly and packaging have been estimated at \$3.50 per unit, bringing the total manufacturing cost to \$10.00. After analysis of competitive products and focus group results, a mail-order price in the \$12.99 to \$14.99 range has been established.

EXHIBIT 4

	Unit Variable	Cost per Unit		Price Contribution	
Materials	\$6.50	\$12.99		\$2.99	
Assembly	3.00	\$13.99		\$3.99	
Packaging	0.50	\$14.99		\$4.99	
Total unit VC	\$10.00				
Fixed Costs					
	Northeast	Midwest	South	West	Total
Advertising	\$25,000	\$25,000	\$25,000	\$25,000	\$100,000
Warehousing	266	305	372	256	1,199
General S&A	2,500	2,500	2,500	2,500	10,000
Total fixed costs	\$27,766	\$27,805	\$27,872	\$27,756	\$111,199
Break-Even Units					
\$12.99	9,286	9,299	9,322	9,283	37,190
Percent of total market	0.28	0.25	0.20	0.29	0.25
\$13.99	6,959	6,969	6,985	6,956	27,869
Percent of total market	0.21	0.18	0.15	0.22	0.19
\$14.99	5,564	5,572	5,586	5,562	22,284
Percent of total market	0.17	0.15	0.12	0.17	0.15

DISTRIBUTION

The product will be manufactured at a local New England factory, drop-shipped to a storage facility, and shipped via UPS to the consumer. Initially, inventory can be carried at no cost in Ricci's house or garage. This same process could also be used if the Web site is developed.

FINANCING

A \$30,000 small-business loan is the minimum amount Ricci needs to fund her fixed costs for the first phase of the rollout for the mail-order program. Marketing the product through traditional retail channels would require approximately \$250,000 for advertising and other selling costs associated with a new product introduction.

BREAK-EVEN ANALYSIS

Break-even analysis was performed at three mail-order prices, as seen in Exhibit 4. On the basis of this analysis, Ricci must meet only one-fourth of her target sales goal, or one-quarter of 1 percent of the total market, in order to break even in the first year.

CASE 7

GOURMET TO GO

INTRODUCTION

Today, many households have two incomes. At the end of the day the questions arise, "Who will cook?" or "What do I cook?" Time is limited. After a long day at work, few people want to face the lines at the grocery store. Often the choice is to eat out. But the expense of dining out or the boredom of fast food soon becomes unappealing. Pizza or fast-food delivery solves the problem of going out but does not always satisfy the need for nutritious, high-quality meals. Some people prefer a home-cooked meal, especially without the hassle of grocery shopping, menu planning, and time-consuming preparation.

Jan Jones is one of those people. She is a hardworking professional who would like to come home to a home-cooked meal. She would not mind fixing it herself but, once at home, making an extra trip to the store is a major hassle.

Source: This case study was prepared by Robert D. Hisrich with the intention of providing a basis for class discussion.