

## ONLINE CASE 1.11 WORCESTER SOUPS

supplemental material to the text of

### **Modern Marketing Research: Concepts, Methods, and Cases**

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A Boston-based research house performed a study of the new formulation of Steiner's Chowder canned soup, made by Worcester Soups of Worcester, Massachusetts, and presented the findings to Harold Steiner, president of the company, in 2005. The study had also been sent to the firm's sales manager, Kirk George, and the production manager, Edward Corey. A meeting was scheduled with the research firm and the Worcester Soups management. The purpose of the meeting was to discuss the research findings and to make decisions concerning Steiner's product offerings.

### **The Company**

Worcester Soups was a small firm that produced and distributed a line of specialty canned soup products to both the institutional and retail markets. Approximately 62 percent of their 2004 sales volume went to the institutional market (\$68,526), and 38 percent went to the retail market (\$42,102).

The company was founded by Harold Steiner in 1984. Steiner's father was a successful owner of several restaurants in the Boston area that were famous for their chowder. The young Steiner convinced his father in 1983 that there was a market to sell the chowder to local institutions (restaurants, hospitals, etc.) in the New England area, and he developed a canned chowder under his father's supervision. Production facilities were acquired in the same year. After losses in the first few years, the business turned profitable in 1987. At this time, Steiner decided to enter the retail market with the Steiner's Chowder brand. Both the institutional and the retail business grew rapidly during the early 1990s, as did the firm's profitability. Expanded production facilities were built in 1995, and two additional specialty soup lines were introduced in 1997. These lines experienced limited success at retail but were reasonably profitable in the institutional market.

### **Current Situation**

The past four years had been a period of level and then declining sales for Steiner's Chowder (6,943 cases in 2008; 5,676 cases in 2009; 5,105 cases in 2010; and 4,900 cases in 2011). Steiner attributed this decline in sales to the market entry of two new canned chowders in 2000 and 2001 (see Appendix A). The new competitors were Fisherman's Select Chowder and Cape Cod Chowder. Both brands were produced locally and appeared very similar in formulation to Steiner's Chowder.

Both of the new competitors had entered the market with a somewhat lower selling price than the Steiner's brand. Distributors were also attracted by the slightly higher margins, plus the desire to carry a competitive alternative to Steiner's Chowder. Several large retailers had advertised the Fisherman's Select brand as a "weekly special" at \$1.99 per can.

### **Management Objective**

Steiner recognized that the firm faced a serious competitive threat from the two new brand entries. Although there were several long-term issues he was considering, his immediate concern

was to develop a competitive strategy to counter the sales decline of Steiner's Chowder. Specifically, he wanted to recover the lost distribution of the brand and switch customers from competitive brands back to Steiner's. This was to be accomplished within the next 12 months. Although increased distribution outside the current market area was a possibility, Steiner's immediate objective was to improve the market position of its brand at retail within the New England area.

### **The Research Project**

In October 2011, Steiner contacted a local research firm. After a number of meetings, the research firm recommended that a series of group interviews be conducted with current users of the two competitive chowder brands to explore reasons for product usage, reaction to the brands, and perceived product differences. Through group sessions of this nature, the research firm believed that the cause of declining sales of Steiner's Chowder could be established and potential solutions identified.

The results of the group sessions suggested that an important proportion of the competitive canned chowder users preferred a chowder that was thicker and creamier than the current Steiner's Chowder formulation. Of the former Steiner's Chowder users, the desire for a creamier formulation was the predominant reason for switching. Many of these chowder users had switched to either Fisherman's Select or Cape Cod Chowder.

Based on these findings, the research firm recommended that further research be conducted to evaluate changing Steiner's Chowder to a creamier formulation. For purposes of the test, it was recommended that two creamier formulations be developed, a "creamy" version and an "extra creamy" version. These two new formulations would be evaluated in a taste test along with Steiner's current chowder plus the two competitive brands.

After several meetings on specific aspects of the proposed research design, Steiner decided to approve the project. Appendix B presents the results of this study.

### **Case Questions**

- 1** What action should Steiner take based on the research findings? Justify your answer both strategically and with relevant supporting figures.
- 2** Do you believe that Steiner is asking the appropriate research questions? Has the correct data been collected for the questions that were asked and for those you would suggest in addition?
- 3** What additional research, if any, would you recommend be carried out in the future? Be specific about the analyses you could perform were this additional research available.

## APPENDIX A: Worcester Soups, Audit of Retail Food Outlets

Fifty retail food outlets for canned soups in the New England market area have been audited annually since 1992. These are deemed representative of the potential distribution outlets for Worcester Soups.

### SELECTED TABLES FROM THE REPORT

**Table C3.1.1 Percentage of Stores Stocking Canned Chowder Brands**

Brand	2009	2010	2011
Steiner	94	86	82
Cape Cod	20	36	42
Fisherman's Select	4	18	24

**Table C3.1.2 Range of Retail Prices of Canned Chowder Soup (in dollars)**

Brand	2009	2010	2011
Steiner	2.242.– 2.442.	2.2.22– 2.2.54	2.2.16–2.24
Cape Cod	2.22–2.34	2.24–2.44	2.22–2.34
Fisherman's Select	2.12–2.30	2.16–2.34	2.16–2.24

**Table C3.1.3 Number of Brands of Canned Chowder Stocked**

Brand	2009	2010	2011
None	3	1	0
One	34	25	23
Two	10	20	24
Three	2	3	2
Four or more	1	1	1
Total stores	50	50	50

## APPENDIX B: Research Report. Evaluation of Two New Formulations of Steiner's Canned Chowder

### Research objectives

To evaluate the preference for two new chowder formulations among users of Steiner's Chowder, Cape Cod Chowder, and Fisherman's Select Chowder.

### Research design and procedure

Two hundred male ( $n = 100$ ) and female ( $n = 100$ ) canned chowder users were selected from four geographic locations representative of the New England market area. The subjects were selected using a probability sampling procedure involving a telephone-administered qualifying questionnaire. Each subject was paid \$20 for participating in the test.

The subjects came to one of four test locations (local churches). They were tested individually in 30-minute sessions. Subjects were brought into the testing room and seated at stalls. An instruction sheet explained to them that they were to evaluate several samples of chowder, that the test would consist of three parts, and that they would be required to taste a total of 15 cups of chowder. Normal taste-testing procedures were followed.

The first part involved five samples of chowder ranked from “most preferred” to “least preferred.” The five chowders were Steiner’s Regular, Fisherman’s Select, Steiner’s Creamy (version 1), Cape Cod, and Steiner’s Extra Creamy (version 2). The second and third parts of the test involved tasting five samples again. The samples had different code letters, and the subjects were not told that the samples were identical to the previous five. After tasting the five samples, the subjects were again asked to rank-order them.

For each subject, the test procedures resulted in three preference orderings of the five chowder samples. The preference orderings were combined to form a composite ordering for each subject, a procedure that resulted in a more reliable measure of each subject’s true preference ordering.

## Results

The data set consisted of 200 preference orderings of the five chowders. Table C3.1.4 presents 20 preference orderings, which are representative of the entire data set. The difference between male and female preference orderings was not statistically significant.

The data set was analyzed by calculating the average rank order of each chowder and scaling the chowders on a five-point scale ranging from most preferred (1) to least preferred (5). Table C3.1.5 presents the results of this analysis.

## Recommendation and Discussion Recommendation

Change the current Steiner’s Chowder formulation to Creamy (version 1), and develop a new label that makes this change conspicuous at point of purchase.

The results in Table C3.1.4 clearly indicate that the current Steiner’s Chowder formulation and the Extra Creamy formulation ranked significantly (0.05 level of significance) lower than the two competitors’ brands and the Creamy formulation. (Note: this analysis was carried out by the firm; a more rigorous method to analyze *ranked* data is discussed later in this text.) These findings suggest that the market position of Steiner’s Chowder can be improved by a formulation change to the Creamy version, which ranks higher than the two competitors and should recapture a significant share of sales lost to the Cape Cod and Fisherman’s Select brands.

**Table C3.1.4 Preference Orderings of Five Canned Chowders**

Subject	Steiner’s Regular	Fisherman’s Select	Steiner’s Creamy	Cape Cod	Steiner’s Extra Creamy
1	1	2	3	4	5
2	2	1	3	4	5
3	1	2	3	4	5
4	5	4	3	2	1
5	5	4	3	2	1
6	5	4	1	2	3
7	1	2	3	4	5

Subject	Steiner's Regular	Fisherman's Select	Steiner's Creamy	Cape Cod	Steiner's Extra Creamy
8	5	4	3	2	1
9	1	2	3	4	5
10	5	4	3	2	1
11	3	1	2	4	5
12	5	2	1	3	4
13	5	4	3	1	2
14	5	3	1	2	4
15	1	2	3	4	5
16	1	2	3	4	5
17	5	4	2	1	3
18	3	2	1	4	5
19	5	4	3	2	1
20*	4	2	1	3	5
.	.	.	.	.	.
.	.	.	.	.	.
.	.	.	.	.	.
200	—	—	—	—	—
Total	685	550	482	588	712
<i>n</i>	200	200	200	200	200
Mean	3.4	2.8	2.4	2.9	3.6

\* The first 20 preference orderings are representative of the total sample of 200 subjects.

**Table C3.1.5 Preference Scale (*n* = 200)**

Most preferred	1.00	
	1.25	
	1.50	
	1.75	
	2.00	
	2.25	
	2.50	←Steiner's Creamy (2.4)
	2.75	←Fisherman's Select (2.8)
	3.00	←Cape Cod (2.9)
	3.25	
	3.50	← Steiner's Regular (3.4)
	3.75	← Steiner's Extra Creamy (3.6)
	4.00	
	4.25	
	4.50	
	4.75	
Least preferred	5.00	