

The Customer Prototyping Technique: Its Validation and Application

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ABSTRACT

This paper introduces 'customer prototyping', a technique that has been successful in helping managers target more effectively and serve new and existing customer segments. Customer prototyping uses a laddering procedure to describe a very specific member of a target sub-segment in detail. The assumption is that the insights obtained from describing and analysing this individual can frequently be generalised across a broader segment. In an empirical test, managers who were instructed how to use the customer prototyping technique were able to segment a consumer market for a service more accurately and in more detail than managers using conventional segmentation methods. These results are discussed, and additional applications of this robust technique are described.

INTRODUCTION

Demographic data have their limits in helping to generate insights about customers.¹ Indeed, so do most psychographic data. Not only do psychographic data frequently lack objectivity, but they are costly to assemble and limited in how easily they can be interpreted.² This paper introduces a technique called 'customer prototyping', which uses a laddering procedure to describe a very specific member of a target sub-segment in detail. The assumption is that the insights obtained from describing and analysing this individual can frequently be generalised

across a broader segment. It is quick, inexpensive, and easily interpretable.

Customer prototyping is useful for generating hypotheses about customers that can be further examined in focus groups and with questionnaires. It can also, however, be an effective starting point for developing a marketing communication programme. After the customer prototyping technique is described, there follows a test to see how effectively managers can use it by determining how accurately they can predict which of 261 adults are most likely to be members of a public radio station. The accuracy of these predictions is then contrasted with the accuracy of predictions generated from conventional segmentation methods. These results are discussed, and additional applications of this robust technique are described.

BACKGROUND

Knowing your best customer

Mentally visualising a prototypical member of a market segment is critically important. Mentally 'walking in the customer's shoes' helps a marketer understand what unarticulated needs this person might have, and how to communicate most effectively to the segment the customer represents. It has been claimed that 'the fifth "P" of marketing is Personalisation.'³ That is, the

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classic four Ps of marketing — product, price, place (distribution), and promotion — are effective only to the extent that they are used to make a 'personal' connection with the customer. Every sale is a personal sale.

Unfortunately, many marketing decisions are driven instead more by databases than by a personal understanding of the customer. When told the importance of 'really knowing your customer', many would claim they already know their customer. As a point of illustration, it is useful to consider what a marketing manager for a packaged goods company might say.

'Our primary target customers for frozen pie crusts are women aged 35-60 with a high school education living in the midwest and southeastern United States, making \$20,000-\$35,000 a year and with 3.2 children who no longer live at home but visit twice a month.'

They may even say that they know their target customer 'so well' that they can say:

'Forty-three per cent of category purchasers use our brand; 32 per cent are Brand B users, and 25 per cent are Brand C users. Forty per cent of our market are heavy category users, and 85 per cent are loyal. Only 60 per cent of the non-users are brand loyal, and we draw more switchers from Brand C than Brand B when we advertise heavily. When we price promote, we draw from both brands equally.'

Supposing that 100 women who fit this general description were found and

asked to write down ten characteristics that they might use to describe themselves, it is doubtful that even one of these 100 would say:

'My name's Susan, and I'm a 35-60 year old with a high school plus education and 3.2 kids who no longer live at home but visit twice a month. I also like to think of myself as a heavy user of pie crusts compared to people who live in the northeast or in large cities. Although I'm pretty brand loyal when I shop for pie crusts, I guess I would shop around if I had a really big coupon. You could say I'm more of a switcher when it comes to laundry detergent than with frozen pie crusts, and I'm definitely a variety seeker when it comes to breakfast cereals.'

No consumer sees her or himself as a bundle of mere statistics. As Fortini-Campbell⁴ writes, 'Statistics alone do as much good describing people as a ruler does measuring a beach ball.' It does not wrap around the ball, and it says nothing of when and where it is used. Nor does the ruler tell us anything about what people feel or think when they are playing with the ball. Yet when attempting to identify target markets, marketers often make no attempt to move 'past the data' and use any method other than the ruler.^{5, 6, 7}

No matter how much a marketer, advertiser, or consultant knows about marketing and advertising, he or she will never know as much about the bagged concrete industry, the accounting profession, or retail meat channels as the business owners in these industries. Such

industries are less burdened than the packaged goods markets by computer print-outs of demographic and sales data. How can they possibly know their customers? Consider Michael, the marketing manager for a small company that produces bagged concrete. If he were asked to describe some of his best customers, he would probably name a specific person and proceed to describe the person in detail.

Consider, however, that the specific person Michael mentions probably represents (with small variations) a generalisable, and much larger segment of his company's market. That is, if Michael describes 'Tony Bower at Siouxland Industries', Tony is probably representative of a much larger segment of customers (or potential customers). As a result, the more that Michael talks about 'Tony' — his motivations and aspirations, what he does in his free time, who he wants to impress, where he wants to be in ten years, why he buys Michael's bagged concrete, and so on — the more insights we begin to gain about this basic segment of which Tony unknowingly is a part.

Of course, developing this 'customer prototype' of Tony accounts for only one segment of the market. That is, if Michael is asked, 'What other types of good customers do you have?', he would be describing another segment.

Limitations

The value of prototyping lies in attempting to disclose the basic needs and wants of a particular segment of consumers. This customer prototyping process pro-

vides an opportunity to exercise one's creativity in an effort to generate hypotheses about the motivations and behaviours of individual customers. Although the focus is on individual customers, the marketing-related insights that can follow from this are invariably relevant to large segments of customers. Beyond a current customer (such as Tony), the customer prototyping technique can focus on an 'ideal customer', or on 'the kind of customer who is a great word-of-mouth champion', or 'the kind of customer who is a heavy user', or the 'non-user'.

Is there a risk of this approach being too narrow? Possibly. But just as conventional segmentation methods often simplify a market by generalising across too many different types of segments, the customer prototyping approach makes one's thinking more specific. When the continuum ranges from 'Everyone — to — Someone', it is better to look at a number of very specific, but very richly prototyped 'Someone' segments than it is to look at 'Everyone' segments that are too general. In an ideal situation, any intuitive insights one generates should be followed up with a quantifiable research plan that can either confirm or disconfirm these insights.

The risk of focusing on too narrow a market is minimised by increasing the number of prototypes examined. This is most effectively accomplished by using a wide range of people to generate independently the prototypes. The greater the variance in these people's backgrounds and perspectives, the lower the probability of a biased or misguided view of the customer.

The basic process and technique
Developing a rich customer prototype is one way to segment very specific psychographic market segments. The value of the customer prototyping process is directly related to how vividly one can visualise the person, and how accurately and creatively one can describe him or her. The basic process is as follows:

- 1 Recall (or imagine) an ideal customer (or decision maker).
Name him or her.
- 2 Describe him or her in 'recognisable' detail, such as:
 - why does the person use the product/service he or she uses?
 - how does this person 'see' him or herself?
 - how would this person's neighbours describe him or her?
 - what is important to this person?
 - who does this person want to impress most?
- 3 Recall another type of model customer (and describe)
- 4 Repeat the process until the prototypes start to overlap
- 5 Generalise into highest-potential yield target markets and highlight important details.
- 6 Use the relevant insights to inform marketing activities.

This technique is called 'laddering'. In effect, by constantly asking 'why', one keeps 'going down rungs' until arriving at basic values that may be important in motivating this person in this context.⁸ The emphasis in such an approach is on creativity. The more a company can in-

terpret about its customers, the more effective its efforts at reaching and satisfying them.

The critical test of this approach, however, is how well it can answer three questions:

- how do customer prototyping insights compare with insights generated from more general methods of segmentation analysis?
- how accurate and valid are customer prototyping insights?
- how useful are customer prototyping insights in providing implementation guidance for a marketing communication programme?

These questions are examined in each of the next three sections.

HOW DO CUSTOMER PROTOTYPING INSIGHTS COMPARE WITH SEGMENTATION ANALYSIS INSIGHTS?

Methodology

The objective of this study is to determine how accurately the segments obtained through a customer prototyping technique describe a broader base of customers. To evaluate the accuracy of the customer prototyping technique, the relevant comparison is with target market segments generated through the more general forms of segmentation analysis. Although the methodology of segmentation analysis certainly varies from manager to manager, a number of managers were asked to articulate their approach, and the similarities were notable.

Thirty-two managers were asked to take part in a mail survey to identify and specify target markets. Twenty-three of these individuals responded (72 per cent response) in a timely enough manner to be included in the study. Nineteen of the 23 individuals were either brand managers or account managers; salaries ranged from \$62,000 to \$107,000 a year. All were recent MBA graduates of a premier American business school, with an average age of 31. As MBA students, all had taken a course in Marketing Communication.

One intent was to determine the accuracy and validity of segmentation efforts, so it was necessary to use a product or service with which all responders would be equally familiar. It was assumed (and subsequently verified) that they would be familiar with the local public radio station that had been broadcasting while they were students (Vermont Public Radio — WVPR). All 23 managers were asked to identify three segments of people who were most likely to be members of WVPR (at \$25 per year). None of these managers had any specific information about membership or listenership. The only information included in the mailing was a copy of the station's monthly programme guide.

The only portion of the mailings that differed was the instructions on how the managers were to go about determining these three target markets. Half of the managers were asked to identify the target markets using whatever segmentation analysis method they would normally use to approach such a problem. After defining these target markets, these managers

were asked to articulate the basic procedure they used. The other half of these managers were asked to use the customer prototyping technique that was outlined earlier. After defining three target markets, these managers were also asked to articulate, in their own words, the basic procedure they used, including any modifications they made on the guidelines they had been given.

All subjects then returned their questionnaires through the mail. Of the 23 questionnaires returned, 13 were from the managers who had been asked to use their own segmentation analysis procedure, while the other ten were from managers who had been asked to use the customer prototyping technique.

Comparing the two approaches

It appeared that the managers using segmentation analysis tended to use a four-step procedure. Although this exact procedure was not used across all 13 managers, it represents fairly the general approach they articulated. Broadly speaking, these managers first thought about the target market in terms of demographic variables, such as age, income, education, profession, and so on. They next made inferences about the related interests or affiliations of these different segments (eg, belongs to other arts organisations, subscribes to many magazines). Thirdly, these managers considered why such segments might become a member of WVPR, and used these inferences to better describe these segments. Last, a determination was made as to which three of these segments best described portions of the

WVPR membership. This general procedure is outlined in Table 1.

In contrast, the managers using the customer prototyping technique were instructed to think about a specific individual they considered as an 'ideal' WVPR member. Although these managers also described this person in terms of demographic variables, related interests or affiliations, and inferences as to why the person joined, their descriptions tended to be richer and contained more detail than those descriptions generated from those using segmentation analysis. Part of this happened because the managers asked and tried to answer difficult, speculative, and personal questions about their customer. The modified customer prototyping procedure they used, and some

of these questions they asked are also outlined in Table 1.

Comparing the results of the two approaches
In general, those managers using the customer prototyping technique generated an average of 11.4 thoughts about each of the three prototypes they described, compared to the 6.8 thoughts generated by those managers using segmentation analysis. This difference was significant ($t = 3.9; p < .01$), and was driven by the difference in thoughts related to psychographic criteria. Managers using the customer prototyping technique generated many more psychographic dimensions ($X = 8.3$) than those using segmentation analysis [$X = 3.1$ ($t = 4.2; p < .01$)].

Although numerous different market segments were alluded to by both sets of

Table 1

CUSTOMER PROTOTYPING VS. SEGMENTATION ANALYSIS:
THE PROCESS OF INSIGHT GENERATION

A GENERAL APPROACH TO
CUSTOMER PROTOTYPING
($n=10$)

- 1 Imagine a specific person in the target segment.
- 2 Define him or her in vivid detail. For example:
 - Why does the person use the product/service he or she uses?
 - How does this person 'see' him or herself?
 - How would this person's neighbours describe him or her?
 - What is important to this person?
 - What are his or her goals and ambitions?
 - Describe this person's 'perfect' day off?
 - Who does this person want to most impress?
- 3 Recall another person in this segment (and describe).
- 4 Repeat the process until the profiles start to overlap.
- 5 Split into the highest-potential yield target markets.
- 6 Use the relevant insights to inform marketing activities.

A GENERAL APPROACH TO
SEGMENTATION ANALYSIS
($n=13$)

- 1 Define by standard demographic variables:
 - Education
 - Profession
 - Age
 - Income
 - Gender
 - Family size
 - Geography
- 2 Infer related interests or affiliations
- 3 Infer reasons they might buy
- 4 Split into the highest-potential yield target markets.

managers, four segments were mentioned with notable frequency by both groups. These segments of WVPR members were commonly defined as the 'yuppies', 'establishment-types', 'intelligentsias', and 'granolas'. The most frequently described segments were the first two. Some typical comments managers chose to describe these segments appear in Table 2.

Three points about Table 2 are especially revealing. First, it is notable that both groups of managers identified similar segments with high frequency. Second, the level of detail provided by the managers using the customer prototyping technique is much more specific

than that given by the managers who used segmentation analysis. Some descriptions of an individual from the yuppies segment, for instance, include: 'Likes to impress others; not loyal to institutions; more of a spender than a saver; can be self-righteous.'

The last feature in Table 2 that is notable can be seen in the descriptions given by those who used segmentation analysis. There is lack of clear psychographic distinction between their descriptions of the yuppie segment and the establishment segment. With the exception of the members' ages, and the ages of their children, there is no significant

Table 2

CUSTOMER PROTOTYPING VS. SEGMENTATION ANALYSIS:
THEIR INSIGHTS ABOUT TWO SEGMENTS OF PUBLIC RADIO SUPPORTERS

Two frequently defined segments

	'Yuppies'	'Establishment-Types'
SAMPLE INSIGHTS		
	<p><i>Segmentation analysis approach</i></p> <ul style="list-style-type: none"> ● Highly educated ● White-collar professional ● High income ● Appreciates the 'fine things' ● Cultured ● 30-50 years of age ● Young children 	<ul style="list-style-type: none"> ❖ Highly educated ❖ White-collar professional ❖ High income ❖ Appreciates the 'fine things' ❖ Cultured and sophisticated ❖ 50-60 years of age ❖ Children are grown up
	<ul style="list-style-type: none"> ● Likes to impress others ● Can tend to 'snobbishness' ● Not too loyal to institutions ● More 'spender' than 'saver' ● Sees knowledge as a tool - reads to learn; learns to do/say ● Sees children as either investments or as showpieces ● Sometimes self-righteous 	<ul style="list-style-type: none"> ❖ Community-oriented ❖ Wants to be mentor-like ❖ More benevolent than in past ❖ Getting socially overcommitted ❖ Developing strong tastes (art, music, etc) <ul style="list-style-type: none"> - less concerned about the crowd - sees no need to justify preferences ❖ Comfortable with life and with friends ❖ A definite pattern to their schedule ❖ Sometimes wishes life would be a bit more exciting ❖ Wishes they had spent more time with kids when they were young

difference between the two segments. The descriptions given by those using the customer prototyping technique, in contrast, provide much more clear delineation between the two segments.

It is important to note that the approach itself (customer prototyping versus segmentation analysis) had little impact on whether a particular target group would be identified and described. The primary difference between the approaches is illustrated in the extent to which the segments can be defined in distinct detail — detail that will eventually be useful in helping generate important marketing communication applications.

HOW ACCURATE ARE CUSTOMER PROTOTYPING INSIGHTS?

Although the differences illustrated in Table 2 are provocative, the important question is whether they are of value in actually predicting membership of WVPR. To the extent that the customer prototyping technique provides a better understanding of current membership, it should help station management learn how to appeal more effectively to similar individuals in the segment who have not yet joined WVPR's membership ranks.

Methodology

To examine the accuracy of the two groups of managers, 261 adults were contacted to provide the demographic and psychographic information that would be necessary for a comparative validation. These subjects were recruited through eight Parent-Teacher Association (PTA) groups in small New England

towns, with \$6 donated to the respective organisation for each member who participated in the study. Ninety-one per cent of the subjects were between the ages of 30 and 70. Their educational background was heterogeneous.

Subjects were met in groups of six to 30 at the school where the PTA met. Upon arriving, they were asked to take alternate seats, and then given a closed packet of materials, which contained a cover sheet of instructions and a number of consecutively-labelled booklets. One of the booklets asked if the responder was a member of WVPR; the responder then answered over 80 questions related to characteristics earlier identified in the segmentation and customer prototyping descriptions of the 23 managers. Some questions, for instance, were generally related to the types of information noted in Table 2. That is, some of these questions were demographic, while others were discreetly-worded psychographic questions. Although every subject was asked identical questions, the order of the questions was made random to avoid a bias due to fatigue. Of the 261 individuals involved in the study, 93 (36 per cent) were members of WVPR.

Analysis and results

Each of the 23 managers involved in the study described three distinct market segments they believed would currently constitute WVPR membership. Because this study is comparing the accuracy of two different approaches (customer prototyping versus segmentation analysis), the prediction accuracy of these managers reflects one dimen-

sion of the relative value of the two approaches. Given a description of a segment, accuracy is defined as that percentage of people who fit that description and are members. For instance, a description of a particular segment would be absolutely accurate to the extent that 100 per cent of the people who meet that description do indeed happen to be WVPR members. Regardless of whether the defined group is large or small, the higher the percentage of membership, the more accurate the description is considered.

For each market segment described by each manager, two numbers were recorded:

- the total number of people in the sample (out of a possible 261) who fit that general description, and
- the number of those who were WVPR members.

To develop a composite measure of effectiveness for each manager, the results from these three segments were added together to form a cumulative measure of effectiveness. (It is assumed the three segments are mutually exclusive and are independent and identically distributed.) The rank-ordering of the results (based on their accuracy) is shown in Table 3.

The managers using segmentation analysis tended to describe target markets that are much larger than those described by managers using the customer prototyping technique. Their 'hit rate' (number of members/total segment membership), however, is much lower. This attests to the accuracy of a more focused approach, such as customer prototyping. The six

most accurate managers in the study are those who used some version of customer prototyping. The other four managers using this technique are not as accurate in their prototyping, but they are no less accurate than those who used segmentation analysis. Taking a manager's hit rate as the dependent variable, we find those using the customer prototyping technique to be significantly more accurate in identifying and describing current member segments than those using segmentation analysis ($t = 5.5; p > .01$).

HOW USEFUL ARE CUSTOMER PROTOTYPING INSIGHTS?

It has been suggested that a quick, inexpensive first step in any attempt at qualitative research is to use the data we have been collecting all our lives — data about human nature — to begin drawing a customer prototype of specific target markets. Such an approach has been empirically shown to deliver deep and accurate insights about current customers, thus enabling a researcher either to conduct more focused research, or to build on these insights to think of more effective marketing applications.

But how useful are these customer prototyping insights? These prototypes help to make customer segments vivid. That is, knowing the age and the switching patterns of a customer segment is not equivalent to visualising that segment. Being able to visualise this segment enables one to form hypotheses that can either be used as a basis for further research, or as a basis for developing a marketing communication plan. Examples of each follow.

Table 3

**CUSTOMER PROTOTYPING VS. SEGMENTATION ANALYSIS:
THEIR ACCURACY IN PREDICTING WVPR MEMBERSHIP**

(Number in defined segment who are WVPR members)/(Total number in the defined segment)

Segmentation Method Used	Manager x	Cumulative performance	(%)	Segment 1 performance	Segment 2 performance	Segment 3 performance
Target Prototyping	Manager 1	13/17	(76%)	4/5*	6/9	3/3
Target Prototyping	Manager 2	11/15	(73%)	4/5	5/8	2/2
Target Prototyping	Manager 3	8/11	(73%)	5/6	1/2	2/3
Target Prototyping	Manager 4	12/18	(67%)	7/10	5/7	0/1
Target Prototyping	Manager 5	6/9	(67%)	1/2	4/5	1/2
Target Prototyping	Manager 6	12/19	(63%)	3/3	3/5	6/11
Segmentation Analysis	Manager 7	20/32	(62%)	4/9	11/17	5/9
Segmentation Analysis	Manager 8	18/29	(62%)	6/11	5/9	7/9
Target Prototyping	Manager 9	10/17	(59%)	5/9	3/3	2/5
Segmentation Analysis	Manager 10	40/68	(59%)	19/33	4/11	17/24
Segmentation Analysis	Manager 11	32/56	(57%)	29/44	0/3	3/9
Segmentation Analysis	Manager 12	23/43	(53%)	0/1	15/29	8/13
Target Prototyping	Manager 13	3/6	(50%)	2/3	1/1	0/2
Segmentation Analysis	Manager 14	26/56	(46%)	13/22	10/26	3/8
Segmentation Analysis	Manager 15	41/90	(46%)	29/53	12/33	0/4
Segmentation Analysis	Manager 16	7/17	(41%)	6/11	0/2	1/4
Target Prototyping	Manager 17	2/5	(40%)	0/0	0/0	2/5
Segmentation Analysis	Manager 18	28/90	(31%)	14/59	2/10	12/21
Segmentation Analysis	Manager 19	27/90	(30%)	4/15	23/65	0/10
Target Prototyping	Manager 20	5/23	(22%)	1/5	1/9	3/9
Segmentation Analysis	Manager 21	28/143	(20%)	14/79	0/12	14/52
Segmentation Analysis	Manager 22	31/163	(19%)	15/88	16/72	0/3
Segmentation Analysis	Manager 23	23/122	(19%)	6/50	14/41	3/31

* Read: Of the 5 responders who fit the manager's description, 4 were WVPR members.

Example 1: Developing insights for additional research

Customer prototyping can be used to generate working hypotheses about various customer segments within the target market. Depending on how confident companies are about these hypotheses, and depending on what is at stake, they can use customer prototyping to brainstorm prior to focus group research, or use it as a first step toward survey research.

Consider a small company in Illinois that deals in speciality printing for corporate incentive programmes. Their objective was to increase the rate at which companies in a particular industry used their printing and engraving services. The marketing plan initially involved an expensive direct mail campaign and deep promotional discounts. The person in charge of marketing knew the customer well from a demographic standpoint. When asked to describe someone they personally knew who made the purchase decisions in this particular industry, he was unable to do so.

In walking through this customer prototyping process with the marketing manager and the company owner, it became clear that perhaps promotion and price-sensitivity did not drive the order patterns of these businesses, but that such usage was driven instead by situation-related needs, such as special occasions. Promotion and direct mail were now hypothesised to play less of a role in stimulating orders than other aspects, such as situation-related needs, and the extent to which their service was associated with these situations. In this instance, the insights generated from the customer pro-

totyping technique were viewed as hypotheses to be tested. They were then examined in one-to-one interviews, and a questionnaire was used to examine the validity of these insights further. Instead of direct mail and heavy promotions, specific usage occasions were advertised, and prices were raised across many of their services.

Example 2: Developing a more effective marketing communication plan

If little or no time and research money are available, insights from customer prototyping can be used as a starting point for developing a marketing communication plan. One such example involves a small company that manufactures outdoor Christmas lights. Although there was little research budget for this product, it was critical that the marketing communication budget be highly leveraged. The company had thought about allocating most of this budget to in-store signage, cooperative advertising, and point-of-purchase displays.

The customer prototype technique was then used to describe ideal customers. Initially too much time was spent trying to prototype the heavy user of Christmas lights — the homeowner whose household lighting pageantry is the neighbourhood's bane and the power company's delight. Although interesting psychographic prototypes were developed for this segment, customer prototyping determined that the larger markets would consist of home owners in the snow belt of the midwestern United States who have a modest display of lights, but who

are witnessing a gradual escalation of lighting in their neighbourhoods. To the extent that use is spreading, there is implicit pressure on neighbours either to 'stay ahead' or to simply 'keep up' — in either case to escape the 'Scrooge' stigma.

Although these prototypes consisted merely of a set of hypotheses, customer prototyping led to a marketing communication plan focused on encouraging newspapers to sponsor 'neighbourhood lighting contests'. The plan included story ideas, logistical recommendations, and judging suggestions that the newspaper could use to encourage contests. This press packet was included in a small box of Christmas lights and mailed to features editors at targeted newspapers throughout the snow belt.

In this instance, the insights generated by customer prototyping were not tested because the company did not wish to go through the time and expense of conducting formal research. Nevertheless, the technique provided insights for a distinctive marketing alternative to cooperative advertising, and signs that would have been lost in a retail sea of red and green. The company sold a record number of non-discounted units. The resulting marginal revenue from the sale of these Christmas lights exceeded that of any prior year.

USING CUSTOMER PROTOTYPING WITH DATABASE MARKETING

When all the information in many marketing databases is simply demographic and purchasing data, how can a particular prototype of a segment be isolated? Ob-

viously, one cannot get 'blood from a stone'. Nevertheless, different customer prototypes do suggest different database segments. If the prototyping criteria are relevant, important sub-segments can be isolated. A six-step procedure has been helpful in this regard.

- 1 Generate a wide range of customer prototypes (from various individuals).
- 2 Redefine these customer prototypes in terms of relevant database information.
- 3 Determine the number of people in the database that are associated with each prototype.
- 4 Subjectively estimate each prototype's response likelihood to the offer. (These can be rank-ordered or given probability estimates.)
- 5 Weight the size of each prototype by the response likelihood.
- 6 Select the sub-segments that offer the most attractive combination of size and response likelihood.

The value in using customer prototypes with database marketing lies not only in better isolating important sub-segments, but it also enhances the offer and the way in which it is communicated. In other words, customer prototyping makes markets more responsive, and offers more attractive. Having vivid customer prototypes in mind when making marketing decisions helps guarantee against generic, ineffective marketing efforts.

FINAL SUGGESTIONS AND IMPLEMENTATION ISSUES

Any effort at customer prototyping is valuable, insofar as it makes us look beyond the superficial demographic infor-

mation typically used. The most effective marketing applications, however, tend to be associated with the most detailed customer prototypes. These prototyping efforts have two characteristics in common: they take 'psychological license' in describing what motivates the person, and they always ask, and try to answer, the question 'why?' For instance:

- Keith listens to WVPR for news programmes — Why?
- Because he likes to be well-informed — Why?
 - ❖ because he likes to be seen as a valuable person to talk to, or
 - ❖ because he likes to feel in control of his environment, or
 - ❖ because he believes it is what 'smart' people do, and so on.

Is it valid to speculate in this way? It must be remembered that the value of customer prototyping lies in trying to uncover some basic needs that might motivate a customer, and such a discovery is not likely to be found in demographic data or in scanner data. Obtaining these insights is critical whether analysing consumers of baking products or consumers of Christmas lights. Furthermore, these prototypes can be sliced in a number of ways: heavy users, non-users, ex-users, high potential users, word-of-mouth-prone users, and so on.

A last advantage of customer prototyping is that no one needs to know you do it. In its most public use, customer prototyping can be a stimulus for brainstorming on an entire creative

team. In its most private use, it is part of one's own creative black box.

The insights generated can either serve as a departure point for further research and hypothesis testing, or they can be used to guide immediate action. Results from customer prototyping often suggest that immediate changes be made with marketing communication programmes. Almost as often, immediate changes are suggested for the other elements of the marketing mix: distribution, pricing, and even alterations in the product or service itself.

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Mazda Miata

In early March 1989, Larry Kopald, Executive Vice President, and Creative Director of Foote, Cone & Belding (FCB) advertising agency, met with his colleagues to prepare one of the biggest presentations of their careers. Their largest client, Mazda Motor of America, had recently placed the agency into "review" status, and in three days, Kopald would present the agency's campaign theme for Mazda's latest product offering, the Miata sports car, to Janet Thompson, Vice President Marketing at Mazda. If their campaign strategy was not approved by Thompson, FCB would lose the Mazda account to another advertising agency.

Kopald's team had spent many sleepless nights developing rough executions against several positionings that had been provided to them by Mazda Motor of America. Although the advertising agency had been fully briefed on Mazda's corporate strategy, its intended marketing strategy, and possible positioning options, their task was complicated by internal disagreement within Mazda as to which was the best positioning for the Miata launch. At today's meeting, he needed to select one positioning so that his team could refine the copy and art work in time for the presentation. He believed that, at a minimum, Janet Thompson and her colleagues at Mazda would ask him three questions: Which of the alternative positioning strategies was appropriate for the Miata? How was this positioning to be translated into advertising? And how did the chosen positioning support the role the Miata would play in Mazda's overall strategy?

COMPANY BACKGROUND



Mazda Motor Corporation, named Toyo Kogyo Ltd. until '1984, was founded in Hiroshima, Japan, in 1920. Toyo Kogyo emerged as a technology-oriented company, making machinery, precision instruments, rock drills, and in 1931, its first vehicle - a three wheeled truck. During the 1930's and 40's, Toyo

* This case was prepared by Robert C. Hower, Research Assistant, under the supervision of Professor Rohit Deshpandé, Professor of Marketing, The Amos Tuck School of Business Administration, Dartmouth College as a basis for class discussion, rather than to illustrate either effective or ineffective handling of an administrative situation. All rights reserved. Not to be reproduced without written permission, Copyright © 1992 Board of Trustees of Dartmouth College.

Kogyo built on its success in truck manufacturing, and by 1951 was considered Japan's leading truck maker. Meanwhile, Toyota and Nissan had expanded into the larger and more lucrative passenger car market.

By the early 60's, Toyo Kogyo recognized the need to enter the car market, but lagged other

manufacturers in automobile technology. To bridge the gap, Toyo Kogyo signed a technical agreement with Audi NSU-Wankel of West Germany for the development rights to emerging rotary engine technology. In 1968, after six years of redesign work, Toyo Kogyo introduced the first

commercially successful rotary engine in automotive history. The powerful, but quiet, engine was an immediate hit, and prompted Toyo Kogyo in 1970 to establish Mazda Motor of America in Seattle, Washington. U.S. sales rose to 119,004 units in just three years.

However, the global oil crisis in 1974 crippled Mazda. United States government tests showed the rotary engine getting only 10 miles to the gallon in city driving. General Motors shelved its plans to produce rotary-powered vehicles. And Mazda's American sales dropped 60% in one year. By 1975, Toyo Kogyo reported a 17.3 billion yen (\$70 million) loss and was on the brink of collapse.

The financial crises revealed Mazda's managerial and product shortcomings. A new management team from Sumitomo Bank (generally considered a part of Mazda's *keiretsu*) led the turn-around by introducing new, fuel-efficient, models. In 1977, Mazda introduced the piston-driven GLC ("Great Little Car") for \$2,875. GLC received high marks for its economy, fuel efficiency and dependability. During that same year Mazda developed a booklet called the "Consumer Value Formula" (which later became a series) that was written by three well-known automotive magazine editors. The Consumer Value Formula, which was available only through Mazda dealerships, along with Mazda's new product offerings, helped redefine the company as a "value" manufacturer.

A year later, the economically-priced RX-7 sports car was introduced and became an instant success, ironically with a rotary-powered engine now reengineered for greater fuel

efficiency.

With special recognition from Road and Track, Road Test, and Car and Driver, the RX-7 quickly became America's best selling two seater. After its introduction in May 1978, the RX-7 contributed 19,359 units to Mazda's year end car and truck sales of 80,017. Demand far exceeded supply, and the lack of availability prompted dealers to raise prices above the suggested retail level of \$6,795.

In 1984, the corporate name was changed to Mazda Motor Corporation and \$550 million was committed for a U.S. manufacturing plant on the site of an idle Ford Motor Company casting plant in Flat Rock, Michigan. Realizing its dealer network could not market the plant's entire 240,000 unit capacity, Mazda agreed to initially allocate 60% of production to the Ford Probe car. The remaining 40% of production would be comprised of Mazda's MX-6 and 626 models.

REPOSITIONING MAZDA FOR THE '90'S

In response to growing competition, shrinking margins for "value" manufacturers, and federal government pressures to restrict the number of Japanese automobiles imported into the U.S., Mazda decided in the early 80's to move its product lines up-scale. Previously, during a growing market, the value positioning was fine; however, Mazda needed to build brand equity in the face of incentive wars. See *Exhibits 1 & 2* for market share and financial information. The new philosophy, commonly called "niche" marketing, required more unique cars which pleased a few people intensely, rather than a lot of people, somewhat. Consistent with this new strategy, Mazda increased its number of product lines from 4 in 1986 to 8 in 1989, and adopted more distinctively sporty designs - even for its sedan models. If all went well, margins as well as overall sales would improve.

The new strategy relied more heavily on brand equity which at the time was not Mazda's greatest asset. Mazda's familiarity rating was below Toyota's and Honda's, and Mazda's name held only a slight distinction from other Asian makes in terms of an association with styling and performance. In response to Mazda's "non-image" problem, George McCabe, Mazda's

Group Vice President of Operations told AdWeek in August 1988:

"We don't want to follow in Honda's footsteps and be a me-too car company. But in looking at Honda, the chief task is creating an image, a mystique, which has played a big part in Honda's success."

A corporate repositioning campaign had already been under development at Foote, Cone & Belding months before the Miata work had started. Larry Kopald of FCB was also in charge of that campaign. He had coined the campaign's theme, "It Just Feels Right," which attempted to differentiate Mazda not on quality or performance, but on the overall driving experience. The campaign emerged from Mazda's emphasis on *Kansei* (*kahn-say*) *Engineering* which stressed emotional rather than rational benefits. Since no other car manufacturer had ever taken such an approach, the effectiveness of the campaign was difficult to predict.

The corporate campaign was scheduled to follow the Miata campaign, and coincide with Mazda's new model offerings for 1990, including the redesigned 323 hatchback, 323 Protege, and the improved, luxury 929. Mazda and FCB executives were hopeful that the Miata campaign would create a positive halo for the corporate campaign.

KANSEI ENGINEERING

Kopald conceived the "It Just Feels Right" campaign after a visit to Japan in which he met with employees to discuss Mazda's approach to making cars. Kansei Engineering was the topic of nearly every conversation.

The word "Kansei" is common in Japan, but there is no literal translation into English. Its broadest meaning is when all the senses are in perfect harmony. From an engineering perspective, Kansei means measuring, and taking into account, the emotional and psychological side of driving and car ownership. By early 1989, Kansei Engineering was beginning to define Mazda's corporate culture. The philosophy was most visibly apparent at two of Mazda's recently constructed facilities: the Global Road Circuit (a comprehensive test

track) and the Yokohama Research Center.

The 3.4 kilometer Global Road Circuit at the Miyoshi proving grounds in Japan was a "magical" place where Mazda engineers studied how test drivers feel. Driving conditions from around the world were replicated in the track including American super highways, mountainous roads of Nice, frost heaves, pot holes, manhole covers, and even a section of 300 year old cobblestones from Belgium. Mazda engineers simultaneously compared numerical data received by the computer from sensing devices on the car, with verbal feedback from the driver. This was one of the principal methods which enabled Mazda engineers to quantify an individual driver's Kansei.

The Yokohama Research facility was dedicated to advanced research into driver emotion and behavior, as well as the technology to enhance the driving experience. For instance, stress, fatigue, color and texture were studied in relation to how they affect the driver. Though the first results of Mazda's new Kansei efforts were found in the MPV mini-van (introduced in the fall of 1988) the Miata was the first Mazda vehicle to truly embody the essence of Kansei.

DEVELOPMENT OF THE MIATA

Miata's improbable product champion was a car enthusiast and automotive writer from California named Bob Hall. In 1979, Hall was vacationing in Japan and decided to visit Mazda's Managing Director of Research and Development, Kenichi Yamamoto, in Hiroshima (Hall had interviewed Yamamoto once before). During the visit, Yamamoto asked Hall for suggestions about what Mazda should be building. Hall did not hesitate; he picked up a piece of chalk, and in fluent Japanese, described his dream car - a lightweight, open roadster.

Two years later, as Mazda was expanding its operations in the U.S., Yamamoto offered Hall a job as product planner in the company's California planning studio, Mazda Research of America (MRA). Initially, Hall worked on the MPV mini-van, since Mazda could only afford one major product development project at a time. However, Yamamoto, who by this time had risen to Senior Managing Director for Advanced Technology, believed that Mazda needed to move beyond

mass-market vehicles like the compact pick-up and the 626 sedan. He was certain that Mazda needed to create distinctive cars with bold personalities like the RX-7. He described them as "cars that wink at customers."

In 1983, Mazda management approved a feasibility study for building a lightweight, low cost, sports car, code named P729, and staged a competition between three design studios - Hiroshima, Tokyo and California (Bob Hall and Mark Jordan, a designer, headed the California team).

Unlike the other teams, Hall and Jordan selected a front-engine, rear-wheel-drive design, patterned after traditional British sports cars. Hall insisted on rear-wheel-drive, which was a significant departure from the current industry trend, because, he explained, "when you put over 100 horsepower in a small front-wheel-drive car, you get wheel hop and tire spinning at low speeds in tight corners. These are not characteristics of a true sports car ... a sports car must be fun to drive." His team also insisted that the car be a convertible. As his designs were being considered, he wrote in an internal memo to Hiroshima, "since we live only some 70 or 80 years, it is both impractical and irresponsible to refuse the simple happiness the convertible brings. When the top comes down, a two-dimensional world explodes into three, and you discover an enormous ever moving dome of sky and clouds, of sun and stars. You breathe more deeply, your vision clears."

Hall and Jordan worked cooperatively with Japan to incorporate Kansei Engineering concepts into the design of the car. Five of these features included:

Styling - Mazda's design goals included transforming the driver into a fun motoring world. One way Mazda achieved this effect was by paying close attention to the way light plays off the Miata's body surfaces. The design theme was called Light and Shade, and its goal was to create surfaces with soft transitional highlights that would influence mood as one walked around the car. The smiling front end - at the front of the Miata there is a mouth that suggests a smiling face - was designed to enhance the fun and happiness of the car.

Sound - Mazda engineers recorded and studied over 100 different exhaust notes before determining the right exhaust design and note for Miata. Mazda also worked to develop a pleasant sounding, smooth-running engine that gives the driver a strong feeling of confidence in the power of the vehicle. They found that a light, yet strong and steady sound was more effective than a quiet engine sound in imparting confidence to the driver.

Visual Elements - To excite the driver, a quick dumping rev counter was designed to rise and fall rapidly without the usual slow return, as the driver touched the accelerator pedal.

Short Throw Shifter - The stick shift was designed with a throw of only .1.8" which gave the feel of a race car.

Weight Distribution - By suspending the car by a wire from a pivot point, engineers were able to move componentry around the body of the car in order to achieve the desired 50/50 weight distribution ratio.

In late 1984, a jury of Mazda executives declared California's design the winner, and a functional prototype was ordered to be custom-built in Britain. Upon delivery of the prototype in October 1985, Mazda executives and designers drove the car around southern California. Encouraged by its driving performance and public reaction, the car was quickly approved for production. No focus groups or survey research studies were conducted.

Mazda produced the car on its flexible assembly line in Hiroshima, Japan. Workers already assembling the 929, 626 and MPV would also attach parts on the P729. 23,000 cars were allocated for delivery to the U.S. during the last six months of 1989 (the allocation reflected production capacity). The car was scheduled to be launched on the 4th of July. And there were precisely three colors to be offered: red, white and blue.

MIATA POSITIONING

Before the marketing meeting, Kopald looked over the assortment of creative work scattered across the conference table. Each execution represented a unique assessment of the Miata. As he skimmed the copy and glanced over the art work, he thought about the car, and who its likely buyer would be. From the art work, it appeared to him that there were essentially three ways they could go.

One was the original positioning Mazda had in mind when they delivered the Miata to FCB with the license plate "PURE FUN." Clearly, this positioning was a good fit with the anticipated use of the car, and the initial reaction most people expressed to its appearance.

Another approach would exploit Miata's image as a traditional roadster (in the image of the British sports car MG). In this case, advertising would appeal to buyers who had either owned or longed for a "pure" retro sports car (such as the MG, Triumph, or Lotus Elan).

A third approach was more "product oriented," emphasizing the advanced engineering and technology that differentiated the Miata from earlier roadsters. This approach placed a greater emphasis on performance and reliability, and could also include the Kansei Engineering concept.

However, Kopald was well aware that there was no consensus within Mazda Motor of America as to which was the optimal positioning for the car. Indeed each of the above three approaches had both strong supporters and equally strong critics within the company.

CONVERTIBLES AND THE SPORTY CAR MARKET

Kopald felt that although the positioning should come out of the car itself, there were other issues to consider. In preparing for the Miata assignment, he had first taken a look at published sales figures.

Overall size, sportiness, and price tended to define the traditional automobile segments. The Miata fell into the subcompact specialty category which included models such as Pontiac Fiero and Nissan Pulsar. Kopald wondered if the Miata might appeal as much to buyers of

larger or more expensive automobiles, such as Mustang, Camaro, or even Corvette. *Exhibit 3* shows sales figures for the specialty car categories.

Kopald also believed that the Miata would be particularly appealing to convertible buyers, a segment which in 1988 represented a more modest-sized market (150,000 units). The three best selling convertibles in 1988 were the Chrysler LeBaron, Ford Mustang, and Volkswagen Cabriolet. See *Exhibit 4* for convertible sales figures. There were 28 other convertible production models for sale that year representing a wide range of quality, performance and price. However, from the Rolls-Royce Corniche II (base price: \$199,500) to the Yugo Cabrio (\$8,300), only three cars resembled the look of a traditional roadster: the Alfa Romeo Spider (\$15,060), which had a reputation for unreliable mechanicals and modest sales; the Aston Martin Volante (\$168,000); and the Avanti (\$47,982). Lincoln-Mercury's Capri convertible, which was also a small convertible with perhaps slightly better acceleration, was expected some time in 1990. See *Exhibits 5 and 5a* for specifications and illustrations of selected models (including a prototype of the Capri).

More recently, Kopald had received a copy of *Newsweek's* survey of '88 model car buyers (based on a sample of 11,400 respondents). The study contained facts about the car buying process, prices and buyer demographics. It indicated that when they first thought of buying a new car, almost two-thirds of the buyers had in mind a specific type of vehicle (e.g. a compact car, a sports car), model (65%), and manufacturer (64%). About a fifth of the buyers had just bought their first new car.

The median price of new cars purchased was \$13,400, with those under age 25 spending a median of \$11,000, and those over 45, spending about \$15,000.

Buyer responses showed that the three most important reasons for purchasing a car were the need for a more reliable car, the fact that the old car required costly repairs, and the appearance of the new car. Similarly, many factors motivated a buyer to purchase a particular model. Those mentioned most frequently as "extremely important" were reliability (46%), value for the money (39%),

quality of workmanship (37%), ease of handling (30%), riding comfort (30%), and fun to drive (30%).

Regarding demographics, the study revealed that 58% of new car buyers in 1988 were male and 42% female. See exhibits 6 and 7 for buyer demographics.

Mazda had also hired an opinion research company, Market Line, to conduct a two-city study on the Miata in Atlanta and Los Angeles. The study used a combination of qualitative (focus groups) and small sample quantitative techniques to help understand not only the attributes buyers ascribed to the Miata, but also the demographic profile of likely buyers. In total, 11 focus groups of consumers were conducted, representing owners of RX-7s, competitive sports specialty cars, and, in Los Angeles, a focus group of older "classic" sports car owners.

The study's preamble stated that there was agreement between groups in Los Angeles and Atlanta in terms of what kind of product Miata represented, but there were major differences in how consumers talked about the car, about its likely pecking order and buyer mindset - and thus its image in the marketplace.

It explained that while most automotive products can be broadly positioned at launch, the nature of the sports car buyer creates unique challenges. Psychological and emotional factors are critical. Since consumers are keenly aware that sports cars cannot be rationalized in left brain terms, implied public signaling becomes especially important. The public image of a sports car as representing a state of mind is well established, so that issues like taste and prestige all enter into the buying decision.

Below are motivations the focus groups suggested for buying a sports car like the Miata:

- "Status...representing the ability to indulge wants rather than to be subject to the dictates of needs.

- A fun driving experience...maneuverability...low to the ground exhilaration... the confidence to use the car's performance both in traffic and on the road.

- A statement of independence - of

distancing from the ordinary.

- Be recognized rather than merely noticed... deliberately attracting attention is tacky, but being admired in the execution of one's rights and privileges as sporty car buyers is not... easier to avoid challenges/confrontations by downplaying the "obvious" glitz factor."

The pitfalls for the Miata, according to the study, were to appear to be "more" than it really was in terms of pecking order, and to be represented by immature stereotypes. Appealing to the "wrong" type of person (e.g. air-heads, spoiled brats) was a big concern. The "right" type of buyer was imagined to be comfortable with himself/herself, easy going by nature - more interested in the fun way, rather than the fastest way.

As part of the research, reactions to the appearance of the Miata were recorded. Most people saw it as an attractively styled vehicle (aerodynamic, elegant, and sleek) with classic overtones. Comparisons to Alfa Romeo, Lotus and Jaguar were common. The main concern was interior size - especially among six-footers. Otherwise, the interior was rated as plain/basic, with more positive responses being simple, weather resistant, or classic. See exhibit 8 for selected consumer reactions to the Miata.

Even critics were surprised by the price of \$15,500 (used as suggested price point for the purpose of the study). The majority generally expected a convertible to be priced well above otherwise comparable products, and one in three estimated prices in the \$20,000 and above range. Revealing the suggested price significantly increased interest levels. See exhibit 9 for summary statistics of the study.

While the results of the two city study were highly qualitative, Kopald believed that the data provided important insights for his positioning recommendation. It also reinforced feedback the automotive press had given Mazda. He had to smile as he read a few of the press clippings that were being made into slides.

Road & Track -

"Better than ever. Absolute delight. We have sky-high enthusiasm for this car.

Brilliantly conceived and executed. Best handling 2-seater we've driven. Wait 'til you drive Miata."

Car and Driver -

"Mazda takes up where Lotus left off. Unexpected, but delightful. A true breakthrough on the road. For traditional sports cars, Miata will remind you just how far modern carmaking has progressed."

USA Today -

...Ralph and Barbara Stephens jumped out of bed early to drive 250 miles from their home near Iowa City to be at the opening of the world's biggest auto show here (Chicago). They just had to see Mazda's sprightly new MX-5 Miata sports car.

"We'll order one right away," says Ralph, 54, who teaches engineering at the University of Iowa. "I don't feel like an old professor who could retire in a few years. I feel like I did a few years out of school." That, winks Barbara, 50, "does wonders for all kinds of things."

FINAL PREPARATIONS AT THE MEETING

As the meeting began on March 13, 1989, Kopald first wanted to review Mazda's major objectives for the Miata. He began, "we know that building a loyal customer base and distinguishing Mazda's brand image will be critical to Mazda's success in the 90's. The new campaign must be able to eventually support our premium products strategy. But what we haven't talked about are some of the potential problems we'll face."

He continued, "first of all, we need to understand how customers will react to some of our advertising ideas. How will Kansei Engineering be perceived? Should we include it in the Miata campaign? All the other sports car launches that we've looked at stress performance - like 0 to 60, and horsepower."

For the next hour, the group discussed

these and other issues such as how to project an upscale image. Some in the group believed that advertising the price was not consistent with a higher brand or product image. Others argued that promoting price would control the extent to which dealers could mark-up the Miata at launch, and would also signal affordability. Kopald commented that price had not yet been set at Mazda. Japan had been pushing for a higher price to recover the initial \$125 million investment, however, Miata's product manager, Rod Bymaster, believed a lower price would support sustained sales volume and profitability over the car's anticipated six year model life cycle.

Next, the conversation shifted to media mix. Miata's modest \$14 million budget needed to be closely aligned with its positioning. Mazda's other sports car, the RX-7, used a media mix that was 70% broadcast and 30% print. T.V. ads consisted of 30 second spots on sports events such as NFL football and NCAA basketball and weekend news shows; print ads were heaviest in auto enthusiast magazines, but also ran in newsweeklies as well as USA Today.

They also discussed the timing of advertising/spending. Leading public opinion by heavier initial spending was weighed against a more level spending pattern, which might be possible given all the recent free publicity. Finally, Kopald looked around the room and addressed his colleagues:

"O.K., if we're going to keep this account, we've got to have a clear product positioning strategy, and the logic to back it up. I'd like to go around the table and hear what you're all thinking."

Exhibit 1

New Car Sales - U.S. Dealers (including imports)

	1988		1987		1986	
	Units	% Total	Units	% Total	Units	% Total
GM	3,822,015	35.9%	3,728,313	36.3%	4,693,161	41.0%
Ford	2,289,764	21.5%	2,060,834	20.1%	2,080,822	18.2%
Chrysler	1,191,294	11.2%	1,096,385	10.7%	1,308,991	11.4%
Honda	768,985	7.2%	738,306	7.2%	693,515	6.1%
Toyota	688,883	6.5%	628,662	6.1%	633,806	5.5%
Nissan	513,823	4.8%	576,663	5.6%	546,151	4.8%
Hyundai	264,282	2.5%	263,610	2.6%	168,882	1.5%
Mazda	256,050	2.4%	208,025	2.0%	222,716	1.9%
Volkswagen	169,470	1.6%	191,705	1.9%	214,506	1.9%
Subaru	155,956	1.5%	177,138	1.7%	183,242	1.6%
Volvo	98,497	0.9%	106,539	1.0%	113,267	1.0%
AMC/Renault	-	-	-	-	77,001	0.7%
Others	419,779	3.9%	500,379	4.9%	516,523	4.5%
Grand Total	10,638,798	100.0%	10,276,559	100.0%	11,452,583	100.0%

Source: 1987-89 Ward's Automotive Reports.

Exhibit 2

Mazda's Financial Condition

	1987 (FYE 10/31)	1986 (FYE 10/31)	1985 (FYE 10/31)	1984 (FYE 10/31)
Sales	\$12,576,900,000	\$10,072,400,000	\$7,403,600,000	\$5,845,000,000
Net Income	\$31,800,000	\$50,400,000	\$147,000,000	\$121,139,000
Factory Sales	1,486,157	1,320,167	1,320,167	1,331,541
Employees	N.A.	27,500	27,483	27,406
Retail Sales (CY)*	331,724	379,843	326,557	288,793

*calendar year

Comparative Financial Data

Company**	Sales (\$US)	Net Income (\$US)	# Employees	Factory Sales
Mazda (YE 10/31/87)	12,177,426,800	33,728,800	29,000	1,486,157
Toyota (YE 3/31/88)	54,840,064,800	2,363,235,200	86,082	3,872,350
Nissan (YE 3/31/88)	27,349,000,000	309,000,000	51,237	2,186,597
Honda (YE 3/31/88)*	12,043,127,200	322,908,800	58,320	2,228,000

**Parent Company

Note: Due to a change in Honda's fiscal year, data shown is for a six month transition period only.

Source: 1986-89 Ward's Automotive Reports.

Exhibit 4

U.S. Convertible Sales

Sales of Imports		1982	1983	1984	1985	1986	1987	1988
Alfa Romeo		1,440	1,931	2,480	2,070	4,596	3,891	1,865
BMW		-	-	-	-	-	-	7,287
Chrysler		-	-	-	-	-	-	3,760
Fiat		7,183	5,521	-	-	-	-	-
Jaguar		-	-	-	-	60	1,012	2,555
Mazda (RX-7)		-	-	-	-	-	-	2,803
Mercedes		8,380	9,255	6,115	11,015	9,093	11,965	9,115
Porsche		-	1,773	616	1,055	2,215	2,362	2,438
Saab		-	-	-	-	-	1,875	3,291
Toyota		-	-	250	4,248	-	5,000	7,250
Volkswagen		8,985	9,542	9,190	13,837	8,768	17,268	10,531
Subtotal		25,988	28,022	18,651	32,225	24,732	43,373	50,895
U.S. Production		1982	1983	1984	1985	1986	1987	1988
Buick	Eldorado	-	-	3,300	2,300	-	-	2,569
	Riviera	1,248	1,750	500	400	-	-	-
Cadillac	Allante	-	-	-	-	-	3,366	-
Chevrolet	Cavalier	-	627	5,487	4,109	5,785	5,826	8,745
	Camaro	-	-	-	-	-	1,007	5,620
	Corvette	-	-	-	-	7,315	10,625	7,407
Chrysler	LeBaron	14,463	10,340	16,192	15,720	19,684	8,025	38,187
Dodge	600	-	-	10,928	13,107	16,437	-	-
	400	5,839	5,409	-	-	-	-	-
Ford	Mustang	-	22,209	20,000	14,702	22,946	20,328	33,344
Pontiac	Sunbird	-	-	5,458	2,114	2,862	3,790	4,001
Renault	Alliance	-	-	-	7,141	2,015	1,991	-
Subtotal		21,550	40,335	61,865	59,593	77,044	54,958	99,873
Total		47,538	68,357	80,516	91,818	101,776	98,331	150,768

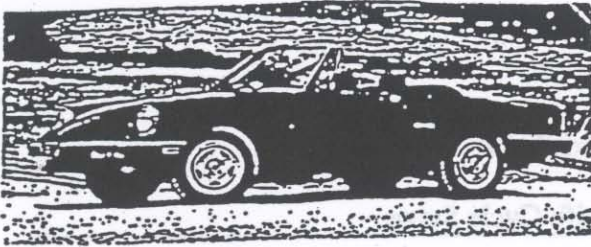
Source: 1982-89 Ward's Automotive Reports.

Exhibit 5

	Price (Base model)	Body/ Seats	Length/ Width (inch.)	Curb Weight (lbs)	Max * Torque (lb-ft)	Cargo Capacity (cu ft)	Engine	Description
Alfa Romeo Spider Convertible	\$15,060	2	168.8/ 64.1	2495	119	10	dohc inline-4	Traditional sports car design, 23 year old model, comfortable interior Heavy steering, average performance, excess chassis flex "A piece of history"
Chrysler LeBaron Convertible	\$11,935	5	180.4/ 68.3	2660	122	18.3	sohc inline-4	Three engine choices for performance oriented drivers Average quality of braking, suspension and powertrain "One of the most affordable ragtops around-and a looker to boot"
Corvette Convertible	\$29,480	2	176.5/ 71	3225	345	17.9	ohv v-8	High performance, 245-hp engine, six forward speeds Small luggage space; base model includes most options "Symbol of maleness"
Ford Mustang Convertible	\$9,050	4	179.6/ 69.1	2820	300	12.3	90-bhp 2.3 sohc inline-4	High performance, affordable Up-to-date yet does not feature the latest technological wizardry "Begining to show its age but still remains a playful pony"
Honda CRX	\$8,895	3D/2	147.8/ 65.7	2140	108	23.2	62-bhp sohc inline-4	High gas milcage, reliable quality, affordable Small,aggressive engine "Sporty run-about"
Mazda Miata Convertible	n.a.	2	155.4/ 65.9	2205	135	6	dohc 4-valve inline-4	Traditional sports car body styling Quick steering, front engine, rear wheel drive, manual transmission
Mazda RX-7 Convertible	\$16,150	2	168.9/ 68.5	2625	138	19.5	2-rotor Wankel	High performance, high technology Dynamic tracking suspension system
Mercury Capri	n.a.	4	166.1/ 64.6	2610	136	7.2	turbo dohc 4-v (Mazda engine)	Car scheduled for launch in mid '90 Similar appearance to Miata
Toyota MR2	\$13,798	2	187.8/ 66.5	2350	100	7.8	dohc 16V inline-4	Quick and nimble handling Comfortable sport seats "Ideal runabout"
Volkswagen Cabriolet Convertible	\$15,195	4	54/ 64.6	2275	90	6.5	sohc inline-4	Rigid chassis, moderately powered, with women favorite "Status car for the well to do"

* Torque is a measure of centrifugal power (acceleration).

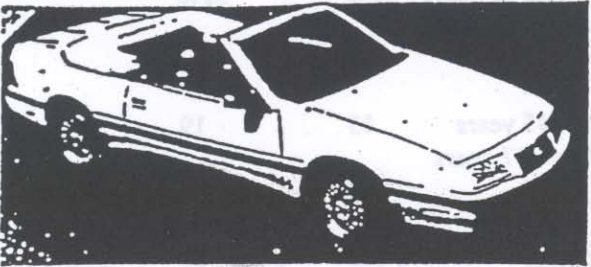
1. Alfa Romeo Spider



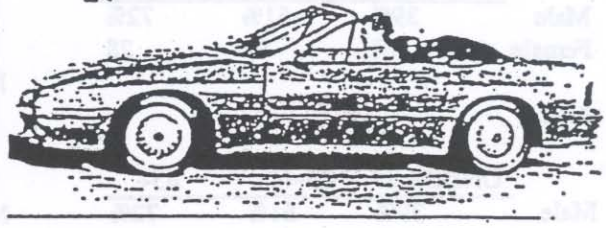
6. Mazda Miata



2. Chrysler LeBaron



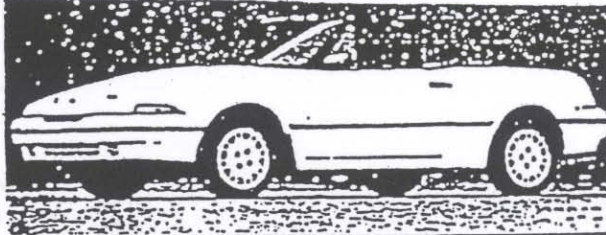
7. Mazda RX-7



3. Corvette



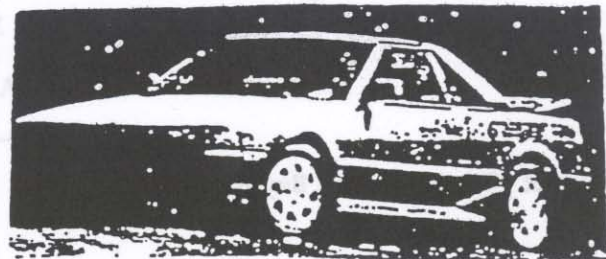
8. Mercury Capri



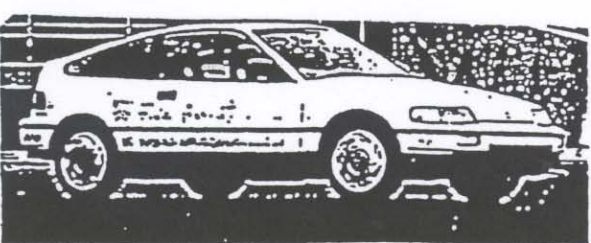
4. Ford Mustang



9. Toyota MR2



5. Honda CRX



10. Volkswagen Cabriolet

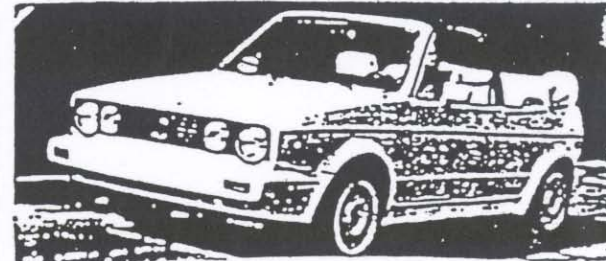


Exhibit 6

1988 Car Buyer Demographics

HOUSEHOLD INCOME

	less than \$30,000	\$30,000- \$49,999	\$50,000+
Male	39%	51%	72%
Female	61	49	28

AGE

	UNDER 25	25-44	45+
Male	39%	51%	72%
Female	61	49	28

Exhibit 7

Household Life Cycle Stage

	Total	First Time New Car Buyer
Unmarried, less than 45 years of age, no children 17 years or younger in home	16%	39%
Married, less than 45 years of age, no children 17 years or younger in home	13	19
Married, youngest child in home, less than five years	12	10
Married, youngest child in home, 5 to 12 years of age	11	6
Married, youngest child in home, 13 to 17 years of age	7	2
Married, 45 years of age or older, no children 17 years or younger in home	27	3
Unmarried, 45 years of age or older, no children 17 years or younger in home	6	2
All other	7	19

Source: Newsweek: 1988 Buyers of New Cars

Exhibit 8

CONSUMER VOICES: FIRST REACTIONS

POSITIVE FIRST REACTIONS

LWS(Light weight Sportscar) Themes:

Clean/ Classy/Sleek...Cute...Sexy...Compact...Fun...Euro-Sporty

- It's a cute car. Looks like a bubble; not too functional, but a lot of fun. (LA Nissan Pulsar SE Owner)
- The car is sleek looking, compact, it has a nice interior, modern, rounded edges, as a complete package ...everything fits (style-wise) together. (LA Pontiac Fiero Owner)
- It looks like a Porsche, it's a 2 seater, and a convertible. (Atlanta Nissan Pulsar Owner)
- Cute, little, bubble, innocent, and a little bit sexy. (Atlanta Toyota Celica Owner)
- Hot sporty car! Very eye catching! Sleek. I would really like to drive it. It looks like a fast car. (Atlanta VW Cabriolet Owner)

AMBIVALENT FIRST REACTIONS

LWS Themes: Some Reservations re: Interior ...Some "Bubble" Shape Reservations

- I like the shape and size. I don't necessarily like the style of the interior. It looks as if it is too basic. (LA Nissan Pulsar NX Owner)
- The lines are too round, but it draws your eye. (LA Mazda RX-7 Convertible Owner)
- Inside is simple. The seat is not real elegant. The car has a smooth look. (Toyota MR2 Owner)
- I like the curved lines. It looks good. Interior leaves much to be desired for a sporty type car. (LA Mazda RX-7 Coupe Owner)
- Good shape but would like to see a longer front end. Too cutesy. (Atlanta Toyota Celica GT Owner)
- It looks like a real nice sporty car. I like the fact that it's a Mazda and a convertible, but the car looks like an "egg" especially in white. (Atlanta Mazda RX-7 Convertible Owner)

NEGATIVE FIRST REACTIONS

LWS Themes: Too Small ... "Bubble"/ Rounded Reservations ... Cheap Imagery

- The styling is too radical; too many curves. It has a cheap Italian sports car image; I don't like cheap Italian sports cars. (LA Mustang Owner)
- The car is too small and too wide. (LA Mazda RX-7 Convertible Owner)
- The body does not appeal to me. It's squatty, it looks like a vintage car. (Atlanta Mazda RX-7 Coupe)
- It's small and too rounded. (Atlanta Nissan 300 ZX Owner)
- It looks like a cheap version of a cross between an Alfa Romeo and an old Corvair. (Atlanta Mazda RX-7 Coupe Owner)

Exhibit 9

Summary of Key 1-10 Ratings for LWS

	Orange		Sports	RX-7	LWS Consideration	
	County	Atlanta	Specialty	Owners	Accept	Reject
Overall Ratings						
Mean (1-10) Score	8	8.8	9.1	7.7	9.3	7.2
Like Very Much (Ratings of 9 or 10)	43%	71%	78%	31%	89%	18%
Price Estimates						
Median \$000	\$15.8	\$18.1	\$19.1	\$15.7	\$19.8	\$15.3
\$20K or Above	33%	44%	63%	33%	57%	19%
Consideration						
Would Consider	43%	59%	72%	28%	100%	--
Definitely	22	46	56	8	66	--
Overall Vehicle Preference						
LWS	43%	61%	63%	note	70%	13%
RX-7	57	39	38	note	30	87
Sample Size :	46	41	32	39	44	26

Note: RX-7 Coupe Owners prefer RX-7 80/20. RX-7 Convertible Owners prefer RX-7 75/25

LWS Acceptor Profile: Key Points

	LWS consideration	
	Accept	Reject /a
Own RX-7	25%	77%
Single	64%	54%
Median Age (years)	29.5	37.4
Male	55%	62%
College Graduate (+)	53%	81%
Household income (\$000)	\$49.4	\$50.0

/a Preponderance of Rejectors are RX-7 owners and their demographics dominate the overall rejector profile

(Due to small samples, these ratings are of major trend value only)