

Simulated Test Market

The Sunbucks coffee company is planning to introduce a new variety of coffee. Before test marketing the coffee on a large scale, Sunbucks conducted a pretest market study to a) forecast the long-run share of its new brand as well as b) obtain diagnostic information regarding its intended marketing mix.

The study was conducted in a testing facility, (a room in a mall) located in the vicinity of a shopping center. Shoppers in the mall were randomly intercepted and screened for their relevance to study and for their representativeness of the target market. A sample of 300 participants was used and each participant was paid about \$50 for participating. Upon arrival to the testing facility, the participants filled a self-administered questionnaire that asked them the following: a) their “consideration set” for the brands of coffee, b) the brands they purchased over the immediate past and c) their preferences for major brands of coffee within their consideration set.

The participants then watched four commercials, one for each product, including Sunbucks. The participants were then sent to a simulated store, which consisted of a shelf display of coffee brands, along with representative prices for the brands. They were allowed to use their \$50 to purchase any brand or combination of brands in the category. Those who did not purchase the new brand were given a container of the new coffee free after all buying transactions were completed. The company found out that only 100 of the 300 participants purchased the new brand in the simulated store. After a few weeks, to allow respondents time to use the new variety in their homes, the researchers contacted them by telephone for a post-usage survey. They offered participants an opportunity to repurchase the new variety and asked them to respond to the same questions (perception and preference measurements) that they were asked in the laboratory (testing facility). The post-usage telephone survey yielded the following information regarding brand choice and switching.

		Said they would buy when contacted a few weeks later (repeat purchase)		
		Target brand	Other brands	Total
Bought in the testing facility(initial purchase)	Target brand	70	30	100
	Other brands	50	150	200
	Total	120	180	300

In addition to this information, management in consultation with marketing research and advertising research agencies believes that the long-run probability of awareness – i.e., the proportion of people who would eventually become aware of the new brand is 0.72. The management also expects that in the long run, the brand will be available in 80% of the outlets. The company also believes that 10% of the target segment will receive a free sample of the product during the product introduction phase. Previous experience with similar launches indicates that 80% of the people who receive a free sample try the brand.

- What do you think the long-run share of the new variety would be if introduced in the market?