

Market Research

8 marks

AS Paper 2 2019

2 Too Tasty (TT)

TT is a brand of vegetable chips (crisps) owned by a large public limited company. The vegetables are thinly sliced, cooked, flavoured and then packaged in the TT factory. The factory uses flow production with a different variety of vegetable chips made each day. The factory runs for 24 hours a day, 5 days a week. TT's varieties and some market data is shown in Table 2.1.

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Table 2.1: Varieties and market data of TT's vegetable chips

Variety	Annual sales (million units)	Estimated price elasticity of demand
Beetroot	2	-0.9
Parsnip	3	-0.8
Potato	6	-1.1
Carrot	3	-1.5

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All the varieties are sold at a price of \$1 per unit. TT branded products have a high profit margin.

The owners of the TT brand would like to develop a new variety to expand the product portfolio. This new variety would be targeted at parents as a lunchtime snack for their children. The Marketing Director has been told to do some market research into potential new varieties of chips.

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A large supermarket group would like to start a joint venture with TT. The supermarket wants to buy TT's vegetable chips, but branded with the supermarket packaging. If the directors of TT agree, this is expected to increase TT's annual sales by 25% and improve the cash flow of the business. However, the joint venture would mean TT's profit margin for supermarket branded chips would be lower than TT's branded chips. The manager at the factory where TT's vegetable chips are produced also has other concerns about the joint venture.

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(c) Analyse one method of primary market research and one source of secondary market research that the Marketing Director could use to help develop a new variety of vegetable chip.

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Solution

Questionnaire - asking parents about what varieties of chip their children like most. Which could give TT useful information about the new product so they can gain high sales. However questionnaires are expensive to ask enough people to make them representative so this could increase TT's costs.

The internet to see what flavours of vegetable chips TT's competition are selling. This would be a cheap way of finding out secondary data which lowers the cost of the research. However it will not tell TT about flavours which are in development so the research may be a waste of time.
