

2019 Market Research Plan

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Executive Summary

This Market Research Plan will discuss the need, or lack of, for the Hokulia Shave Ice franchise in the DMAs of Fargo Valley City, North Dakota and Colorado Springs-Pueblo, Colorado. Within both DMAs, there are ways to justify that the Hokulia Shave Ice franchise would flourish. Discussed in this plan are SMART goals, SWOT analysis, the target market with competitive analysis, both primary and secondary research, and budget. The data will be ran in a total of four regressions.

SMART Goals

SMART goals are important to a company when measuring the achievements that want to be accomplished. SMART goals should be (as the acronym states) specific, measurable, achievable, relevant, and timely. They should be taken into consideration when making decisions on when and where to expand a franchise. There should be set goals to reach, making sure that they fit within the SMART guidelines.

SMART Goals for expanding the Hokulia franchise into Fargo Valley City, ND and Colorado Springs-Pueblo, CO:

- To expand into the Hokulia franchise into the two DMAs within the next year.
- Create a social buzz about the franchise expanding within the first month of announcing the business moving into the two DMAs.
- Eventually open a second location within the DMAs after the first year of operation of the first location.

Situation Analysis

SWOT Analysis

Fargo Valley City, ND and Colorado Springs-Pueblo, CO

<u>Strengths</u> • Unique type of dessert to location	<u>Weaknesses</u> • Cold Weather • The lack of presence in the area (not a lot of people are aware of the brand)
<u>Opportunities</u> • Segmentation in area correlates to target Market • Can expand to typically cooler states if business is successful	<u>Threats</u> • Competing with already established shave ice dessert production, ice cream truck companies, ice cream production companies and frozen yogurt stores • The unpredictable weather changes

Target Market

Just like ice cream, shaved ice is generally consumed by everybody. One can start up a shave ice shop or shave ice trucking business in any part of the world. The range of available customers is wide, however, we intend really to target the younger adults, moms, and dads with young families. More specifically those that find themselves consuming content on social media platforms such as Instagram and Pinterest. Our brand and the concept of shaved ice attract this particular group of people. The fun and unique design of the shop is a large contributor to generating the interest of other young adults and the parent's of small children. The uniqueness also helps to propagate the brand on social media.

Tapestry Segmentation

The top three tapestries in Fargo, ND are Set to Impress, College Towns, and Rustbelt Traditions.

The top three tapestries in Colorado Springs-Pueblo, CO are Set to Impress, Social Security Set, and College Towns. Social Security has a median age of 65 and older. They do not apply to the target market however, the other two do. The most common tapestries in the area correlate to the intended target Market.

Set to Impress

The segment is 21.2% of households in Fargo and 35.5% in Colorado Springs. The median age is 33. They tend to live in apartments nestled into neighborhoods with other businesses or single-family housing. Income levels are low. This group is always looking for a deal. They are very conscious of their image and seek to bolster their status with the latest fashion. They use the Internet for social media, downloading video games, and watching TV programs.

College Towns

The segment is 17.6% of households in Fargo and 11.5% in Colorado Springs. The median age is 24. About half the residents are enrolled in college, while the rest work for a college or the services that support it. Students that are new to managing their own finances tend to make impulse buys and splurge on the latest fashions. This digitally engaged group uses computers and cell phones for all aspects of life including shopping, school work, news, social media, and entertainment.

Rustbelt Traditions

The segment is 12.3% of households in Fargo. The median age is 38. Residents are a mix of married-couple families and singles living in older developments of single-family homes. Family oriented, they value time spent at home. Residents are connected; entertainment activities like online gaming dominate their Internet usage.

insert tapestry segmentation

Competitive Analysis

Fargo Valley City, ND

Tropical Sno

- Variety of Flavors
- Low Calorie
- Social Media Presence
- Expensive

Cold Stone Creamery

- Very strong brand recognition
 - International
- Catering
- Rewards Program
- Expensive
- Get In The Mix
 - Donations to Charities
- Unique Ice Cream and Cake Flavors
 - Customizable
 - Also sell yogurt and sorbet

Colorado Springs-Pueblo, CO

Baskin Robbins

- Ice Cream and Cake
 - Wide range of flavors
- Membership Benefits
- Inexpensive
- Mobile App
- Very strong brand recognition
 - International

Kona Ice Pikes Peak

- Events
- Mobile Truck
 - Can go anywhere
- Strong Social Media presence
- Strong Brand recognition
- Wide range of flavors and sizes
- Targets young families/ young kids
- Expensive
- Supports childhood education
 - #SEetheCHANGE

Research Methods

Secondary Research

Hokulia brings the aloha in Alaska, California, Florida, Georgia, Idaho, Kansas, Missouri, Ohio, Texas, and Utah with a total of sixty units. The franchise was founded in 2009 with the home office being in Layton, Utah. There are Four business models: the original mobile "shacks", brick and mortar units of 1,000 to 1,500 square feet with an expanded menu and year-round income, master leased units located within the world's largest retail super centers, and free standing drive-thrus. The shaved ice prices range depending on size. Prices range \$2-\$10. They also offer catering at events such as weddings, graduations, birthday pfrom arties, corporate events, and luaus are also offered. Hokulia's menu offers over fifty flavors in both classic flavors and traditional Hawaiian flavors.

Primary Research

Regressions were ran in order to figure out if living in a family household or a nonfamily household would affect if one went to the competitors of Hokulia in the last 6 months. A total of four regressions were ran, two for Fargo Valley City, ND and two for Colorado Springs Pueblo, CO.

Fargo Valley City, ND DMA

Does living in a family household affect if one:

- Went to Cold Stone Creamery in the last 6 months
- Went to Baskin-Robbins in the last 6 months
- Went to a fast food restaurant in the last 6 months
- Went to Dairy Queen in the last 6 months

Table 1.1: Family Households ND

Table 1.2: Family House

Table 1.3: Family Households ND

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.960 ^a	.921	.921	208.9760	.921	1704.324	4	581	.000

a. Predictors: (Constant), Went to Dairy Queen last 6 months, Went to Cold Stone last 6 months, Snacks at Fast Food Last 6 Months, Went to Baskin Robbins last 6 months

Table 1.4: Family Households ND

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	297718008	4	74429502.1	1704.324	.000 ^b
	Residual	25372843.7	581	43670.987		
	Total	323090852	585			

a. Dependent Variable: POPFAMHH10

b. Predictors: (Constant), Went to Dairy Queen last 6 months, Went to Cold Stone last 6 months, Snacks at Fast Food Last 6 Months, Went to Baskin Robbins last 6 months

Table 1.5: Family Households ND

Table 1.6: Family Households ND

In table 1.1: Family Households, the N value, or the count, is 586. This means that the total number of block groups that were tested was 586. Each of the correlations in table 1.2 Family Households were presented with strong relationships due to them being greater than 0.6. Each of the pieces of data together were statistically significant because the sig stat was under 0.05 (it was 0.000). In table 1.3 Family Households one can see the adjusted R Squared which was 0.921. This shows that 92% of the data was being explained in this model. Table 1.4 Family Households shows a high F value of 1704.324. This means that the data does not support the null hypothesis. And in table 1.5 Family Households, the VIF values are higher, meaning the correlations are strong.

Does living in a non-family household affect if one:

- Went to Cold Stone Creamery in the last 6 months
- Went to Baskin-Robbins in the last 6 months
- Went to a fast food restaurant in the last 6 months
- Went to Dairy Queen in the last 6 months

Table 2.1: NonFamily Households ND

Table 2.2: NonFamily Households ND

		Correlations				
		NONFAMHH10	Snacks at Fast Food Last 6 Months	Went to Baskin Robbins last 6 months	Went to Cold Stone last 6 months	Went to Dairy Queen last 6 months
Pearson Correlation	NONFAMHH10	1.000	.772	.816	.787	.712
	Snacks at Fast Food Last 6 Months	.772	1.000	.968	.858	.914
	Went to Baskin Robbins last 6 months	.816	.968	1.000	.935	.890
	Went to Cold Stone last 6 months	.787	.858	.935	1.000	.835
	Went to Dairy Queen last 6 months	.712	.914	.890	.835	1.000
Sig. (1-tailed)	NONFAMHH10	.	.000	.000	.000	.000
	Snacks at Fast Food Last 6 Months	.000	.	.000	.000	.000
	Went to Baskin Robbins last 6 months	.000	.000	.	.000	.000
	Went to Cold Stone last 6 months	.000	.000	.000	.	.000
	Went to Dairy Queen last 6 months	.000	.000	.000	.000	.
N	NONFAMHH10	586	586	586	586	586
	Snacks at Fast Food Last 6 Months	586	586	586	586	586
	Went to Baskin Robbins last 6 months	586	586	586	586	586
	Went to Cold Stone last 6 months	586	586	586	586	586
	Went to Dairy Queen last 6 months	586	586	586	586	586

Table 2.3: NonFamily Households ND

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.820 ^a	.672	.670	101.1380	.672	297.996	4	581	.000

a. Predictors: (Constant), Went to Dairy Queen last 6 months, Went to Cold Stone last 6 months, Snacks at Fast Food Last 6 Months, Went to Baskin Robbins last 6 months

Table 2.4: NonFamily Households ND

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12192672.6	4	3048168.14	297.996	.000 ^b
	Residual	5942988.60	581	10228.896		
	Total	18135661.2	585			

a. Dependent Variable: NONFAMHH10

b. Predictors: (Constant), Went to Dairy Queen last 6 months, Went to Cold Stone last 6 months, Snacks at Fast Food Last 6 Months, Went to Baskin Robbins last 6 months

Table 2.5: NonFamily Households ND

Table 2.6 NonFamily Households ND

Collinearity Diagnostics ^a								
Model	Dimension	Eigenvalue	Condition Index	(Constant)	Variance Proportions			
					Snacks at Fast Food Last 6 Months	Went to Baskin Robbins last 6 months	Went to Cold Stone last 6 months	Went to Dairy Queen last 6 months
1	1	4.096	1.000	.01	.00	.00	.00	.00
	2	.722	2.381	.29	.00	.00	.00	.00
	3	.118	5.893	.06	.05	.00	.30	.06
	4	.055	8.662	.59	.05	.04	.03	.74
	5	.009	21.514	.05	.90	.96	.66	.19

a. Dependent Variable: NONFAMHH10

Table 2.2 NonFamily Households shows the strong relationships between each of the variables. The adjusted R Squared is 0.67 meaning 67% of the data is explained in the regression. Table 2.4 presents a significance level of 0.000 and a 297.996 F value. And table 2.5 explains the VIF values which are high as well.

Colorado Springs-Pueblo, CO

Does living in a family household affect if one:

- Went to Cold Stone Creamery in the last 6 months
- Went to Baskin-Robbins in the last 6 months
- Went to a fast food restaurant in the last 6 months
- Went to Dairy Queen in the last 6 months

Table 3.1: Family Households CO

Table 3.2: Family Households CO

Table 3.3: Family Households CO

Table 3.4: Family Households CO

Table 3.5: Family Households CO

Table 3.6: Family Households CO

When looking at table 3.1 Family Households (for Colorado Springs-Pueblo, CO), the presented N value is 653. All the relationships in table 3.2 are strong and there is a significance. Table 3.3 Family Households has a R Squared value of 0.768 meaning 76% of the data is explained by the model. There is a high F value of 540 in table 3.4, and the significance level is 0.000. Table 3.5 shows low VIF stats, meaning the correlation does not support the data.

Does living in a non-family household affect if one:

- Went to Cold Stone Creamery in the last 6 months
- Went to Baskin-Robbins in the last 6 months
- Went to a fast food restaurant in the last 6 months
- Went to Dairy Queen in the last 6 months

Table 4.1: NonFamily Household CO

Table 4.2: NonFamily Household CO

Table 4.3: NonFamily Household CO

Table 4.4: NonFamily Household CO

Table 4.5: NonFamily Households CO

Table 4.6: NonFamily Household CO

The final data set ran had weak relationships between non-family households and going to competitors of Hokulia (according to table 4.2). The adjusted R Square was only a 0.238, which means only a small amount of the data, 23%, was being explained by the model in table 4.3. The F value was low, and there was a significance if you looked at table 4.4. And the VIF were low as well (looking at table 4.5).

Overall, it would be a good idea to expand this franchise into Colorado Springs-Pueblo, CO in an area that has a dense amount of family population. However, putting this franchise in Fargo Valley City, ND may not be the best idea.

Budget/Financials

There are several required cost to startup a franchise in in a new location. The cash investment typically is \$122,000. However, the investment can range from \$122,000 to \$237,000. Additional franchise fees are about \$40,000.

Bibliography

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