
CASE III-2 POPULAR PIZZAS

Identifying Consumer Preferences

Popular is a local pizza joint with outlets at two locations in Hartford, Connecticut. Apart from a wide range of pizzas, it also serves an indigenously blended fruit smoothie: Rejoice. The managers of Popular were of the opinion that understanding customer preferences and building customer profiles would provide them with better scope for business expansion along with added revenues and profits.

Having reached a unanimous decision to hire an external marketing consultant, the management invited Dr. K, the president of IMC, a local marketing firm, to its board meeting. Dr. K was provided a report on the shop's current operations and informed of their need to establish a profile of their customers and their preferences. Dr. K suggested that in order to win new customers and, in turn, to expand their customer base, a study had to be conducted on the customers of the competition. Also, the option of converting Popular into a pizza and smoothie shop was decided to be explored, laying stress on the Rejoice brand.

Prior to his second meeting with the management, Dr. K gathered some background information on the pizza industry, current trends, and preferences for various varieties of pizzas. He also talked informally with some of his friends who had visited pizza shops. With this background, he was ready to discuss preliminary research purposes and objectives, which could be used as a guide to the design of the study.

During the second meeting with the Popular management, a quick agreement was reached. The primary purpose of the study was to find the preference patterns of Popular's customers and customers of the competition and to establish a profile of a typical customer. The following research objectives consist of a research question and a statement of the study scope:

Research Objective 1

Question: Study consumption habits of pizza and smoothie by Popular customers and by customers of competition.

Scope: Customers of Popular and competition

The customers of competition were included in the study to identify Popular's strengths and weaknesses with respect to competition and also to win customers from competition.

Research Objective 2

Question: Develop demographic and lifestyle profile of the customers of Popular and customers of competition.

Scope: Customers of Popular and competition

The demographic and lifestyle activities of the customers help in establishing a typical profile of the

customers of Popular; this helps in direct marketing and changing the atmosphere and décor of its shops to suit its customer lifestyle.

Research Objective 3

Question: Identify relevant strategies for growth of Popular in the city and neighboring towns.

Scope: Customers of Popular

This helps in exploring the possibility of a smoothie shop and new locations for Popular shops in the city and neighboring towns.

Choosing a Research Approach for the Popular Study

Seldom is a data collection method perfectly suited to a research objective. A successful choice is one that has the greatest number of strengths and the fewest weaknesses relative to the alternatives. Often this is achieved by combining several methods to take advantage of their best features and minimize their limitations. This was what Dr. K. had to do to get the amount of information required by the research objectives and still remain within the budget.

From the beginning it was clear that the overall research approach would involve preliminary qualitative research, followed by a survey, to understand the current trends in pizza and smoothie consumption and test the specific hypotheses. Dr. K proposed to use magazines such as Pizza Reporter and financial reports of leading pizza companies to identify the current trends in the industry. An executive summary was then prepared based on this secondary research. The problem was to decide the method of data collection.

The principal survey options were to mail questionnaires, use personal or telephone interviews, or use focus-group discussions. Each, however, had a serious drawback. Personal interviews using trained interviewers were simply too costly and would have been feasible only with a sample that was too small. Focus-group discussions would have provided only qualitative information. The questionnaire could have been administered by mail, but experience suggested that the response rates would be low unless substantial incentives and follow-ups were used. The solution was a purchase intercept technique in which customers who visited the Popular shop were asked to fill out a questionnaire. An incentive was used to boost the response rate of the respondents. The advantage of the telephone in reaching large samples economically was utilized to establish contact with the customers of competition in areas surrounding the locations of competing pizza shops in that city.

The research approach was successful in achieving a high response rate at a low cost per completed interview. The key to success was in matching the approach to the

study objectives and the characteristics of the population, notably, the presence of an up-to-date listing, the limited geographic area to be covered, and the participants' inherent interest in the subject of the survey.

It was just another pleasant afternoon in Hartford, Connecticut. Catherine Jones, president of Popular Pizza, a local pizza shop with two outlets in the city, had closed her shop early, as her employees were long requesting a half-day off to do some Christmas shopping. On her way back home, Catherine Jones was giving a cursory look at the financial report of her shops over the past six months. It was business as usual, but the growth rate had fallen and the profits were stagnant during the last two years. Popular's exotic toppings helped it differentiate itself in a highly competitive market. Popular's business picked up at a steady pace and Catherine Jones was able to break even in the first two years. But after that, entry of new players in the market and changing consumer preferences stymied the growth rate, and profits have remained the same for the past two years. Catherine Jones felt the urgent need to make some changes in the shop's atmospherics and menu to bring the growth rate back to a steady pace.

Catherine Jones decided to consult a local marketing firm, Innovative Marketing Consultants (IMC), to find the consumer's preferences and trends in the pizza industry and to get a clear idea of her consumer base. She also wanted to explore the option of having a smoothie shop inside Popular. Catherine Jones had observed that pizza-smoothie combinations were popular among families with kids, but the indigenously blended fruit smoothie had appeal for the health conscious single customer or groups taking a break from office work as well. Catherine Jones also wanted to implement changes by spring, to realize profit gains at the earliest.

Taking into consideration Catherine Jones's urgency, Dr. K, the president of IMC, decided to use the Internet for his secondary data search. He used different search engines—Infoseek, Lycos, and Alta Vista—to get a wide coverage of the 'Net. The Internet was very useful in gathering information about the current trends and

preferences in the pizza industry. He used customized search services to get financial reports of pizza companies. This gave him an estimate of the size of the market. Several online periodicals (for example, *Pizza Marketing Quarterly*) allowed Dr. K to search for articles on specific topics. This helped him save time, compared to the laborious process of scanning periodicals manually. The Internet was also used to gather information about the trends in the smoothie industry. Census data on retail trade came in very handy in giving an estimate of the smoothie market in Hartford.

Using his information from the Internet, Dr. K was able to prepare an executive summary on the pizza industry in a couple of days. He divided the summary into subcategories that included size of the market, trends, and future estimates. The executive summary formed the basis for formulating the issues to be addressed specific to Popular during primary data collection. The usage of the Internet for secondary data collection helped Dr. K save time and complete the research before spring, in spite of his busy schedule.

Choice of Survey Methods for Popular's Study

A market intelligence effort to gather information through surveys was undertaken over a five-week period in each store. The customers who visited Popular over a period of time (purchase intercept technique) formed a sample for the survey. This sample was a good prospect for accurate information. Sample sizes of 200 and 100 consumers were selected from the two locations A and B, respectively. To obtain information about customers of the competition, a telephone survey was conducted in the city. Random samples of respondents having different prefixes were selected. The sample targeted residents in and around locations of competing pizza joints in the city. A sample of 400 respondents was selected at random from the preselected prefixes. The respondents were asked about their frequency of visits to pizza shops, the factors influencing their choice of pizza joints, the service they expect at the pizza

Research Objectives for the Popular Study

Research Objectives

1. What are the consumption habits of pizza and smoothie by Popular customers and competition?
2. Develop demographic and lifestyle profile of the customers of Popular and customers of competition.
3. Identify relevant strategies for growth of Popular.

Information Requirements

General attitudes and preferences of customers of Popular and strengths and weaknesses of Popular with respect to competition.

The demographic details such as age, number of family members, and income. Lifestyle activities of customers such as hobbies.

The strengths and weaknesses of Popular with respect to competition, the preferences of customers and trends in the industry.

shop, demographics, and lifestyle activities. Datasets for Popular Pizzas in Excel and SPSS formats, along with a copy of the questionnaire used for customers of Popular and customers of competition and a coding sheet is also available in the diskette accompanying this book as well as the website accessible using the link http://www.drvkumar.com/books/book_mr9.html.

Figures III-1, III-2, III-3, and III-4 show the results of the data analysis of the Popular study. Figure III-1 shows the frequencies and percents obtained about the age of people visiting Popular. It can be seen that more than 70 percent of the respondents lie within the 19–34 age group. This implies that Popular’s customer base is predominantly young and that ambience inside Popular and the menu should reflect the young generation’s preferences.

It can also be seen from Figure III-2 that there does not exist significant gender differences with regard to

patronage of Popular. Figure III-3 shows that a majority of the customers are very satisfied with the product range and the product quality of Popular. However, the figure also indicates that the customers are not happy about the price of Popular Pizza. Location, room, and waiting time are also considered satisfactory, while cleanliness has a very high rating by most of the customers.

Figure III-4 shows the cross-tabulations of the intentions of the customers to revisit and the age and gender of the respondents, respectively. It can be seen that the people in the age group of 19–34 who are also Popular’s major customers, are also more likely to revisit. These facts enable Popular to plan its future course of action.

FIGURE III-1

Age (years)	Frequency	Age		Cumulative Frequency	Cumulative Percent
		Percent			
<18	7	13.5		7	13.5
19–24	24	46.2		31	59.6
25–34	14	26.9		45	86.5
35–44	2	3.8		47	90.4
45–64	5	9.6		52	100.0
Frequency missing = 1					

FIGURE III-2

Gender	Frequency	Gender		Cumulative Frequency	Cumulative Percent
		Percent			
Male	27	52.9		27	52.9
Female	24	47.1		51	100.0
Frequency missing = 2					

FIGURE III-3

Rating of Popular on Product Range				
Satisfaction Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
2	4	7.7	4	7.7
3	22	42.3	26	50.0
4	26	50.0	52	100.0
Frequency missing = 1				
Rating of Popular on Product Quality				
Satisfaction Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
2	1	1.9	1	1.9
3	17	32.7	18	34.6
4	34	65.4	52	100.0
Frequency missing = 1				
Rating of Popular on Price				
Satisfaction Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	4	8.2	4	8.2
2	13	26.5	17	34.7
3	21	42.9	38	77.6
4	11	22.4	49	100.0
Frequency missing = 4				
Rating of Popular on Location				
Satisfaction Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	3	5.9	3	5.9
2	4	7.8	7	13.7
3	16	31.4	23	45.1
4	28	54.9	51	100.0
Frequency missing = 2				
Rating of Popular on Room for Dine-in				
Satisfaction Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	1	2.0	1	2.0
2	6	12.2	7	14.3
3	22	44.9	29	59.2
4	20	40.8	49	100.0
Frequency missing = 4				
Rating of Popular on Waiting Time				
Satisfaction Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
2	6	11.8	6	11.8
3	13	25.5	19	37.3
4	32	62.7	51	100.0
Frequency missing = 2				

FIGURE III-3 (Continued)

Satisfaction Level	Rating of Popular on Clean Atmosphere			
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	2	4.0	2	4.0
2	4	8.0	6	12.0
3	7	14.0	13	26.0
4	37	74.0	50	100.0

Frequency missing = 3

4—Very satisfied
 3—Quite satisfied
 2—Somewhat satisfied
 1—Not satisfied

FIGURE III-4

Table of Revisit Intention (Q8) by Age (Q18)						
Q8 Frequency Percent	Q20					Total
	1	2	3	4	5	
1	0	1	0	0	0	1
	0.00	1.96	0.00	0.00	0.00	1.96
2	0	0	1	0	0	1
	0.00	0.00	1.96	0.00	0.00	1.96
3	0	1	0	0	0	1
	0.00	1.96	0.00	0.00	0.00	1.96
5	7	21	13	2	5	48
	13.73	41.18	25.49	3.92	9.80	94.12
Total	7	23	14	2	5	51
	13.73	45.10	27.45	3.92	9.80	100.00

Frequency Missing = 2

Table of Revisit Intention (Q8) by Gender (Q21)			
Q8 Frequency Percent	Q21		Total
	1	2	
1	1	0	1
	2.00	0.00	2.00
2	0	1	1
	0.00	2.00	2.00
3	0	1	1
	0.00	2.00	2.00
5	26	21	47
	52.00	42.00	94.00
Total	27	23	50
	54.00	46.00	100.00

Frequency Missing = 3