



**MODULE:
CONSUMER BEHAVIOUR**

**ASSIGNMENT TITLE:
“ICE IS WATER, AND WATER IS ICE”**

DECEMBER 2009

Important Notes:

- ❖ Please refer to the Assignment Presentation Requirements for advice on how to set out your assignment. These can be found on the NCC Education *Campus*. Scroll down the left hand side of the screen until you reach Personal Support. Click on this, and then on Policies and Advice. You will find the Assignment Presentation Requirements under the Advice section.
- ❖ You must familiarise yourself with the NCC Education Academic Dishonesty and Plagiarism Policy and ensure that you acknowledge all the sources which you use in your work. The policy is available on *Campus*. Follow the instructions above, but click on Policies rather than Advice.
- ❖ You must complete the ‘**Statement and Confirmation of Own Work**’. The form is available on the Policies section of *Campus*. Scroll down the left hand side until you reach Personal Support. Click on this and then click on Policies and Advice.
- ❖ Please make a note of the recommended word count. You could lose marks if you write 10% more or less than this.
- ❖ You must submit a paper copy and digital copy (on disk or similarly acceptable medium). Media containing viruses, or media which cannot be run directly, will result in a fail grade being awarded for this module.
- ❖ All electronic media will be checked for plagiarism.

Marker's comments:

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Case Study

“I would not say I was a serious eco warrior, but any innovation which has an added environmental benefit must be good for us”. This was Cynthia Akwei’s summary of a new idea she had recently observed at the 2009 Techfest exhibition in Paris.

Cynthia was CEO of Frozen Assets, a company she had inherited from her father, which was dedicated to the production and delivery of ice – a simple product, but one that had provided three generations of the Akwei family with a good living.

The innovation Cynthia was enthusiastic about was a revolution in ice production. Traditionally ice had been produced by their factories, located in, or near, all major cities, and delivered as required to those who needed it, be they commercial, private or industrial customers. The essence of the “new” idea was that instead of producing ice centrally in bulk and distributing to users, you produced it on demand, in smaller quantities, at the customer’s place of consumption, whether it be a factory, bar, party, or wherever required.

Ice is so simple!

Cynthia was almost embarrassed by the simplicity of the ice production process. “You simply freeze water!” she would say, but underlying this basic process was a large amount of additional technology designed to ensure product quality and shape variety, production efficiency, and also energy conservation, ensuring the finished product reached the customer in perfect condition.

The basic concept of ice production was very simple. You simply took purified water, exposed it to a very cold environment and it froze into whatever form you chose for it – cubes, blocks, granules, shavings, etc. It was then packaged in the customer format required (for retail this was small plastic bags, for industry plastic sacks, etc) and delivered, either via the company’s own fleet of refrigerated vans or via distributors who often had less sophisticated wagons, which could lead to up to a 10% loss (due to melting!) and deterioration of the delivered product.

In general terms ice was produced either in cubes (for drinks), but more normally in large blocks or as granules / shavings, depending upon what it was to be used for. Customers varied and, dependent on volume used, there was a critical point at which it was cheaper for them to install their own ice producing machinery than rely on deliveries. In the consumer market a few domestic refrigerators had serious ice making facilities which were also common in some hotels and clubs / restaurants. For most consumers however demand was erratic and ice was either purchased as required from the local supermarket or off licence

However, Cynthia often stated that “Any ice user is a potential customer for Frozen Assets, whether they have their own production facility or not”. She noted happily how they provided back up services for producers when things went wrong, large blocks for ice sculptures, shavings for packing items in (donor organs at the local hospital!), for ice cream carts, the list was endless. By definition there tended to be a degree of seasonality, but their production scheduling was geared to potential 24 hour working in peak periods.

Techfest 2009

Cynthia was not a regular exhibition attendee, but Techfest, specialising in all technical areas associated with food and drink production, was one of her favourites. The innovation she saw there intrigued her. Produced by an American company it was a system whereby ice could be produced on demand at a customer's location.

Essentially the system consisted of a substantial technological “add on” to a basic water tanker, which, powered by the tanker's engine would pump water through the integrated machine, convert it into ice (in whatever format the customer required), and package it in bags / sacks / or in customers' own containers, as required.

The benefits of ice on demand, such as freshness and avoidance of loss due to melting, did not end there. Since small quantities would be produced, rather than the large quantities produced in the factory, additions could be made to the ice as dictated by the customer. They could request flavours (tonic water, salt, alcohol, marinade, etc) and / or colour. Production could be on a small or large scale and the finished product could even be shaped! You wanted five bags of blue, tequila flavoured, ice fish for a party, delivered fresh to your door, it would be no problem. Naturally you would pay a premium price, and as the Americans promoting it said “it is the first time anyone has added value to ice!”

This idea of differentiation and adding value appealed to Cynthia. One of the problems in her industry was severe price competition. It had traditionally been impossible to differentiate one supplier's ice from another's, other than by price and service. Cynthia was proud of her company's record in these areas. This innovation she felt led them into a new realm of possibilities. They admitted the opportunities were not for all. The majority of their business was still likely to come, in the immediate future, from customers requiring the generic product, but Cynthia could see great possibilities for this technology and the additional benefits it could provide.

If the additional possibilities were not sufficient incentive, the environmental advantages were also very attractive. Using innovative and patented technology the energy input required to produce the ice by this method was up to 40% less than conventional methods, even allowing for truck running costs, hence Cynthia's initial reaction. It appeared to be an offer that was too good to miss.

A few misgivings

Cynthia returned from the exhibition enthused and was all ready to buy a water tanker and have the American system introduced. Her fellow directors had initially greeted the whole concept with derision, but after some reflection there was a measure of support for the idea, although most felt some more work needed to be done to examine the viability of the project and whether there was truly a market out there for “bespoke ice!”

Seamus O'Brien, the production director, was one of the sternest critics. “Ice” he said “is a volume business. We make our profit by selling large amounts on a small profit margin, using very efficient production methods. This is totally against this principle. It is small scale production, pandering to people's individual needs and charging them a lot of money for what is basically only frozen water!”

Before making a final decision it was agreed the company would seek outside help in order to establish how people perceived ice, whether there was a market for specialist ice and how the opportunity that was available might be structured into a viable business. Based on these general principles the following series of tasks was drawn up and given to a postgraduate student at the local business school for development and report.

Task 1 – 20 Marks

Based on information it is possible to acquire, draw up a picture of the ice market within your own country. Some of the areas you might consider are:

- a) Market size, split between consumer, commercial and industrial use, and split between own production and purchase.
- b) Patterns of competition in each sector and the role of supermarkets and independent outlets as distribution points for the consumer sector. Also the role of branding and own label in this market.
- c) Patterns of domestic and industrial consumption and marketing mix parameters such as packaging, price and service provision.

Task 2 – 10 Marks

The role of ice in the consumer's life, in terms of:

- a) What are the motivations for purchase / consumption? What are the benefits provided? What are the concerns of customers? What are the alternatives to ice usage?
- b) How is it currently purchased / created in small / large volumes? What implications are there for storage / quality / convenience? Price implications, and ecological concerns?

Task 3 – 20 Marks

What Frozen Assets is proposing is an innovation in the production and delivery of ice. From what you have learnt, discuss the following in terms of this product:

- a) What are the risks in launching an innovative product such as this?
- b) Who might be the innovators and early users of this product, both consumers and commercial concerns?
- c) What role might be considered for opinion leaders and celebrity endorsers in the launch of such a product?
- d) What additional behavioural issues might need to be considered in relation to this product? Consider elements such as novelty, corporate identification, new drink launches, etc.

Task 4 – 20 Marks

Based on your analysis of the ice market in your country, how would you go about researching the attractiveness of Cynthia Akwei's proposal to launch a bespoke ice on demand service in your market?

- a) What types of research methodologies might be most appropriate to test such an idea? How might predictive research techniques be used?
- b) How you would derive your sample frame (s) and what might they be asked? Think of the alternative sectors of demand and how they might be researched.
- c) Would in depth research techniques be indicated in this research, and if so how might they be used?

Task 5 – 20 Marks

Gathering together all the information from the previous tasks, and on the basis of your analysis of the patterns of retail (and commercial) consumer behaviour toward current ice usage and the potentials this new technology offered, consider:

- a) Whether you believe there is a viable market for this type of product within your country. You must give comprehensive reasons to support your conclusions.
- b) What specific competitive benefits you would identify for purchasers.
- c) How you would deal with any specific CB blockers to the introduction of this product, particularly given the considerable price premiums involved.
- d) What market segments you would initially target and the strategy you would adopt in terms of pricing, distribution and benefit promotion.

Task 6 – 10 marks

Combine your findings into a single written report that includes the following sections:

- Title page
- Table of contents
- Body of report
- Appendices – containing any relevant supporting evidence
- Bibliography / references

Guidance

This assignment is wide ranging and touches upon all the main elements of the syllabus. You should ensure that where appropriate in all of the tasks, you refer to the relevant concepts, theories, frameworks and models from the course, to show your understanding the relationship between theory and practice

You are expected to carry out both online and offline research into the basic descriptors of your country and the literature exploring consumer behaviour in support of your conclusions.

Consult with your tutor if you are uncertain about any aspect of the assignment.

Submission Requirements

You must submit one word-processed report as indicated above in Task 6. Your report should answer Tasks 1 to 5 and should be **no more than 5000 words**. The assignment needs to be signed and dated by your tutor.

The report is to be submitted both in paper form and in digital form on a disk.

Warning: All media must be virus free!

Media containing viruses, or media which cannot be run directly, will result in a FAIL grade being awarded for this module.

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your assignment.**