OVERVIEW

Competitive Strategy in the Marketplace focuses on what business managers need to know in order to create strategies that gain competitive advantage for products and services. It does this by giving students a deep understanding of the rules of strategy as applied to the competitive marketplace of economic exchange. The course examines:

- the idea of strategy and sustainable advantage in economic competition;
- the sources of value in product offerings and how they change with market evolution;¹
- the roles of technology and operations in creating value;
- the ways that technological, social, and environmental change coupled with competitive actions affect the evolution of competitive strategy;
- how to understand competition and competitors;
- how to create, plan, and evaluate strategy.

COURSE OBJECTIVES

The premise of the course is that firms are successful when they implement strategies that create and capture value. Thus, the overall objectives of the course is to learn how to (1) analyze competition in specific marketplace situations, (2) create strategies that maximize competitive advantage in gaining economic profit; and (3) formulate plans to implement those strategies.

¹ Throughout this document and the course the term product is used to mean both products and services.
Specifically, students will be able to:

- Identify the forces that shape competition for economic exchanges.
- Understand the general strategic principles that govern competition and specify the competencies needed for success in different situations.
- Analyze the sources of value in product offerings, the techniques for measuring value, and how markets are segmented based on differences in the perceived value.
- Recognize how marketplace knowledge, technology, operations, and market timing influence the ability to deliver superior value.
- Use planning systems and techniques to analyze situations and to generate strategic ideas and actions.
- Translate strategic ideas into actionable plans and estimate the economic results of those actions.

**GENERAL APPROACH**

Overall, the course is designed to emphasize learning by doing and is organized into two major sections:

1. The first half of the course consists of lectures and class discussions designed to present the concepts underlying competitive marketing strategy. This also gives students time to read the text, begin work on the analysis of their assigned cases, and practice the strategic mode of thinking.
2. The remaining sessions are devoted to applying those concepts through case analyses. In each of these sessions a student team will formally present their strategic recommendations and supporting analyses for their assigned case. Another student team will act as a board of senior managers to whom the first team will present. Much of the learning in this course takes place during the presentations and the question and answer sessions following each presentation.

**TEXT AND CASES**

1. J.A. Czepiel, *Competitive Strategy in the Marketplace*, text revision in process (in bookstore)
2. Case Packet (available in bookstore).
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STRATEGY DECISION PROCESS PAPERS DUE!

10/6 9 Brands as a Competitive Tool
      Brand Culture
      Brand Equity

10/8 10 Brands as Financial Assets
      Brand Asset Valuator
      Brand Dynamics

10/13 11 Competition and Competing
       Competition and Market Structure
       Tools for Competing

10/15 12 Military and Game-like Theories for Competing

10/20 13 Competing in Oligopolies
       Predicting Competitive Response
BOARD PAPERS DUE! LAST DAY FOR CONSULATATION!

LIFE IS FULL OF CONSTANT CHALLENGES

10/22  14  Signaling

10/27  15  Wilmington
10/29  16  Maxwell House
11/3   17  Barco Projection Systems (A)
11/5   18  GF Dessert Toppings Strategy
11/10  19  Cardiac Pacemakers (a) & (B)*

*Who Deserves to Win paper due on one of these three cases

SOMETIMES YOU ARE LATE TO THE PARTY

11/12  20  IS CT Scanners*
11/17  21  C-P Precision Toothbrush
11/19  22  Electrohome (A) & (B)*

A ROSE BY ANY OTHER NAME MAY NO LONGER BE A ROSE

11/24  23  Ducati

First ½ Term Paper Due -- Wilmington through Electrohome

12/1   24  P&G LDLs (A)
12/3   25  MEM English Leather
12/8   26  Wind-Up Lecture

Second ½ Term Paper Due-Ducati through English Leather
INDIVIDUAL ASSIGNMENTS

TERM PAPER (25% of Grade)

Separating Fact From Fiction:
Insights Into Creating Winning Competitive Strategy

First Half Term Paper (due 11/17/09, 3pp max) [10% of grade]

3 pages* What commonalities were observed across the strategic situations in the first eight
presented cases (through Electrohome)? Each commonality is to be the title of a
subhead. All cases need not fit under each commonality.

Second Half Term Paper (due 12/8/09, 4pp max) [15% of grade]

3 pages* What commonalities were observed across the strategic situations in the
remaining seven presented cases (Ducati through Bayer). Each commonality is to
be the title of a subhead. All cases need not fit under each commonality.

1 page* What did you learn personally from doing and observing the case process?

*all double-spaced, 12 pt. type, “normal” margins

TEAM ASSIGNMENTS

A number of the learning assignments for the course are to be done as a member of a team. Each
student in the class will join with other students to form a team. Each team will be responsible
for two written and an oral presentation as described below.

STRATEGY DECISION PROCESS PAPER (Due 9/29/09: 10% of final grade)

“Failing to Plan Means Planning to Fail”

The case packet contains three readings: one is on “Strategy Stories,” the second on “Making
Decisions,” and the third on “How to Persuade.” In addition, the third lecture session describes
“Logic Trees.” To ensure that you approach your presentation case early and in a disciplined
way, you are to prepare a document of no more than 2 pages of prose (double spaced) that lays
out 1) how you will use the ideas from those reading, 2) how the team will proceed—including
people and timing, and 3) an “issue tree” for your presentation case (as an appendix). It is
expected that you will use a project planning approach from your operations management class.
You are expected to cite the sources used. The paper must identify the “enforcer” of the presentation checklist found on page 16 of this document.

FREE CONSULTATION (Must be completed by 10/13/09) Not all need attend.

WHO DESERVES TO WIN? (Due 10/28, 11/3, or 11/10 15% of Grade)

Prepare a comparison of the relevant competitors in one of the three cases listed. You may not do a case if you are either presenting or serving as senior management advisors for that case. The paper is due in class on the day the case is presented.
- Cardiac Pacemakers
- IS CT Scanners
- Electrohome (You are expected to use data from the Barco case)

The assignment should be presented in bullet point, as a chart, or similar outline form.
- The first part should address the following questions:
  1. What are the key success factors in the industry?
  2. How should they be weighted (total 100%)
- The second part should evaluate the relevant competitors on those key success factors.
  1. Again, in a chart form, compare the relevant competitors on the key success metrics you have defined in the first part of the assignment, above. Quantify them inasmuch as possible.
  2. Using the metrics and the measures of the key success factors in the immediate above, calculate who deserves to win.

STRATEGY GROUP: ORAL PRESENTATION (35% of final grade)

Each team will be assigned one of the cases listed. The team will present orally to the class its recommended strategy for dealing with the strategic situation confronting the focal firm in the case. Appendix A presents details of the required format for the presentation. Some important guidelines are highlighted here. These guidelines must be strictly followed.
- The prepared presentation can be presented (uninterrupted) in an absolute maximum of 25 minutes (timed).
- The actual presentation, however, will be fully interactive.
- The very highest level of communication quality is expected.
- A one-page outline is to be distributed to the class at the beginning of the presentation. This should identify the participants, contain a brief description of the strategic situation, and telegraph the essential logic of the analysis and recommendations being made.
• No reading of presentations will be allowed (not even note cards!)—you will be stopped if you do so.

• Every team member must participate in the oral presentation.

• A requirement for the course is that each team is obligated to meet for at least one, two-hour session to begin work on their assigned case prior to the third class session.

SENIOR MANAGEMENT ADVISORS: PRESENTATION PARTICIPATION

As part of your same team, you will sit as primary recipients of another team’s presentation and should consider yourselves as the senior management group empowered to approve the recommendation. You are expected to act as a senior management would during such a meeting. You may ask pertinent questions, discuss ideas with the presenting group, and, with the concurrence of your colleagues, move the presentation in directions other than that planned by the presenting group. Don’t waste time on trivial points, learn to focus on key assumptions, pivotal points, conceptual issues. Active participation is mandatory. You will also be asked to formally evaluate the presenting team’s recommendations and professionalism.

MANAGEMENT ADVISORS: PREPARATION PAPER (due 10/13/09 15% of final grade)

To prepare for its role as a board, each team is required to write a paper entitled “Fitting the Text’s Concepts to the Case.” The goal of this assignment is to relate concepts and ideas presented in each chapter of text to the case.

REQUIRED FORMAT
• One page prose per each text chapter that relates the main concepts in that chapter to the case on which you serve as Management Board. Yes, every one of the 13 chapters in the text must be included.
• Exhibits which present relevant analyses of case facts and data based on concepts/techniques suggested in text are expected. Simple reproduction of text figures is not desired or acceptable. Each exhibit to be descriptively titled: “Analysis Shows Co X has Dominant Market Positions.”
• A minimum of a “back-of-the-envelope” analysis of the economics in the case is required where appropriate.

GRADING CRITERIA
• Were concepts most relevant to the case chosen for coverage?
• Where those ideas used analytically? (Mere mention of idea/technique is insufficient)
• Did the analysis include appropriate types and level of quantification?
• Were the financial implications of obvious strategy options calculated?
• Did the document demonstrate the expected level of intellectual excellence and professional/managerial relevance?
• HINT: If your paper says, too often, that the company should do this or that analysis—when you could—then you should do that analysis!
ATTENDANCE AND CLASS PARTICIPATION

The assumption is that all students will attend every class and participate in the class discussion. Consistent absences will be penalized. If you will not be able to attend a session due to sickness or some other legitimate circumstance, please inform me by voice message or email.

The course is a collaborative effort among all the students and the instructor. Together we will develop a framework that will allow us to formulate value enhancing marketing strategies and communicate those strategies in a logical persuasive manner.

A NOTE ON CASES

CASES are descriptions of business situations that provide opportunities to define and solve problems in real settings. The case method is one of the most effective means for developing decision-making capabilities in the complex situations that characterize strategic marketing problems. The case method requires us to analyze the relevant facts and information and apply the analytical techniques and frameworks developed in class. The philosophy behind the use of cases in this course is that learning marketing is not simply a matter of mastering a series of analytical tools, but also developing a process of thinking that leads to informed decisions.

The cases chosen for this course represent real, important, strategic choices faced by well-known firms spanning a forty-year period. The industries include traditional packaged goods, medical equipment, and electronics. Each case has been selected based on the following criteria. First, they represent types of strategic situation that are the subject of this course. Second, they provide information on options that were actively considered by the firm. Third, they contain enough information and data to assess the financial implications of the recommended strategy. Fourth, they are strategically interesting.

As noted, the cases span a forty-five year time span: The General Foods Maxwell House case describes a situation the firm faced in 1965. Despite the date, there is much to be learned from discussing the strategic issues discussed in the case. Given that we are likely to be quite familiar with the products and the outcomes of the strategic situations described in some of the cases, we do face a special challenge: We cannot use hindsight to justify our decisions. In making your recommendations you must restrict yourself to the information given in the case.
A REMINDER ON PERSONAL ETHICS AND RESPONSIBILITY

A major facet of managerial life is the web of trust that knits together superiors, subordinates, and peers within an organization and suppliers and clients in the marketplace. It is also central to the relationship between teacher and student and among students. We expect that all of the work in this course is to be the work of the individual or the team, as defined by the assignment. It is contrary to the Code of Conduct for any individual to (1) solicit, receive, read, or review the written work product (final papers, notes, slides, etc.) of any current or former member of this course and (2) to solicit or receive verbal input with respect to any case or other assignment from any former student of this course. Problem identification is a major issue in every assignment and, in this course, discussing such with prior students is a clear violation of the Code of Conduct.

Your continued presence in this course indicates your acceptance of this responsibility and the consequences that violations will incur.
Appendix A
CASE PRESENTATION FORMAT*

The format described below is required for all presentations.

The presentation must consist of the following parts in the order listed:

A. Summary of the team’s interpretation of the strategic situation facing the focal firm.

B. Brief review of the strategic ideas that make the strategy work and a preview of the strategy you will recommend later together with a few key actions that illustrate the team’s recommendations for the focal firm.

C. Analyses of the relevant facts that led the team to interpret the situation as it did and to choose the recommendations it made.

D. The range of strategic alternatives available to the firm (in the form of a decision tree).

E. Recommendation for one of those alternatives, and the argument in support of that recommendation, to include an NPV analysis of the recommendation and using either the Crystal Ball or @Risk Excell spreadsheet add-ons.

PART A (2-3 minutes)

Report in a summary form your understanding of the strategic situation. You need to communicate the nature of the problem/opportunity facing the firm in simple strategic terms:

- Who is competitively advantaged or disadvantaged?
- Who is attacking or defending?
- What is the form of the strategic problem? (E.g., industry is being transformed from specialty to commodity, cost (or distribution) is becoming the predominant competitive factor, technology is changing, value chain is shifting, etc.)

Always start your presentation with a concise summary of the strategic situation with statements similar to these:

We are under attack. Both competitor A and B have superior resources, have leapfrogged our product’s performance and are offering lower prices to the market.

The market is ripe for another competitor. The problem we face is to devise a strategy which will let us successfully defend our leading position in the market.

As the market is now entering maturity, price competition is intensifying and we need to find a way of competing that will allow us to maintain share as well as profitability.

*See the checklist at the end of this appendix
Think about the Battle of Cannae discussed in class and in the text. Put yourself in Hannibal’s position.

Here is how Hannibal may have communicated the strategic situation in which he found himself:

Varro is going to attack. My forces are outnumbered 3½ to 1 (72,000 to 22,000). I am pinned by rivers and hills. Retreat is not feasible. What kind of strategy can I devise that will allow me to win?

Whenever possible, use a visual interpretation of the situation in the form of a diagram, picture, cartoon or other device. Think about how about how Hannibal's strategic situation was captured in a battlefield map.

See Appendix B for further information on the strategic situation analysis.

**PART B (1-2 minutes)**

In this section you are required to identify for your audience 1) the strategic idea(s) that underlies your recommendation (why it will work) and 2) a preview of the strategy you are going to recommend, along with a few key actions that embody that strategic idea. This should be brief, but sufficient to allow the management to understand where you are headed.

Begin this section with statements such as the following:

The strategy we are going to recommend is based on the strategic ideas of segmentation and differentiation. Specifically, our strategy is to defend our position in the market by first focusing our current marketing efforts on the segment of the market which perceives greater value in our product because of its functionality. We will also invest in R&D to improve the heat-resistance of the product to appeal to the segment of customers that value this feature. We will further enhance value by changing our batch production system in order to lower unit cost.

Think again about Hannibal. How would he have explained his strategy?

The actions I am going to recommend are based on two strategic ideas and one physical law.

Those are (1) concentration, (2) defense, and (3) gravity.

Specifically, by dividing my cavalry unequally and entrenching them in strong defensive positions on the hillsides I gain competitive advantage. By doing this I can defeat Varro in the situation where my forces are larger than Varro’s. I will be able to hold position even where I am outnumbered, because Varro’s forces will have to fight gravity as well as my entrenched, defending forces. When my victorious cavalry can attack Varro’s forces from the rear; I will be able to vanquish the enemy.
PART C (10-12 MINUTES)

To complete Parts A and B, you had to analyze the facts and data presented in the case. Some of those facts and analyses gave you insight and ideas; some you initially thought were important but turned out not to be; some were simply not relevant. Which should you present? Present those that gave you insight and ideas. And present those that the audience would expect to be important even though you may have discovered otherwise.

Part A, for example, is the interpretation in strategic terms of analyses you did -- you must present enough of these analyses to allow your audience to check on your interpretation. Next, you need to provide your audience with a sufficient factual and analytical basis (right now, up-front) on which to judge your strategic options and recommendation. Don’t save it for later -- establish a strong foundation.

You must learn to discover which facts are important and which are not. That is what this course is about and only you can answer that question. There is a section in Chapter One titled “Devising Strategy” and the whole of Chapter 12 is concerned with strategizing. Both should get you started. As a hint, take every analytical concept in the text and lectures and try it out on the facts in your case. Present those that give you insight. Then do the same in reverse: if there is data in the case, whether financial or consumer, analyze it and see if it helps to understand the strategic situation. If you have not used data, a table or a chart in the case, ask yourself why.

The presentation in this part is to be neutral and evenhanded and is not to be used to argue your recommended strategy. Biased analyses and “whitewashed” data lead only to personal and business disaster. You are searching first for “truth and beauty” and only once you have found that can you begin to form your arguments.

Lastly, avoid the temptation to share everything you learned. You do not have the time and we, the class—your collective boss—do not care to listen. We expect you to do the sifting and sorting and to tell us only what is relevant and important and always with the most important information first. Of course, if we ask about something, we expect you to have done the analysis and to be able to respond. You will feel really good when you reply, “Oh, we’re glad you asked. We have a back-up slide which demonstrates...”. If you don't know the answer, or have it on a back-up but have to look it up in the case you are in trouble.

This is where most groups sink badly, lose credibility, or fail to bring their audience along with them. Use real numbers to demonstrate competitive advantage (or lack). Compare offerings feature-by-feature. This is required! Present and analyze consumer data.

PART D (3-4 minutes)

In this section you present the range of the different strategic alternatives available to you (not every variation and shading but those which are conceptually different strategies). Use of a decision tree incorporating the key strategic choices for the focal firm is required in this section. Don't oversimplify or over-complicate.
PART E (5 minutes)

In this section, make your recommendation and present the major arguments that support the recommended strategy as well as the risks of which the board should be aware.

By this time your recommendation and the major forces driving you to that recommendation should be clear to the audience. Your task now is to pull together the logic of your actions and convince the audience that they too should come to the same conclusions. You need to argue fairly and well. But if you cannot convince the board of the logic of your recommendation then you have failed. One way to argue is to point to the fact that the strategy is built on sound principles:

This strategy will work because it pits our strengths against our competitors’ weaknesses. As the slide shows…

A second way to argue is to point to the benefits that your recommendation brings versus other courses of action (bosses do not buy actions, they buy results; mechanics do not buy quarter inch drills, they buy quarter inch holes):

These next slide compares the probability of success, the estimated competitive response risk and vulnerability, the expected value based on those probabilities, and the range of NPV’s and cash flows for the different alternatives. As can be seen in the highlighted rows, our recommended strategy best meets our strategic objectives and also results in the best NPV.

An analysis of the economic consequences, investments, cash flows, NPVs, etc., are required in every case. All NPV analyses are to use the Crystal Ball or @risk Excel Spreadsheet add-ons to test the effect of key assumptions. This is required. However, should your case not allow such you may be excused for not using it with the explicit permission of the instructor. A great, easy to follow tutorial for Crystal Ball can be found at http://www.decisioneering.com/tutorial.html. Crystal Ball is on the Stern computers.

Some Important Points

- It is understood that English is not everyone’s native tongue; we all understand that and make the necessary adjustments.

- Every team member must participate—we are all in this together and understand that it is a learning experience for each of us.

- Absolutely no reading allowed. Don’t even think about bringing note cards up with you because then you’ll start to use them and I’ll stop you right then and there.

- Make your slides work for you—put the message of the slide in its title, use bullet point words that capture the idea for you or that use the word you can never remember. If
necessary, put transition or lead-in phrases that help you remember. For example, if you have a slide comparing the production costs of different competitors, put titles such as, “We have the lowest cost position,” or “We have a disadvantaged cost position.” This will help you remember the point to be made from that slide.

- Make the logical flow of your presentation clear to your audience. “First we will show you this and then, in the second section, Tom will demonstrate…”.

- Anticipate and prepare for the questions that are likely to arise. Prepare back-up slides.

- Practice, practice, practice. It’s only your future, your job, your raise, the mortgage payment, and baby’s new pair of shoes. It’s all under your control before you get up there—then it’s under your boss’s control. You can never be too prepared.

- There is no such thing as a spontaneous remark. The best spontaneous remarks have been carefully thought out.

- Drag a piece of bait across the trail that will lead your boss to ask a question to which you can reply “Glad you asked. It’s a good question that we thought about too and as you can see on this slide…”.

- Use a pointer and remember the three T’s: Touch – Turn – Talk. You know where on the slide you are looking, the audience does not.

- Keep slides simple—there should not be anything on them that you do not use. Remember KISS: Keep It Simple, Stupid!

- **Note on the use of adjectives and numbers.** Without an anchored referent, adjectives are poor communicators of size or rate. Words like large, tremendous, fast and so forth can mean anything depending on the communicator’s and listener’s viewpoints. “Tall” means one thing if you are 5’1”, quite another thing if you are 6’1”. In this course, all descriptions written and oral are to cite exact or approximate numbers wherever possible.

- There is a tendency to use such meaningless adjectives, especially in the early part of your presentation. **Always** use the number when it is available.
PRESENTATION CHECKLIST

☐ Presentation follows required format
☐ Part A is no longer than 2-3 minutes
☐ Part A starts with a concise summary of the strategic situation, preferably in a visual on graphics form
☐ Part B is 1-2 minutes
☐ Part B identifies the strategic idea(s) that underlie the recommendation
☐ Part B gives a concrete preview of the recommended strategy
☐ Part B gives a few key actions that embody the strategic idea
☐ Part C is 10-12 minutes
☐ Part C presents the analysis in neutral form
☐ Part C compares competitive offerings feature-by-feature
☐ Part D is 3-4 minutes
☐ Part D contains a decision tree
☐ Part E is no longer than 5 minutes
☐ Part E includes the risks of the strategy
☐ Part E presents an economic analysis including an NPV using CrystalBall or @Risk
☐ Part E clearly separates that portion of the NPV which is generated in the forecast period from the terminal value
☐ Part E presents a graphic depiction of the cash flow showing investments (whether capital or expenditures), revenues, and time to cash flow breakeven
☐ No slide in the presentation contains an adjective for which a number can be used
APPENDIX B
WHAT IS A STRATEGIC COMPETITIVE SITUATION ANALYSIS?

A strategic situation analysis defines the competitive environment in terms of:

(a) the actions being taken by the competitor(s),
(b) the characteristics of the terrain on which the competition is being staged,
(c) the relative strengths and weaknesses of the competitors,
(d) the constraints which limits the players’ action options,
(e) the rules which define who deserves to win, and
(f) the objective(s) which the strategy must achieve to be successful.

Think about Hannibal versus Varro:

(a) Hannibal is defending; Varro is attacking,
(b) Hannibal is on a plain between mountain ridges with a river at his back,
(c) Hannibal is outnumbered in infantry (70,000 vs 20,000) and equal in cavalry (2,000 each for Hannibal and Varro),
(d) Hannibal cannot augment his troops nor safely retreat (Varro will nail Hannibal if he tries to retreat across the river),
(e) The laws of physics in terms of force and violence define who deserves to win,
(f) Hannibal’s objective is first to survive, second to defeat Varro.

In Hannibal’s case, the question is:

“What strategy will allow me to win given that: I am outnumbered 72,000 to my 22,000 by Varro’s troops who are going to attack me head-on in a classic rank and file formation, positioned as I am on the plain with mountains at my sides and a river at my back, which prevent my safe retreat and with no chance of resupply or reinforcements, and given that force and violence at the point of attack suggest that Varro is advantaged in those strengths which define the outcome of the conflict?”

This situation is easily shown graphically by a battlefield map.

In the case you are given, what is the analog to this?

(a) Who is attacking, defending and how is this being evidenced in the case?
(b) What does the marketplace (terrain) in which we are positioned look like?
(c) What are the relative strengths and weaknesses that define each of positions in the marketplace and the relative resources available to us?
(d) What constraints to our actions does each of us face?
(e) What defines “superior value” in this competition?
(f) How do I define the specific objectives my strategy must achieve if I am to survive or win?

Can you create a diagram, picture, or cartoon that captures the strategic situation as accurately as the battlefield map shows Hannibal's?
APPENDIX B, CONT’D.
AN ALTERNATE APPROACH TO DEFINING THE STRATEGIC SITUATION

Underlying all of the actions and results we observe in the so-called “real world” are the underlying theories or “laws” that drive that behavior and those results. Key among them are such theories as those posited to drive economic behavior, the laws of physics, and the concepts and theories that we learn about strategy, finance, marketing, and consumer and organizational behavior. We use these theories and laws to help us understand and, sometimes, to predict how individuals and firms will likely act and with what results. For example, we know that the law of supply and demand ultimately drives prices or that the large generally win over the small because we have learned the theories of economics and physics.

This approach to defining the strategic situation is based on using those laws and theories to define the strategic situation. The core of this approach is simple and best explained in the figure below. The idea is to describe and explain the observed real-world behaviors and results in terms of the various theory-driven concepts you have been learning here at Stern. For example:

“The attacking firm, which is twice as large as the defender, has enhanced the value of its offer by differentiating it both on the basis of performance and price such that it has moved horizontally on the value map. With its lower cost of capital it can offer lower prices and therefore margins yet still gain a return on its investment greater that its weighted average cost of capital. Since the technology is still rapidly advancing, its size enables it to spend more on R&D than the defender and the superior product performance that R&D has created makes it the supplier of choice for distribution channel members – in essence locking out the defender from effectively accessing the market. The question facing the defender is to determine if a Judo strategy will enable it to exist and profit or if it should look to avoid direct confrontation by focusing its resources on a smaller part of the market . . . etc.”

While the purpose of this note is to assist you in defining the strategic situation, it can also help in defining the theoretical “solutions” available to the firm as shown in the figure.
APPENDIX C
Competitive Marketing Strategy Presentation Evaluation

Case ________________________________________________

1. The Strategic Situation and Recommendation Preview: (weight 25%)
   Accurately and succinctly explained the strategic situation
   1--2--3--4--5--6--7+
   Communicated idea underlying strategy
   1--2--3--4--5--6--7+
   Sufficiently described actions embodying that idea for audience to understand recommendation
   1--2--3--4--5--6--7+

2. Data Analysis (weight 25%)
   Presented unbiased analysis of relevant facts which define the strategic situation
   1--2--3--4--5--6--7+
   Used relevant concepts in selecting and interpreting data
   1--2--3--4--5--6--7+
   Data were used where appropriate and presented visually
   1--2--3--4--5--6--7+

3. Recommendation and Arguments (weight 25%)
   Presented clear understanding of the range of strategic alternatives available
   1--2--3--4--5--6--7+
   Argued fairly the pros and cons of the recommended strategy
   1--2--3--4--5--6--7+
   Presented market and financial implications of strategy clearly
   1--2--3--4--5--6--7+

4. Q&A Session (weight 10%)
   Actively listened to questions and attended to concerns
   1--2--3--4--5--6--7+
   Anticipated questions and prepared for them
   1--2--3--4--5--6--7+
   Team acted a group in answering questions
   1--2--3--4--5--6--7+

5. Overall Presentation Quality (weight 15%)
   Logic of presentation
   1--2--3--4--5--6--7+
   Ability to attract audience
   1--2--3--4--5--6--7+
   Clarity of presentation
   1--2--3--4--5--6--7+

Note: A “4” rating means “meets the expected level of performance;” a “7” rating means “walks on water, leaps over tall buildings in a single bound, etc.” Note to Senior Advisors: a “4” is not a ding. If they did better (or worse) than you expected, that would be a “5” (Or ”3”); If they wowed you, then a “6” but if a negative “wow,” then a “2.” You need to sections 1, 2, and 3 (above) in real time – don’t wait until the end as it all looks alike then.
Growing a Decision Tree
Growing a Decision Tree

To plan useful strategy; you must take a hard, honest look at your product or business as well as at your competition. The Strategic Map can help you do that. But you cannot freeze your business environment, which is constantly being reshaped by outside driving forces. Marketing managers must track changing consumer demands and shifting competitors' strategies. Successful strategy development can be enhanced by visual tools that show a range of options in graphic form. One of the simplest and most valuable is a Decision Tree.

The key to strategy is the ability to think forward and reason backward. We imagine where the future will take us and then build a pathway back to today. The problem lies in not knowing which of many possible futures will unfold. A Decision Tree allows you to visualize these futures and evaluate their potential impact from the future, rather than from today. Here's how one company used a Decision Tree.

UVu Video operates a chain of thirty-six company-owned video stores in fourteen Pacific Coast cities. Each year: for the past five years, the revenue of UVu has tripled. The two partners work long hours to keep up with growth far beyond their expectations. The more aggressive of the partners has developed a plan to open another twenty stores within the next five years. Based on current operations and UVu's obvious ability to pick good locations, the company's bankers are encouraging the expansion.

However, the conservative partner has grown increasingly worried about the threat of new technologies. At some point in the future, cable or telephone companies will deliver specific movies at specific times with the ease of a phone call. Will people continue to use video stores when they have a more convenient and perhaps less expensive option to see movies?

Discussions between the partners have grown heated over the expansion plan. Each conversation seems to end in a confusion of “what ifs.” To sort out how the future might unfold (think ahead) and how they should react now (reason backward); the partners drafted a Decision Tree. They looked ten years ahead and considered what might happen to UVu (and them) with three possible futures: (1) a declining industry (2) a steady industry, and (3) a booming industry. Here’s how their Decision Tree grew.

![Figure 3-7. Three primary strategies plotted on the Decision Tree.](image-url)
Finally, they tackled the choice of expanding the UVu business. Here they saw only two primary alternatives: (1) to own the new expansion stores under the same program that they have with the current group of thirty-six stores, or (2) to franchise most or all of the new expansion stores to distribute risk to other investors. (They recognized that they would also reduce their potential reward at the same time.)

With Figure 3-9, the visual display of the major choices facing UVu Video, the partners faced a decision. Often, just the process of physically graphing these options leads to a conclusion obscured before a pencil was put to it. But not this time. The partners still faced the dilemma that they have different views of the future. And while both expressed a good deal of uncertainty about their prospects, one partner believed that the party could go on for at least another ten years. The other worried about losing what they had spent years of hard work to build. So they tackled the problem by going one step further.

With the Decision Tree taken out to this point, the partners added a chart that would evaluate the range of possibility for the future, from +10, representing maximum growth and income, to -10, representing bankruptcy. They used this rating system to evaluate the three simplified futures of the video business: It may decline, it may remain steady, or it may boom. The key question was: How will we fare in the three different futures depending on which branch we choose from the Decision Tree? They took their time making these evaluations, and each did some compromising. In the end, they had Figure 3-10, a Decision Tree with an assessment of how positive or negative each outcome might be.
The Decision Tree allowed the partners to take some of the emotion out of the process of identifying possible future options. The tree did this because it provided an examination of multiple features and the range of possibilities within them rather than a discussion of just one or two.

With a clearer understanding of options, risks, and rewards, the partners more easily came to an accommodating resolution of their dilemma. The more conservative partner realized, with the aid of the Decision Tree, that the upside in either the Divest or Maintain branch would not satisfy him. And he also realized that his fear of the downside was somewhat exaggerated. Meanwhile, the Decision Tree did not slow the more aggressive partner’s interest in expanding. So they reached a compromise. They would expand, but only by franchising. The aggressive partner will purchase franchises herself to participate more fully in what she sees as a booming opportunity. The other partner will benefit more conservatively from the expansion, but he will be allowed to maintain his comfort zone with the investment. By thinking ahead and reasoning backward, the partners found a course that could satisfy both of them.
On the landing gear lever of the newest high-tech jet-liner, a miniature wheel spins at the end of the handle. Its only purpose to instantly convey what the lever does. Despite all of the pilot training and computer sophistication, the little wheel remains the ultimate communication tool because it is visual, tactile, and real. That’s the advantage of putting strategic issues in visual form. Decision makers can share a context for defining current conditions and future choices. And the visual model created will live long in your memory.
MAXWELL HOUSE COFFEE (A)
Considering a Major Packaging Change for Ground Coffee

The product manager for ground Maxwell House Coffee was at work in his office preparing his budget for the next fiscal year. Unexpectedly, he was interrupted by a long distance telephone call from Stockton, California. One of the company’s salesmen called to report that the J.A. Folgers* Company had just introduced a new keyless one-pound can for its brand of ground coffee in Stockton supermarkets, apparently on a test market basis. He was forwarding samples of the can to headquarters in White Plains, New York by air mail.

The product manager reported the news to his immediate superior, the Advertising and Merchandising Manager, who in turn notified the General Manager of the Maxwell House Division of General Foods Corporation. All three executives would be intimately involved in considering the development because of the large potential impact of a packaging change on the profits of the Maxwell House Division.

POTENTIAL IMPLICATIONS OF A CHANGE

Maxwell House was the leading brand of ground coffee (drip, regular and fine grind) in the United States, selling about 300,000,000 pound annually. The brand accounted for about 21% of all ground coffee sold and was followed by Folgers with about 15%. Because of the large volume, a cost reduction of as much as one cent per can could save Maxwell House about $3,000,000 a year. If a packaging change should cause the brand to either lose or gain a 1% share of market, factory sales would be affected by about $9,000,000, assuming a selling price of 63 cents per pound, and gross margin would be affected by about $1,000,000.2

Approximately 60% of the 300,000,000 pound of ground Maxwell House Coffee sold annually was packaged in one-pound cans; 40% two-pound cans.

The Maxwell House Division also roasted and marketed ground coffee under the Yuban brand and a decaffeinated ground coffee under the Sanka label. Yuban had about 1.9% and Sanka had 1.5% of the ground coffee market. (See Exhibit 1) The Maxwell House division had maintained a position of leadership in the coffee industry for many years. Sales of its three brands in both ground and soluble form had grown to account for 35% of all coffee sold in the United States in 1962.

While Maxwell House led other brands of ground coffee on a nationwide basis, its market position was much stronger in the East than the West. The opposite was true for Folgers. For example, 50% of the sales of Maxwell House were made in the eastern and mid-eastern sales districts which accounted for only 5% of Folgers sales. In 1962, Folgers was not sold in markets which accounted for about 40% of the sales of ground Maxwell House Coffee. They included Boston, New York, Philadelphia, Syracuse, Washington D.C., Youngstown, Charlotte and Atlanta. The west central and western regions contributed only 15% of the total sales of Maxwell House ground coffee compared to 71% for Folgers. (See Exhibit 2) In Northern California, Folgers sold about four times as much ground coffee as did Maxwell House.

Maxwell House enjoyed 36.2% of the vacuum packed ground coffee market in its Mid-Eastern sales region where Folgers share was 6.1%. In its West Central region, Maxwell House had a share of 8.5% compared to 29.1% for Folgers. (See Exhibit 3)

2 Gross margin figure disguised.

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* Note that at the time of this case, Folgers only business was the coffee business. It was acquired by P&G subsequent to the events described in this case. Also, at that time, the ground coffee business accounted for some 40% of GF’s revenues.
Matters of packaging and labeling were of concern to the product manager because of his responsibility for the domestic marketing of ground Maxwell House Coffee. Aided by a group of assistants, he established annual sales objectives, worked with the advertising agency to develop and implement advertising and promotional programs, evaluated possible changes in the product, determined what price changes should be recommended, and maintained programs of market testing and consumer research.

GROUND COFFEE PACKAGING

The packaging of ground coffee in the United States had undergone no major change since the late 1920’s when a can developed for shortening products was adopted for coffee. At that time the large can suppliers tooled to produce a key opening can 5 1/8 inches in diameter and 3 5/8 inches in height. Such a can had been used since then by most brands except during World War II when glass jars were substituted to save metal. After the war, electrolytic tinning replaced the old hot-dip process and a lighter weight “tin plate” (steel plate coated with tin) was used to reduce costs and improve appearance and resistance to rust. The can companies’ tooling did not change, however. Use of a key opening can of the same dimensions continued.

The Folgers test in Stockton which prompted the phone call to the Product Manager late in October, 1962, was not the first indication of that company’s interest in a keyless can. In August, 1962, Folgers had introduced a three pound keyless can in Stockton. The move was of no unusual concern to Maxwell House executives who viewed it as a test of the three pound size which they earlier had decided not to market. They saw no manufacturing economics in it and they believed that the number of families who could use three pounds of coffee in two weeks was very limited. Coffee tended to become stale about two weeks after the can was first opened.

After receiving the new keyless, one pound can from Stockton, the Product Manager sent the following memorandum to the Advertising and Merchandising Manager on October 26, 1962.

*Forwarded with this memorandum is the new Folgers can. Its principal features are a smaller diameter, a taller shape, and its opening device (regular can opener vs. key strip). The can was picked up in Stockton, California, by our sales force. There is a research questionnaire enclosed in the cap and our intelligence indicates that Folgers is testing it only in the Stockton area. The sales force also reports that Folgers will be introducing a similar two pound can in Stockton in the near future.*

The new can is made by the American Can Company and its costs, (including plastic lid) considerably more than the Maxwell House can (about 15¢ per unit of 12 pounds). To mass produce this can, it would be necessary to invest in molds for the plastic lid and in line conversion parts (estimated total cost to Maxwell House, about $600,000).

*We have findings from consumer research on can shapes similar to this one. An American Can Company test conducted by Forbes Research in July, 1962, indicated that consumers preferred a smaller diameter, taller can to the standard shape. Their preference was not great enough, however, to influence them to purchase a brand not normally used just because of the can. Although the can used in this research had a conventional key strip opening device, we still believe the research conclusion is valid as far as preference for the shape is concerned.*

*With regard to the opening device, we feel this may offer an important consumer appeal. Maxwell House had investigated cans that could be opened with a regular home can opener before, but it was decided not to pursue this further.*

*Now that the Folgers company has indicated an interest in this type of can, we will have to stay on top of the development. Accordingly, we plan to conduct consumer interviews in Stockton to learn of consumer reaction to the Folgers can. A research proposal for this study will be available early next week, and either a member of the product group or a representative from the Market Research Department will go to Stockton next week to observe Folgers sales activity.*
We have alerted the sales force to be looking for this can in all areas and will keep you advised of any new developments.

The Product Manager approved proposals for consumer interviews and store audits of retail sales of ground coffee in Stockton.

STOCKTON CONSUMER INTERVIEWS

The Marketing Research Department of the Maxwell House Division planned a survey of women purchasers of Folgers coffee in the new no-key can and by October 29, 1962, it had employed Survey Research Services, Inc., of San Francisco, California, to do the interviewing.

During the weekends starting November 8 and 15, interviewers were stationed in Stockton supermarkets. They introduced themselves to women who had purchased Folgers in the new can. In order to guard against bias, a series of three questions were asked about each of five different product categories, one of which as ground coffee. The questions were aimed at ascertaining the respondent’s usual brand; the brand she bought the last time she purchased the given type of product, not counting purchases made on the day of the interview; and the brand purchased on the day of the interview. If Folgers was not the respondent’s usual brand of coffee, she was asked why she happened to buy Folgers on the day of the interview. The interviewer also obtained the respondent’s name, address and telephone number and noted the name and location of the store in which the interview was conducted. (See Exhibit 4 for questionnaire)

Ten days to two weeks later, telephone interviews were conducted with 125 women who had been interviewed in the supermarkets. Respondents first were asked open questions about what they thought of the Folgers coffee they brought in the new type of can and how they felt about the container itself. Several more specific questions then were asked. (See Exhibit 5 for questionnaire)

Eighty-six percent of the respondents re-interviewed considered the new Folgers container better than the usual kind of coffee can. The corresponding figure for women whose usual brand was not Folgers was 80%. (See Exhibit 6) The main reasons given were ease of opening, slimmer shape which made for ease of handling, reusability of the can as a canister, and the plastic lid for resealing which was thought to keep the coffee “better and fresher”.

Ninety-three per cent of the spontaneous comments on the new can were favorable. When asked to rate the new container and its contents on each of several points, 86% said it was easier to open and 80% said it was easier to re-close than the key can. Coffee purchased in the new can was seen as superior in flavor, aroma and freshness to that bought in the conventional can.

Sixty-one percent of the women re-interviewed had purchased ground coffee in the two weeks between the in-store interview and the telephone follow-up. In so doing, 56% of the women re-interviewed had selected Folgers. The corresponding figures for women who usually bought a brand other than Folgers were 53% and 47%. Thirty percent of the non-regular users of Folgers and 53% of the regular users had purchased Folgers in the new can more than once. (See Exhibit 7)

Ninety-six percent of the regular users and 70% of the non-regular users of Folgers stated that their next purchase of ground coffee would be Folgers in the new can. When asked why, 59% referred to the coffee and 48% referred to the container in some way. (See Exhibit 8)

When women who regularly used a brand other than Folgers were asked in the in-store interview why they had selected Folgers, 57% (17 of 30 women) said they did so because it was on sale and 33% replied by referring to the container. (See Exhibit 9)

The Marketing Research Department reported as follows on the results of the Stockton interviews:

---

3 Eight-eight women interviewed in supermarkets were not represented in the telephone survey results. Forty-five refused re-interview, 27 could not be reached and 16 interviews were completed after the established deadline.
The available data are extremely favorable to the new Folgers can type. Attempts to generalize from the data, however, must be read within the limitations of one fairly small sample in one city with three quarters of the respondent’s buyers of a single brand – Folgers.

It is suggested, therefore, that further research be carried out to check the favorable reaction indicated here among a larger, more diversified sample. Resultant data might then be collated with comparable data for the several new can prototypes now under development by the Division.

RETAIL SALES AUDIT

Arrangements were made to have the Burgoyne Index, Inc., of Cincinnati, Ohio, audit retail sales of Folgers, Maxwell House and other selected brands of ground coffee in 21 Stockton stores during the weeks beginning November 5, 12 and 19.

Results of the audits showed that Folgers in one pound and three pound no-key cans accounted for 10.1% of the total pounds of ground coffee sold in the first week, 14.7% in the second week, and 10.6% in the third week. (See Exhibit 10) The larger share in the second week was due to an increase in sales of the three pound size which did not continue into the third week. The Burgoyne staff reported that special merchandizing promotions in Stockton stores during the three-week period were limited to a floor display of Folgers one pound size in the new can and to “the usual shelf strips”. Retail prices were not affected by the change in cans.

During the three-week period of the store audits, the three pound size accounted for 8.1% of the ground coffee sold in Stockton. The corresponding figure for the Maxwell House San Francisco sales district was 0.6%. Folgers share of ground coffee sales (all sizes and both the key and the keyless containers) during each of the three weeks was 23.9%, 28.5% and 24.7%. Maxwell House’s shares of ground coffee sales in Stockton for the same three weeks were 18.7%, 15.3%, and 18.5%. Folgers accounted for 28.5% of the sales of ground coffee in the San Francisco sales district during the three week period compared with 7.8% for Maxwell House. (See Exhibit 11)

The costs to Maxwell House of the research conducted in Stockton and described on the preceding pages were about $2,800 for the retail sales audits and about $4,200 for the consumer interviews.

CUSTOMER ACCEPTANCE

During November and December, 1962, members of the Maxwell House management engaged in many discussions as they considered what to do about the no-key can.

In studying the question of consumer acceptance, they reviewed available studies made by other organizations of consumer likes and dislikes in packaging. The results contained evidence of dissatisfaction with cans that required a key to open and one survey made in 1960 found that five percent of the women regarded coffee packages as “poor”. (See Exhibit 12)

The finding that Stockton women who tried the keyless can preferred it highlighted questions as to what the effects would be if Folgers converted to that can and Maxwell House did not. Would Folgers thereby gain an advantage in the 20 Maxwell House sales districts in which Maxwell House and Folgers competed? Would Folgers be able to use the new can as a merchandising lever to successfully introduce its brand into the eastern sales districts in which Folgers was not now represented and to increase its share in the eastern and mid-eastern regions which accounted for half of Maxwell House’s sales? Folgers might elect to use any increase in gross margin resulting from lower can costs for additional promotion in an effort to increase market position. Maxwell House executives believed they would have to match such an increase in order to hold position for Maxwell House ground coffee.

In considering what the effects would be if Maxwell House converted to the keyless can, Maxwell House executives noted that the three week audit of retail sales in Stockton provided no evidence that Folgers sales and share of market had increased. They were unwilling to take action which might lead to a decrease in market share. They feared that a decline in share, once started, could not be contained. Because of the large volume involved, a drop in share for Maxwell House brand could have a significant adverse effect on General Foods corporate sales figures at a
time when great emphasis was being placed on growth and a decline in share was regarded as a red flag signaling possible deterioration of a brand’s consumer franchise.

ADEQUACY OF NO-KEY CAN

The Production Services Manager and the Packaging Development Manager reported that they had investigated possible use of a no-key can in 1956 and again in 1959. On those occasions, decisions were made against the no-key can because of technical problems affecting the strength of the metal, the high cost of polyethylene lids and the feeling of the marketing group that its appearance was not of high quality. At the same time, however, it was found that the no-key can was easier to make than the key can. If the cost of the polyethylene lid were excluded, it also was less expensive to manufacture.

The Folgers no-key can was 4 1/16 inches in diameter (called a 401 can) as compared to the standard key can of 5 2/16 inches in diameter (called the 502 can). The cylindrical portion of the Folgers no-key can was made from 60 pound tin plate which was less expensive than the 90 pound tin plate used in the conventional key can. After studying no-key can packaging alternatives in 1962, Maxwell House’s researchers concluded that a can made from 90 pound tin plate for the sides and 75 pound tin plate for the ends would be necessary to satisfactorily withstand the pressures which characteristically built up inside a coffee can a few days after it was packed. The Maxwell House production manager believed that a can made with 60 pound tin plate would be vulnerable to bulging and structural failure.

COST CONSIDERATIONS

Maxwell House production personnel investigated what the costs of a keyless can would be both if Maxwell House should manufacture it and if the can were purchased from suppliers. While the make or buy study was under way, several large United States oil companies switched from steel tin plate cans 4 1/16 inches in diameter (401 cans) to plastic coated paper containers for packaging oil. Their move left some of the machines of the American Can Company and the Continental Can Company available for other uses. While the can companies no doubt would prefer to continue producing coffee cans from their key can machines, the General Foods Purchasing Manager reasoned that they nevertheless recognized that the coffee industry was interested in a packaging change and now might be willing to quote an attractive price on the 401 can.

The following cost figures were compiled from prices quoted by can companies and from the manufacturing cost study made by Maxwell House purchasing, accounting and engineering personnel:

<table>
<thead>
<tr>
<th></th>
<th>Cost Per Thousand Cans with Lithographed Labels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>One Pound Size</td>
</tr>
<tr>
<td></td>
<td>If Make</td>
</tr>
<tr>
<td>No-Key Can</td>
<td>$46.00</td>
</tr>
<tr>
<td>Polyethylene Lid</td>
<td>6.50</td>
</tr>
<tr>
<td>Total</td>
<td>$52.50</td>
</tr>
<tr>
<td>Key Can Currently in Use</td>
<td>$60.00</td>
</tr>
</tbody>
</table>

In the past, Maxwell House had purchased its cans. The $46.00 and the $67.00 figures in the above table included both variable and fixed costs for the Hoboken, N.J. plant production of about 75,000,000 one pound cans and about 25,000,000 two pound cans a year. Plant and equipment needed if the Hoboken plant were to make the no-key can would cost an estimated $2,800,000. The comparable figure for the key can was $4,000,000. It was the company’s practice to write off machinery over a 15 year period and buildings over a 40 year period. Cans for the other Maxwell House plants in Jacksonville, Florida; Houston, Texas; and San Leandro, California, would continue to be purchased because of their lower volume requirements.

The cost estimates for the 401 can assumed the use of 90 pound tin plate for the sides and 75 pound plate for the ends. Producers of polyethylene lids had quoted $12 per thousand for initial orders filled while they would be expanding their capacity. The Purchasing Manager estimated $8.00 as the future price offer after mass production techniques had been perfected and capacity had been expanded.
The “buy” figures in the above table did not include the costs of converting the 10 Maxwell House production lines for handling the keyless can. These costs were estimated at $600,000 for capital equipment and $800,000 for labor and expense for a total of about $1,400,000. The costs pertained almost entirely to the one pound size because the two pound keyless can had the same dimensions as the two pound key can.

WAIT FOR A NEW QUICK STRIP CAN?

A further important consideration was that Maxwell House was working with the American Can Company in the development of another major innovation in can design which would use neither a key nor a plastic lid. Its metal cover would be sealed on the side just below the top with a flexible aluminum coated plastic strip one half inch wide. The can would be re-closed with its own cover which would have deeper side wells than the lid of the key can, providing a tighter fit which would help keep contents fresher.

Maxwell House executives were convinced that the can being developed, which they called “quick strip”, would be superior to both the traditional key can and the new keyless can, combining their advantages. Its cost was expected to be comparable to that of the key can. The American Can Company had applied for several patents covering the tear-strip opening principle. While there was no exclusivity arrangement, Maxwell House executives were confident that they would obtain first rights to receive the can for their needs until such time as American Can had developed sufficient capacity to supply to total industry. Since the cost and time necessary for developing such capacity were expected to be great, Maxwell House executives felt that from a practical standpoint they would enjoy lead time ranging from three or four months in all areas and up to 12 months in many areas of the United States before the quick strip can would be available to competition.

In January 1963, the American Can Company representatives estimated that with a reasonable amount of luck, the developmental work on the quick strip would proceed so that 100,000 units could be supplied for test marketing by May or June; and that one production line capable of producing 1,000,000 cans a week could be in operation by September or October, 1963. Full scale production which would permit Maxwell House to use the can for its total output of ground coffee was expected to be possible three or four months after the first production line was put in operation on or by January, 1964, in accordance with the above schedule.

Maxwell House executives were inclined to be less optimistic. They thought that there was only about a 50% chance that 100,000 cans would be available by October, 1963, and they believed it would be unrealistic to assume that tests on the first 100,000 units would find the can technically perfect. They recognized the possibility that technical problems might arise which would delay introduction of the quick strip can indefinitely. Once test results permitted a decision to go ahead, about six months would be required before the can company could achieve a production rate which would satisfy the total container needs of ground Maxwell House Coffee.⁴

In reviewing the situation, the Maxwell House executives wondered whether it would be better to wait and make one large move from the 502 to the quick strip can or convert in the near future to the keyless can which they regarded as an interim step in coffee packaging. Costs of converting production lines from the keyless to the quick strip can would be minor because the cans were of the same size.

A NEW STOCKTON SURVEY

On December 12, 1962, a Maxwell House production manager received by telephone findings of research done for the Continental Can Company on the acceptance of Folgers keyless can in Stockton. While details about the study

⁴ In response to questioning a year later, the Advertising and Merchandising Manager said that in January, 1963, Maxwell House executives probably would have given the following estimates of probabilities as to when the American Can Company’s first production line would be turning out 1,000,000 cans a week; by December, 1963, 50%; by March, 1964, 75%; by June, 1964, 85%; and never, 10%. They expected that full production for Maxwell House’s total needs could be attained about four months after the first production line had started operations.
were lacking, the notes made during the phone conversation contained the information that 186 telephone calls had been completed on Stockton homes. One hundred of the 186 respondents said they were aware of Folgers keyless can and 55 had bought it. Of the 55, 69% said they usually bought Folgers; 31% said they normally bought other brands although only 25% reported doing so the last time they bought coffee prior to the telephone interview. Of the 55 people who had tried Folgers in the keyless can, 51% had repurchased it at least once; 16% had repurchased it three times; and 16% had repurchased it more than three times. Forty-nine percent of the 55 people who had tried the keyless can either had not repurchased it or said they did not intend to do so.

Of the regular Folgers users who had purchased Folgers in the keyless can, 17% mentioned the container when asked for reasons. Among respondents who said they usually bought brands other than Folgers, 64% said they purchased Folgers in the keyless can because they “were curious”. Explanations of their purchases by respondents who did not buy Folgers in the keyless can when they had the opportunity to do so did not reveal much in the way of negative feelings about the can itself. (See Exhibit 13)

FOLGERS ADDS THREE MARKETS

Folgers had introduced its one pound can in Sacramento, California; St. Louis, Missouri; and Muncie, Indiana, by mid-January, 1963. While Folgers plans for the future were not known to Maxwell House, rumors were abundant and had been reported by all levels of Maxwell House Division management and by General Foods corporate executives as well.

Contributing to the tension of the situation was the fact that the rumors often were conflicting. One day, for example, a Maxwell House manager heard that Folgers was dropping all distribution of the no-key can. The next day, he received word from a source regarded “equally as reliable” that Folgers would have the no-key can in national distribution within a few weeks. A variety of rumors circulated in the trade and were being relayed to headquarters by the company’s sales force. The situation led one executive to remark that the rumor factory was working overtime and that Maxwell House ground coffee group was receiving much phony intelligence.

PRESSURE FOR DECISION

The consensus in late January was that no outside party really knew how far Folgers had committed itself to national distribution of the keyless can. At the same time, however, there were strong pressures on Maxwell House executives to decide what to do. One Maxwell House manager commented that the speed at which decisions had to be made did not allow anyone to have a comfortable grasp of the situation and it did not permit normal test market procedures.

Although store audits had not been continued in Stockton, the Maxwell House sales force reported in January their observations that the sales of Folgers ground coffee had remained about the same there as they had been before the introduction of the no-key can. Folgers recently had switched from 60 pound to 90 pound tin plate for the sides of the can.

Consideration was being given to converting only the San Leandro plant in order to gain both manufacturing and marketing experience with the keyless can. A majority of the families which purchased coffee in the one pound size did so at least once every two weeks. In view of this fact, the market research manager estimated that observation of a minimum of two months or sales results from retail store audits in selected markets would be required to ascertain whether the change to the keyless can would not adversely affect Maxwell House’s share of the market.

By converting the San Leandro plant, Maxwell House might be able to supply the keyless can to sales districts in which Folgers had introduced the new can. Following a policy of matching Folgers packaging on a market to market basis, however, could create inventory and transportation problems. While the San Leandro plant could conveniently supply western sales districts, it would have difficulty in supplying a market like St. Louis which normally was served by the Houston plant.

The investigation revealed that suppliers with injection molding equipment capable of producing plastic tops for the no-key can badly lacked capacity sufficient to fill Maxwell House’s needs should the brand convert to the keyless
can. No single supplier could produce as much as 2,000,000 lids a year. Time would be required to increase lid capacity and to acquire and install can closing machines and new parts needed for packing lines.

None of the four plants in which Maxwell House Coffee was roasted and packed had unused capacity. The San Leandro plant accounted for about 15% of the company’s production for domestic sales and the Hoboken plant about 40%. The remaining 45% was split about evenly between Jacksonville and Houston. Conversion could be accomplished one production line at a time. It would have to be carried out on a rotational basis in order to keep retail stores supplied with Maxwell House Coffee. The Hoboken plant had four lines, the other plants two each.

It was estimated that once a decision was made to convert to the keyless can nationally, four months would be required for conversion before the keyless can output could start. Volume could be expected to build up smoothly from that time until six months later when the fall output of Maxwell House ground coffee would be in keyless cans. In other words, the equivalent of five full months of output in the keyless can could be achieved during the first year after a decision had been made to convert.

In late January, the General Manager was attempting to determine what course of action the Maxwell House Division should follow in regard to the keyless can.

---

5 Figures disguised

- Capacity was defined in such a way that it allowed for sufficient backup to normal requirements of maintenance and production line downtime.
### Exhibit 1

MAXWELL HOUSE COFFEE (A)

Estimated Percentage Share of Ground Coffee Sales for Maxwell House, Folger’s, Sanka and Yuban Brands, in the United States, 1953-1962

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maxwell House</td>
<td>15.6</td>
<td>16.5</td>
<td>16.3</td>
<td>17.3</td>
<td>16.7</td>
<td>17.3</td>
<td>19.1</td>
<td>20.8</td>
<td>21.6</td>
<td>21.4</td>
</tr>
<tr>
<td>Folgers*</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>14.6</td>
<td>14.8</td>
<td>14.7</td>
</tr>
<tr>
<td>Sanka</td>
<td>1.1</td>
<td>1.0</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Yuban</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>0.5</td>
<td>0.7</td>
<td>0.8</td>
<td>0.8</td>
<td>1.0</td>
<td>1.8</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: Maxwell House Division, Market Research Department

*Data on Folger’s sales pre-1960 not available, but the company and brand did exist*
### Exhibit 2

**MAXWELL HOUSE COFFEE (A)**

Estimated Percentage Distribution of Sales of Vacuum Packed Ground Coffee of Selected Brands by Maxwell House Sales Regions, 1962

<table>
<thead>
<tr>
<th>Region (&amp; Sales Districts in Each)</th>
<th>All Brands</th>
<th>Maxwell House</th>
<th>Yuban</th>
<th>Folger’s</th>
<th>Chase &amp; Sanborn</th>
<th>Hill’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern (Boston, New York, Philadelphia, Syracuse)</td>
<td>18.7</td>
<td>29.0</td>
<td>24.1</td>
<td>0.0</td>
<td>26.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Mid-Eastern (Washington, Youngstown, Cincinnati, Louisville)</td>
<td>13.2</td>
<td>22.4</td>
<td>8.6</td>
<td>5.0</td>
<td>22.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Southern (Charlotte, Atlanta, Jacksonville, Memphis, New Orleans)</td>
<td>13.0</td>
<td>19.9</td>
<td>5.3</td>
<td>9.3</td>
<td>13.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Central (Detroit, Indianapolis, Chicago, Milwaukee, St. Louis)</td>
<td>18.4</td>
<td>13.9</td>
<td>5.0</td>
<td>14.2</td>
<td>21.2</td>
<td>48.3</td>
</tr>
<tr>
<td>West Central (Minneapolis, Omaha, Kansas City, Dallas, Houston)</td>
<td>16.4</td>
<td>6.2</td>
<td>1.0</td>
<td>34.6</td>
<td>4.1</td>
<td>10.3</td>
</tr>
<tr>
<td>Western (Portland, Los Angeles, San Francisco, Denver, Phoenix)</td>
<td>20.3</td>
<td>8.6</td>
<td>56.0</td>
<td>36.9</td>
<td>11.7</td>
<td>35.2</td>
</tr>
</tbody>
</table>

100.0  

Source: Maxwell House Division, Market Research Department
### Exhibit 3

MAXWELL HOUSE COFFEE (A)

Estimated Market Shares of Selected Brands of Vacuum Packed Ground Coffee by Maxwell House Sales Regions, Late in 1962

<table>
<thead>
<tr>
<th>Region (&amp; Sales Districts in Each)</th>
<th>Maxwell House</th>
<th>Yuban</th>
<th>Folger's</th>
<th>Chase &amp; Sanborn</th>
<th>Hill's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern (Boston, New York, Philadelphia, Syracuse)</td>
<td>32.1</td>
<td>1.8</td>
<td>---</td>
<td>6.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Mid-Eastern (Washington, Youngstown, Cincinnati, Louisville)</td>
<td>36.2</td>
<td>1.2</td>
<td>6.1</td>
<td>10.1</td>
<td>4.4</td>
</tr>
<tr>
<td>Southern (Charlotte, Atlanta, Jacksonville, Memphis, New Orleans)</td>
<td>32.8</td>
<td>0.7</td>
<td>9.5</td>
<td>7.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Central (Detroit, Indianapolis, Chicago, Milwaukee, St. Louis)</td>
<td>14.9</td>
<td>0.5</td>
<td>12.1</td>
<td>7.1</td>
<td>27.1</td>
</tr>
<tr>
<td>West Central (Minneapolis, Omaha, Kansas City, Dallas, Houston)</td>
<td>8.5</td>
<td>0.1</td>
<td>29.1</td>
<td>1.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Western (Portland, Los Angeles, San Francisco, Denver, Phoenix)</td>
<td>8.5</td>
<td>5.3</td>
<td>26.3</td>
<td>4.4</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Source: Maxwell House Division, Market Research Department
Exhibit 4

MAXWELL HOUSE COFFEE (A)

Questionnaire for the Stockton In-Store Consumer Interview

We are doing a study of the different products people buy. (IF NECESSARY, EXPLAIN THAT YOU ARE WITH SURVEY RESEARCH SERVICES, AN INDEPENDENT MARKET RESEARCH COMPANY AND THAT YOU ARE NOT SELLING ANYTHING) (INTERVIEW ONLY PEOPLE WHO ARE BUYING THE NEW FOLGER CAN WHICH CAN BE OPENED WITH A CAN OPENER)

Ques 1a: What brand do you usually buy of each of the following products… detergent? Toothpaste? Regular ground coffee? Paper toweling? Margarine?
WRITE IN BRAND BELOW
Ques 1b: (ASK FOR EACH PRODUCT) The last time you bought _____________, not counting today, what brand did you buy?
Ques 1c: (ASK FOR EACH PRODUCT) If you bought any _____________ today, would you tell me which brand you bought?

<table>
<thead>
<tr>
<th>Ques 1a</th>
<th>Ques 1b</th>
<th>Ques 1c</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usual brand</td>
<td>Last brand</td>
<td>Brand today</td>
</tr>
<tr>
<td>Detergent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toothpaste</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground coffee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(regular coffee)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper toweling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margarine</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IF FOLGER’S NOT USUAL BRAND (QUES. 1A) ASK:
Ques. 2: Why did you happen to buy Folgers coffee today?

BE SURE TO OBTAIN THE FOLLOWING INFORMATION:

Name________________________________________ Telephone No.____________
Address________________________________________ Interviewer’s initials_____

Store name __________________________________
Location______________________________
Hello, my name is __________ from Survey Research Services. We’re conducting a survey in this area… about two weeks ago, you bought some Folgers coffee in a new type of can…

1a. What did you think of the Folgers coffee you bought in the new type of can? (PROBE: Why is that?)

1b. How about the new container itself, how did you feel about that?

2a. Would you say that the new type of coffee can was, generally speaking, better or worse or about the same as the usual kind of coffee can? 
   SAME ………… 1
   BETTER ………… 2
   WORSE ………… 3

2b. Why was that?

3. Now, for each of the following, would you tell me whether the Folgers coffee in the new type of can was as good as what you used to get in the usual kind of can, or better or worse.

<table>
<thead>
<tr>
<th></th>
<th>As good</th>
<th>Better</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>The freshness of the coffee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The aroma of the coffee</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>The flavor of the coffee</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Ease of opening the can</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Ease of reclosing the can</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>
4a. Have you bought any ground coffee since the time you were interviewed in the store about two weeks ago?  
   (IF YES): What brand?  ______________________
   YES…………..1
   NO…………..X

4b. The next time you buy ground coffee do you think it will be Folgers in the new can or some other kind?  
   FOLGERS IN THE NEW CAN………1
   SOME OTHER KIND………………...2

4c. Why is that?

5. Have you bought this Folgers brand of coffee in this new can before, or is this the first time?  
   FOLGERS IN THE NEW CAN………1
   SOME OTHER KIND………………...2

CLASSIFICATION
A. Which of the following groups comes closest to your own age?  
   (READ LETTER AND GROUP)
   A. UNDER 25………………………..…………….1
   B. 25-34………………………………..2
   C. 35-44………………………………..3
   D. 45 AND OVER………………………….4
   REFUSED………………………………………0

B. Would you tell me the last grade you completed in school?  
   8th GRADE OR LESS………………………………..1
   1-3 YEARS HIGH SCHOOL…………………..2
   4 YEARS HIGH SCHOOL………………………….3
   ANY COLLEGE…………………………………….4
   REFUSED…………………………………………...0

C. What is the occupation of the head of the household?

D. Which of the following comes closest to your family’s total annual income?  
   (READ LETTER AND GROUP)
   A. UNDER $3,000………………………………1
   B. $3,000-$4,999………………………………2
   C. $5,000-$7,499………………………………3
   D. $7,500-$9,999………………………………4
   E. $10,000 AND OVER…………………………5
   REFUSED…………………………………….0

Name____________________________________________ Telephone No.____________
Address_________________________________   City ___________ State__________
Interviewers Name ____________________________________  Date_____________________

37
Exhibit 6

MAXWELL HOUSE COFFEE (A)

Percentage of Respondents Who Considered Folgers No-Key Can Better Than, Same As, or Worse Than Conventional Key Can

<table>
<thead>
<tr>
<th>Consider New Container</th>
<th>All Respondents</th>
<th>Respondents by Usual Brand of Ground Coffee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Number of Respondents)</td>
<td>Folgers (95)</td>
</tr>
<tr>
<td></td>
<td>125</td>
<td>100%</td>
</tr>
<tr>
<td>Better than the usual coffee can</td>
<td>86</td>
<td>88</td>
</tr>
<tr>
<td>About the same as the usual coffee can</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Worse than the usual coffee can</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Question asked: Would you say that the new type of coffee can was, generally speaking, better or worse or about the same as the usual kind of coffee can?

Respondents were women who had purchased Folgers ground coffee in the no-key can in Stockton, California, during the weekends of November 8 and 15, 1962.

^1 Percentages should be interpreted with caution because of small base
Exhibit 7

MAXWELL HOUSE COFFEE (A)

Ground Coffee Purchasing by Respondents Since and Before First Interview

<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th>Respondents by Usual Brand of Ground Coffee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Number of Respondents)</td>
<td>Folgers</td>
</tr>
<tr>
<td></td>
<td>(125)</td>
<td>(95)</td>
</tr>
<tr>
<td>100%</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Purchase of Coffee Since Initial Interview

Have Bought Ground Coffee in Past Two Weeks (Since Initial Interview)

<table>
<thead>
<tr>
<th></th>
<th>61%</th>
<th>63%</th>
<th>53%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Folgers</td>
<td>56</td>
<td>59</td>
<td>47</td>
</tr>
<tr>
<td>Hills Brothers</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Maxwell House</td>
<td>1</td>
<td>1</td>
<td>--</td>
</tr>
<tr>
<td>Chase &amp; Sanborn</td>
<td>1</td>
<td>1</td>
<td>--</td>
</tr>
<tr>
<td>Edwards</td>
<td>1</td>
<td>--</td>
<td>3</td>
</tr>
<tr>
<td>Sanka</td>
<td>1</td>
<td>--</td>
<td>3</td>
</tr>
<tr>
<td>Don’t remember</td>
<td>1</td>
<td>1</td>
<td>--</td>
</tr>
</tbody>
</table>

Have Not Bought Ground Coffee Since Initial Interview

|                               | 39  | 37  | 47  |

Purchases of Folgers I New Can Before Initial Interview

Had Bought Folgers in New Can Before Day of In-Store Interview

47% | 53% | 30%

Purchase of Day of In-Store Interview was the first

|                               | 53  | 47  | 70  |

Question: Have you bought any ground coffee since the time you were interviewed in the store about two weeks ago? What brand?

Have you bought this Folgers brand of coffee in this new can before, or is this the first time?

Respondents were women who had purchased Folgers ground coffee in the no-key can in Stockton, California, during the weekends of November 8 and 15, 1962.
**Exhibit 8**

**MAXWELL HOUSE COFFEE (A)**

Percentage of Respondents Who Said Their Next Ground Coffee Purchase Would Be Folgers in the New Can and Reasons Why

<table>
<thead>
<tr>
<th>Next Purchase of Ground Coffee Will Be:</th>
<th>All Respondents</th>
<th>Respondents by Usual Brand of Ground Coffee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Number of Respondents)</td>
<td>Folgers</td>
</tr>
<tr>
<td>Folgers in new can</td>
<td>90 (125)</td>
<td>96 (95)</td>
</tr>
<tr>
<td>Some other kind</td>
<td>2 (125)</td>
<td>1 (95)</td>
</tr>
<tr>
<td>Will buy what is on sale</td>
<td>6 (125)</td>
<td>2 (95)</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2 (125)</td>
<td>1 (95)</td>
</tr>
</tbody>
</table>

--------------------------------------------------

(Number of Respondents Who Said Next Ground Coffee Purchase Would Be Folgers in New Can) (112) 100%

Percent Referring to Coffee in Explaining Why

- Always by Folgers; like better; never use any other brand 48
- Like the coffee 11

Percent Referring to Container in Explaining Why

- Like the new can (unspecified) 30
- Like the top 2
- Can is easier to open 1
- Can keeps coffee fresher 1
- Can is reusable 16
- Can is handy; easier to handle 2
- Easy to store; doesn’t take up so much room 2
- No answer 6

Question: The next time you buy ground coffee, do you think it will be Folgers in the new can or some other kind? Why is that?

Respondents were women who had purchased Folgers ground coffee in the no-key can in Stockton, California, during the weekends of November 8 and 15, 1962.
Exhibit 9

MAXWELL HOUSE COFFEE (A)

Percentage of Respondents Who Usually Bought Ground Coffee Other Than Folgers by Reasons Given for Buying Folgers in the No-Key Can

<table>
<thead>
<tr>
<th>(Number of Respondents)</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(30)</td>
</tr>
<tr>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Bought Folgers Because it Was on Sale</td>
<td>57</td>
</tr>
<tr>
<td>Referred to Container in Explaining Why</td>
<td>33</td>
</tr>
<tr>
<td>Can use container for other purposes: cookie jar, puddings, fruitcakes, freezer container</td>
<td>13</td>
</tr>
<tr>
<td>Wanted to try new can; liked it</td>
<td>10</td>
</tr>
<tr>
<td>New can looked easy to open</td>
<td>7</td>
</tr>
<tr>
<td>Liked the new lid</td>
<td>7</td>
</tr>
<tr>
<td>Can looked easier to handle</td>
<td>3</td>
</tr>
<tr>
<td>Can looked easy to empty into canister</td>
<td>3</td>
</tr>
<tr>
<td>Don’t know; no answer</td>
<td>10</td>
</tr>
</tbody>
</table>

Question asked: Why did you happen to buy Folgers coffee today? (Day of in-store interview)

Respondents were women who had purchased Folgers ground coffee in the no-key can in Stockton, California, during the weekends of November 8 and 15, 1962, but who said they usually bought another brand.
Exhibit 10

MAXWELL HOUSE COFFEE (A)

Brand Percentage of Total Pounds of Ground Coffee Sold in 21 Stockton, California, Stores During Weeks of November 5, 12 and 19, 1962

<table>
<thead>
<tr>
<th>Brand and Type of Container</th>
<th>Size of Can (lbs)</th>
<th>Nov 5 – Nov 11</th>
<th>Nov 12 – Nov 18</th>
<th>Nov 19 – Nov 26</th>
<th>Number of Stores Stocking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Folgers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New (no-key)</td>
<td>1</td>
<td>7.0</td>
<td>6.9</td>
<td>8.6</td>
<td>21</td>
</tr>
<tr>
<td>New (no-key)</td>
<td>3</td>
<td>3.1</td>
<td>7.8</td>
<td>2.0</td>
<td>5</td>
</tr>
<tr>
<td>Total New Cans</td>
<td></td>
<td>10.1</td>
<td>14.7</td>
<td>10.6</td>
<td>21</td>
</tr>
<tr>
<td>Old (key)</td>
<td>1</td>
<td>0.8</td>
<td>1.6</td>
<td>0.9</td>
<td>22</td>
</tr>
<tr>
<td>Old (key)</td>
<td>2</td>
<td>12.9</td>
<td>12.1</td>
<td>12.6</td>
<td>21</td>
</tr>
<tr>
<td>Old (key)</td>
<td>3</td>
<td>0.1</td>
<td>0.1</td>
<td>0.6</td>
<td>3</td>
</tr>
<tr>
<td>Total Old Cans</td>
<td></td>
<td>13.8</td>
<td>13.8</td>
<td>14.1</td>
<td>21</td>
</tr>
<tr>
<td>Total Folgers</td>
<td></td>
<td>23.9</td>
<td>28.5</td>
<td>24.7</td>
<td>21</td>
</tr>
<tr>
<td>Maxwell House:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old</td>
<td>1</td>
<td>6.5</td>
<td>3.4</td>
<td>4.5</td>
<td>21</td>
</tr>
<tr>
<td>Old (5 cents off)</td>
<td>1</td>
<td>0.1</td>
<td>0.2</td>
<td>--</td>
<td>6</td>
</tr>
<tr>
<td>Old</td>
<td>2</td>
<td>12.1</td>
<td>11.7</td>
<td>13.7</td>
<td>21</td>
</tr>
<tr>
<td>Old (12 cents off)</td>
<td>2</td>
<td>--</td>
<td>--</td>
<td>0.3</td>
<td>3</td>
</tr>
<tr>
<td>Total Maxwell House</td>
<td></td>
<td>18.7</td>
<td>15.3</td>
<td>18.3</td>
<td>21</td>
</tr>
<tr>
<td>Yuban:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old</td>
<td>1</td>
<td>2.2</td>
<td>2.3</td>
<td>3.1</td>
<td>21</td>
</tr>
<tr>
<td>Old</td>
<td>2</td>
<td>1.0</td>
<td>1.6</td>
<td>1.1</td>
<td>2</td>
</tr>
<tr>
<td>Total Yuban</td>
<td></td>
<td>3.2</td>
<td>3.9</td>
<td>4.2</td>
<td>21</td>
</tr>
<tr>
<td>Sanka:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old</td>
<td>1</td>
<td>3.4</td>
<td>1.5</td>
<td>1.3</td>
<td>21</td>
</tr>
<tr>
<td>Old (6 cents off)</td>
<td>1</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1</td>
</tr>
<tr>
<td>Total Sanka</td>
<td></td>
<td>3.4</td>
<td>1.5</td>
<td>1.3</td>
<td>21</td>
</tr>
<tr>
<td>Total General Foods</td>
<td></td>
<td>25.3</td>
<td>20.7</td>
<td>24.0</td>
<td>21</td>
</tr>
<tr>
<td>MJB</td>
<td>All</td>
<td>14.7</td>
<td>14.0</td>
<td>21.4</td>
<td>21</td>
</tr>
<tr>
<td>Hills</td>
<td>All</td>
<td>17.9</td>
<td>23.9</td>
<td>15.1</td>
<td>21</td>
</tr>
<tr>
<td>Butternut</td>
<td>All</td>
<td>3.9</td>
<td>1.8</td>
<td>2.2</td>
<td>9</td>
</tr>
<tr>
<td>Chase &amp; Sanborn</td>
<td>All</td>
<td>4.9</td>
<td>4.2</td>
<td>4.7</td>
<td>7</td>
</tr>
<tr>
<td>All Others</td>
<td>All</td>
<td>9.4</td>
<td>6.9</td>
<td>7.9</td>
<td>19</td>
</tr>
<tr>
<td>Total All Brands</td>
<td></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Store audits made for Maxwell House Division
Exhibit 11

MAXWELL HOUSE COFFEE (A)

Ground Coffee Sold in Stockton and San Francisco by Brand and Size of Container During Weeks of November 5, 12 and 19, 1962

(In Percent of Total Pounds)

<table>
<thead>
<tr>
<th>Size of Can; Brand</th>
<th>Stockton, California(^1) (3 week period)</th>
<th>Week of Nov 5</th>
<th>Week of Nov 12</th>
<th>Week of Nov 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 lb.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Brands</td>
<td>42.6</td>
<td>40.5</td>
<td>37.0</td>
<td>36.1</td>
</tr>
<tr>
<td>Folgers</td>
<td>13.2</td>
<td>7.8</td>
<td>8.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Maxwell House</td>
<td>2.7</td>
<td>6.6</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>2 lbs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Brands</td>
<td>56.8</td>
<td>56.3</td>
<td>54.9</td>
<td>61.3</td>
</tr>
<tr>
<td>Folgers</td>
<td>14.9</td>
<td>12.9</td>
<td>12.1</td>
<td>12.6</td>
</tr>
<tr>
<td>Maxwell House</td>
<td>5.1</td>
<td>12.1</td>
<td>11.7</td>
<td>14.0</td>
</tr>
<tr>
<td>3 lbs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Brands</td>
<td>0.6</td>
<td>3.2</td>
<td>8.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Folgers</td>
<td>0.4</td>
<td>3.2</td>
<td>7.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Maxwell House</td>
<td>(=)</td>
<td>(=)</td>
<td>(=)</td>
<td>(=)</td>
</tr>
<tr>
<td>All Sizes Combined</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Folgers</td>
<td>28.5</td>
<td>23.9</td>
<td>28.5</td>
<td>24.7</td>
</tr>
<tr>
<td>Maxwell</td>
<td>7.8</td>
<td>18.7</td>
<td>15.3</td>
<td>18.5</td>
</tr>
</tbody>
</table>

\(^1\) Maxwell House’s San Francisco sales district
\(^2\) In sample of 21 Stockton stores

Source: Store audits conducted for Maxwell House Division
CONSUMER DISSATISFACTION WITH PACKAGING

In line with emphasis on maintaining and improving a brand’s competitive position with consumer-accepted packaging innovation, it is advantageous to identify available documented consumer dissatisfactions with current packages. This is the purpose of this memorandum.

Unfortunately, documented information, i.e., research findings on this subject are sparse and much of the material is biased by the vested interests of the disseminators.

Packaging per se may in many instances by only a contributing factor in a brand purchase decision. Yet it may be the pivot point in this decision if product and merchandising (both advertising and promotion) do not strongly differentiate between brands. In examining past trade articles, it is apparent that innovations in coffee packaging have been lagging behind many other product categories. One available study on the subject indicated that packaging ranked fifth in what the consumer thought influenced her purchase decision, outranked by the shopper’s own experience, recommendation of friends, price and advertising.

Two studies, a 1960 study by Sales Management utilizing a National Family Opinion panel of 1,000 respondents and a 1962 study conducted for the Chicago Printed String Company by Market Facts, Inc., will be used to demonstrate consumer packaging dissatisfaction and preferences.

First, consumers are vocal about packaging because at every turn they are confronted with a package of some type. Ninety-four percent of male heads-of-households, when asked if their wives ever asked them to assist in opening a package, answered “yes”. Certainly this is manifest proof that there are areas for improvement. The most frequent type of container the husband is asked to open is the “jar” (76%), followed by the bottles (40%), containers with keys (27%), and plastic containers (8%). Yet 68% of the women open most of the packages in the family.

At the time of the 1960 study, women interviewed felt these packages were “poor”

<table>
<thead>
<tr>
<th>Item</th>
<th>% of Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen Foods</td>
<td>15</td>
</tr>
<tr>
<td>Paper Flour Sacks</td>
<td>8</td>
</tr>
<tr>
<td>Rice</td>
<td>6</td>
</tr>
<tr>
<td>Cereals</td>
<td>6</td>
</tr>
<tr>
<td>Bread</td>
<td>6</td>
</tr>
<tr>
<td>Coffee</td>
<td>5</td>
</tr>
<tr>
<td>Packaged Lunch Meats</td>
<td>4</td>
</tr>
<tr>
<td>Crackers</td>
<td>3</td>
</tr>
<tr>
<td>Cheese</td>
<td>2</td>
</tr>
</tbody>
</table>
Exhibit 12 (cont’d)

What package gave the housewife the most trouble?

<table>
<thead>
<tr>
<th>Item</th>
<th>% of Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cartons which are stapled</td>
<td>52</td>
</tr>
<tr>
<td>Cartons which are glued shut</td>
<td>43</td>
</tr>
<tr>
<td>Plastic bags or coverings</td>
<td>41</td>
</tr>
<tr>
<td>Cardboard box</td>
<td>37</td>
</tr>
<tr>
<td>Cartons which need to be closed again</td>
<td>35</td>
</tr>
<tr>
<td>Packages with metal binding (required key to open)</td>
<td>35</td>
</tr>
<tr>
<td>Pry-open lids</td>
<td>32</td>
</tr>
<tr>
<td>Screw top jars</td>
<td>27</td>
</tr>
<tr>
<td>Tied packages (string or wire)</td>
<td>22</td>
</tr>
<tr>
<td>Vacuum sealed containers</td>
<td>14</td>
</tr>
<tr>
<td>Cartons which are taped shut</td>
<td>14</td>
</tr>
<tr>
<td>Paper wrapped packages</td>
<td>8</td>
</tr>
<tr>
<td>Containers with opening tear tapes</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
</tbody>
</table>

To judge the magnitude of the package opening problem, the findings showed that 70% of the women found most packages fairly easy to open and 14% found most packages fairly difficult to open. Only 3% mentioned coffee as a product with which they had specific difficulty. Three percent said coffee was a “really good package”.

Consumers when asked their likes and dislikes about different closures and containers responded as indicated below:

<table>
<thead>
<tr>
<th>Container or Closure</th>
<th>Like</th>
<th>Dislike</th>
<th>Don’t Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package with spout</td>
<td>87</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Inner wrap of foil</td>
<td>85</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Packages that reveal product</td>
<td>85</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Containers usable for other purposes</td>
<td>85</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Pull tab openings</td>
<td>76</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Aluminum screw tops</td>
<td>71</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>¼ twist-off lid</td>
<td>69</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Other metal screw tops</td>
<td>63</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>Tuck in top on cardboard package</td>
<td>68</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Square glass bottle or jars</td>
<td>63</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Inner wrap of paper</td>
<td>61</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Large economy size container</td>
<td>59</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Plastic screw tops</td>
<td>53</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Plastic flip caps</td>
<td>52</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Plastic squeeze containers</td>
<td>52</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Individual serving container</td>
<td>49</td>
<td>12</td>
<td>37</td>
</tr>
<tr>
<td>Stretched tops on bags</td>
<td>38</td>
<td>42</td>
<td>15</td>
</tr>
<tr>
<td><strong>CANS THAT OPEN WITH A KEY</strong></td>
<td>35</td>
<td>48</td>
<td>15</td>
</tr>
<tr>
<td>Metal lids on cardboard containers</td>
<td>27</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td>Tear open cylindrical containers</td>
<td>26</td>
<td>33</td>
<td>36</td>
</tr>
</tbody>
</table>
Available data clearly point out that consumer oriented packaging improvements which have added to ease of opening and resealing have been well accepted in recent years and that they still represent a major target area for future functional packaging improvements. The value of the material available is that it has largely excluded product and design elements while concentrating on a very manifest level of dissatisfaction.

There are two other areas of concern in the adaptation of functional packaging improvements to varying food categories, i.e., how these relate to frequency of usage, expectations for product freshness, in-home storage and previous dissatisfaction within the product category, just to mention a few. This does not try to include the functional attributes of size and shape.

One note of caution is pointed out in these studies. “The best like features are relatively recent innovations. The least liked are those that have been around the longest”.

(In 1951, for example, 54% liked cans that opened with a key. Today (1962) 35% like them and 48% do not).
186 telephone calls were made to people in Stockton, California. 100 people were aware of the new containers. Of those who were aware of the new can, 55 had tried it and 45 had not.

Of the 55 people who had tried the new container;
69% were Folgers users
31% were users of brands other than Folgers
100%

The reasons for purchasing the new container among
Respondents who usually bought Folgers:
52% always used it
20% were curious
10% thought the container was attractive and cute
7% thought they could use the container for other things
11% had various other reasons
100%

Respondents who usually bought brands other than Folgers:
64% were curious
36% other
100%

Of the 45 people who did not purchase the new container originally:
2% thought the flavor would not be as good
36% (reason not available)
33% always bought another brand
7% did not because another brand was on sale
10% bought Folgers in the two pound size (key can)
12% other
100%

Of those who had tried the new container:
49% normally purchased the 1lb size
44% normally purchased the 2lb size
5% normally purchased the 3lb size
2% varied the size of container normally purchased
100%
Of the 55 respondents who had tried Folgers in the no-key can:
   51% had repurchased it at least once
   44% had not repurchased it
   5% did not intend to repurchase
   100%

   20% had repurchased it twice
   16% had repurchased it three times
   16% had repurchased it more than three times

What brand did you buy the last time?
   75% bought Folgers
   25% bought other than Folgers
   100%

Ninety-five percent normally purchased their coffee in a can.