

Case 5

Mildred's Caddy

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Mildred Sanders was trying to decide what she should do about her latest invention—an ironing board caddy. Mildred is an entrepreneur at heart, although she spends most of her work time in a real estate firm in Jackson, Mississippi, in which she is a partner. Mildred's creative energies, though, always seemed to focus on new products. She already received a patent on a previous invention as well as the new Ironing Board Caddy (see Figures C5.1 and C5.2).

The Ironing Board Caddy is a clip-on attachment that holds a bottle of spray starch or sizing, scissors, safety pins, and needles and thread. This device prevents items from falling off the ironing board, and if needed, permits the user to repair a garment while ironing.

Mildred asked a friend who did marketing research to help her design a questionnaire to collect data from consumers to estimate acceptance of the product idea. Mildred's friend hired two people to conduct 100 telephone interviews in Jackson using a random sample of potential consumers. In addition, Mildred's friend collected secondary data on households in several southern states. Mildred felt the results of the consumer survey were favorable and that the prospect for sales at very low levels of penetration could produce a substantial profit potential.

This case was prepared by Robert E. Stevens, PhD, Professor of Marketing; David L. Loudon, PhD, Professor of Marketing and Head, Department of Management and Marketing, University of Louisiana at Monroe; and Bruce E. Winston, PhD, School of Business, Regent University. Names, selected data, and corporate identities have been disguised.

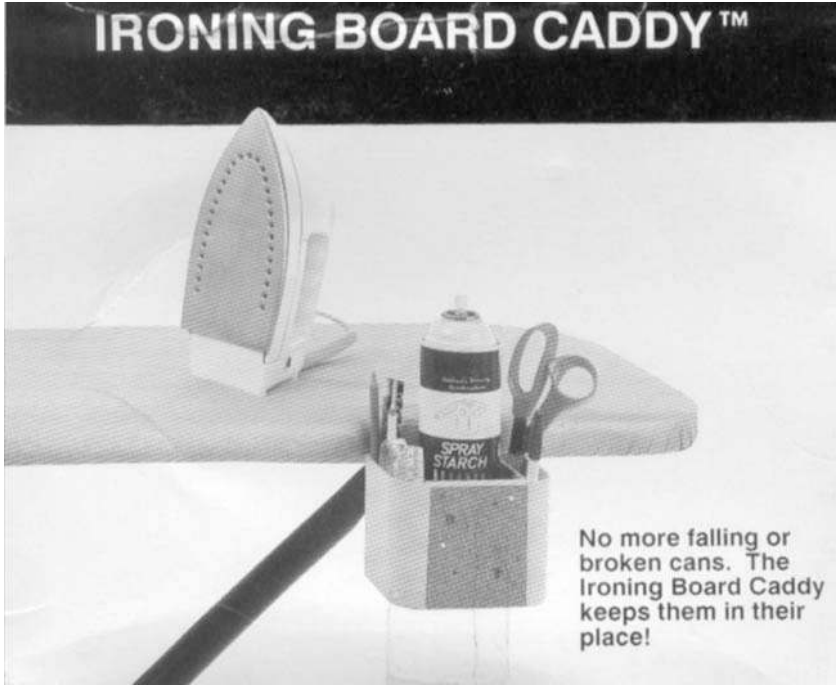


FIGURE C5.1. Mildred's Ironing Board Caddy

Mildred obtained production estimates from three possible manufacturers. These cost estimates ranged from \$2.35 to \$2.45 per unit in lots of 5,000 or more. Packaging costs were expected to be about .40 per unit. The manufacturer selected would require an injection mold for the product that would cost \$26,500. Mildred located a reputable package design firm and secured an estimate of \$3,500 for a final design. Each of the three manufacturers agreed to store and ship the units in cases of 24 at an additional cost of .10 per unit or \$2.40 per case.

At a wholesale price of \$6.50, a retailer could sell the product for \$12.95 and make a profit of about 50 percent. This markup would make the product fairly attractive if a large volume was sold. To obtain retail distribution, Mildred could use manufacturers' reps. Reps require a 15 percent commission on new products. These reps could also reach fabric/sewing outlets—a key channel in Mildred's thinking.

A regional promotional campaign to launch the product was expected to cost between \$75,000 and \$100,000 if newspaper inserts and direct mail promotion were used. Mildred was not sure how she could reach potential users more directly.

As a first step in assessing market potential for the southeastern United States, Mildred's marketing research friend gathered data on the number of households in twelve southeastern states. This information is shown in Table C5.1.

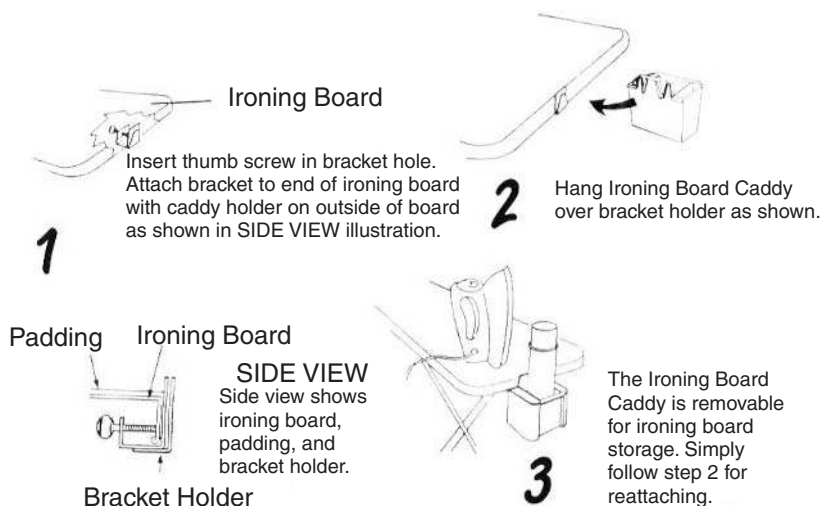


FIGURE C5.2. Ironing Board Caddy Instructions for Use

TABLE C5.1. Number of Households in the Southeastern United States

State	Number (in thousands)	State	Number (in thousands)
Alabama	1,342	Arkansas	816
Florida	3,744	Georgia	1,872
Kentucky	1,263	Louisiana	1,412
Mississippi	827	N. Carolina	2,043
S. Carolina	1,030	Tennessee	1,619
Virginia	4,452	W. Virginia	1,705

Source: U.S. Bureau of the Census

Mildred then sought to identify characteristics of potential consumers through the questionnaire shown in Figure C5.3. This questionnaire produced data on (1) marital status, (2) family composition, (3) incidence of ironing, (4) spray starch/sizing usage, (5) problems related to functions performed on the ironing board, and (6) reactions to features/price of the proposed new product.

Hello, my name is _____, and I am doing a survey for Marketing Research Associates in Jackson, Mississippi, on the care of clothing. I am not selling anything, and nothing will be mailed to you. Would you please help me by answering a few questions?

1. First, are you
single 8% married 78% divorced/separated 7%
or widowed 7%
2. Do you have children at home?
yes 61% If yes, how many? mode=2 no 39%
3. Are most of the clothes you (or your family) wear permanent press?
yes 85% no 15%
- 4a. If yes, do you still try to press or iron many of them?
yes 97% no 3%
- 4b. If no, do you usually have to press or iron these clothes?
yes 83% no 17%
5. If any pressing or ironing is done, about how many times a month would you do it?
1-2 16% 3-4 26% 5-6 12% 7-8 1% 9-10 9% over 10 36%
6. Do you use an ironing board?
yes 98% no 2%
7. Do you use spray starch or sizing?
yes 70% no 30%
8. If yes, about how many cans of starch/sizing would you use in a year?
1-3 40% 4-6 22% 7-9 3% 10-12 10% 13-15 3% 16-18 3%
19 or more 19%
9. Do you ever do mending, sewing, or altering on the ironing board?
yes 64% no 36%
10. If yes, do you ever experience problems of:
 - a. starch/sizing can falls off the ironing board? 77% yes
 - b. no convenient place to keep pins, scissors, etc., close to your ironing board? 72% yes

FIGURE C5.3. Market Potential Survey for Ironing Board Caddy

11. If an inexpensive product were on the market that held your spray starch, scissors, pins, etc., and would attach to your ironing board, would you buy it?
 yes 56% no 21% maybe 19% don't know 4%
12. How much would you expect to pay for such a product?
 \$8.00 or less 0% \$10.01 to 11.00 1%
 \$8.01 to 9.00 16% \$11.01 to 12.00 2%
 \$9.01 to 10.00 45% over \$12.00 36%

Thank you very much for your help.

FIGURE C5.3 (continued)

TABLE C5.2. Profile of Potential Buyers Based on Jackson Market Study

Characteristic profile*	Answers
Marital status	78% married
Children at home	71% children at home
Type of clothing	82% most are permanent press
Pressing of clothes	100% press clothes
Frequency of pressing	6-7 times per month
Use of ironing board	100% use ironing board
Use of spray starch/sizing	100% use spray starch/sizing
Problems—can falling off	95% experienced this problem
Problems—no place for pins, etc.	89% experienced this problem
Expected price	\$9.75 median price expected

*The values shown are for those respondents who said they would purchase the product if available.

By cross tabulating the responses to the questions, it was possible to develop a profile of the potential purchasers of the caddy. Table C5.2 shows the profile derived from the respondents who said yes to the question about buying the product. Mildred thought these characteristics pointed to clearly identifiable market segments interested in this product.

Mildred estimated that she would need a minimum capital investment of about \$132,200 to launch the product if she decided to market the product herself. This included \$75,000 for a regional promotional campaign, \$12,200 for production of the first 5,000 units, \$26,500 for the injection mold, \$3,500 for package design, and another \$15,000 to cover packaging and administrative costs. She knew she had access to that amount because of her real estate holdings but wondered if she should risk it in the venture or simply try to license another company to manufacture and market the product.

Mildred knew she would only get about 10 percent per unit under a licensing arrangement but that the manufacturer would assume the risk of the venture. She also wondered what would be involved in a thorough and complete marketing strategy for the ironing board caddy if she were to implement it herself and not license the product. Production and marketing of a previous product idea had produced disappointing results. She also knew she needed to decide soon before someone else came up with a similar idea and she also wanted to get back the \$9,500 she had already spent in getting the product patented.