

# Best practice: Kiosk am Mohrplatz

## 1 Project description

### Problem definition

The small refreshment stand ‘Kiosk am Mohrplatz’ is in the centre of Lobberich. The kiosk is opened daily from 6.00 am till 9:00 pm. They offer drinks, magazines, newspapers, sweets and cigarettes. They also sell bus and tram tickets. Moreover, KaM has a contract with a transport company (called Ermis) and they work for them as a package collection station. Directly in front of their kiosk, there are electric tram rails and bus stops. The kiosk has nearly 300 customers, who spend about €1200 per day in total. As a rough estimate, there are about 150 regular customers and some 150 incidental customers.

At the moment, the public utility renews all tramlines in front of KaM. There will be road works for more than 5 months (September 2013 – January 2014). Around the kiosk and along the tram rails, the streets are empty nowadays. The kiosk is missing out on about 150 customers (times the average daily spendings per customer) per day. In the last month, this has led to a gigantic drop in revenue for KaM. Their daily revenues decreased by 40%. This has had a severe effect on their profit. The following question arises. What possibilities exist to reduce the decline in profit during the road works?

### Project aim

The aim of this project is to give the owner (Frank Wellten) of Kiosk am Mohrplatz advice on how to increase sales revenues during the duration of the road works. Suggestions will be made how to increase sales revenues during those 5 months.

### Research approach

In the following, questions are presented which will be answered in this project. These answers give Kiosk am Mohrplatz a foundation to build on.

#### 1 What possibilities exist to increase sales revenues for KaM during the road works?

The question noted above is important for the following reason. It concentrates on the expected loss of sales, which has to be covered during those four months. Thus, this question points out all opportunities concerning the covering of the loss of 40%. To answer this question, the following two sub-questions will be helpful.

##### 1.1 Which option was successful in the past?

The first sub-question is important to get information about the road works in the past. It could really help to concentrate just on those actions, which have already been successful.

## 1.2 How would customers react to a temporary price increase?

The second sub-question is important to get information about the customers' buying behaviour. Moreover, it shows to what extent customers are likely to support measures taken by Kiosk am Mohrplatz.

## 2 Who are serious business competitors?

KaM is currently losing customers to competitors. Therefore, it's relevant to know which companies are located nearby that offer the same core products.

## 2 Preliminary investigation

The following page outlines the preliminary investigation for two main and two subquestions. First of all, the data collection method for each different question will be stated and explained in detail. Moreover, one model, which helps to answer the last question, will be introduced.

### **Possibilities for increasing sales revenues during road works**

To investigate this, I will use a combination of interviewing and surveying.

#### *Previously successful options*

To investigate this, I will interview the owner of KFE Kiosk, who had the same problems a few months ago, when road works affected him. I will interview him on Saturday, 5 October 2013 at 9:30 am, before conducting my survey. He will probably be able to give me some advice on how to cover loss of sales. His store is more than two kilometres away; therefore this kiosk is not a competitor. The findings will help me find out which opportunities are available to KaM so as to increase sales revenues. I will ask him the following questions: How did you deal with the situation during those road works? Could you give advice on what KaM should do?

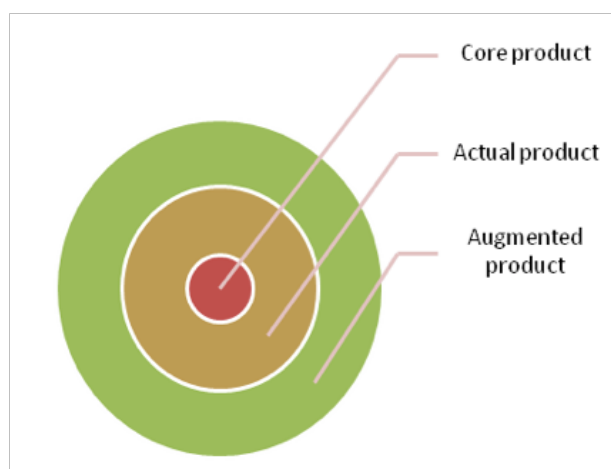
#### *Potential customer reaction to temporary price increase*

To investigate this, I will use a survey. I will conduct this survey on Saturday, 5 October 2013 at 10.00 am. My goal is to ask 100 customers of the kiosk to what extent they would be okay with an increase in prices. This survey will give me an indication of whether or not a temporary price increase would be a possibility.

### **Identifying serious business competitors**

To determine this, I am going to combine desk research and field research. I will determine which core products KaM has, using the three-product level model of Philip Kotler (Kotler, 1967). Kotler's model allows exploring the nature of a product in more detail, distinguishing in fact three different products. These are a) the core product, which considers what people set out to buy, b) the actual product, which is the translation of core product benefits into a product that people will buy, and c) the augmented product, which consists of the additional non-tangible benefits that a product can offer. With the help of this model, I will personally

visit each possible competitor (radius of 500 m, Google Maps) to benchmark his or her product assortment against the core products of KaM. This will allow me to determine which companies are the most direct competitors.



### 3 Main research

#### Possibilities for increasing sales revenues during road works

The following sub-activities will help me to answer this research question.

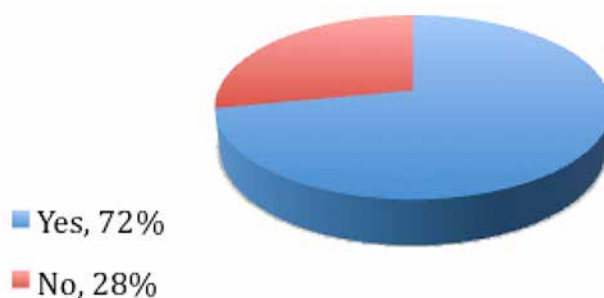
##### *Previously successful options*

I mapped out which actions were either successful or unsuccessful in the past by conducting an interview. I interviewed the KFE Kiosk owner and summed up all the important aspects. First, I drew him a picture of KaM's situation. He instantly knew what I was talking about. I then asked him two questions, which I stated in my preliminary research. In general, his answer to my questions was to widen the product range of KaM significantly. Especially now it is important to offer as many products as possible. This way, you can satisfy many customers and no one has to be declined. In other words, one should not have a huge stock for few items, but rather a huge offer of different items with a relatively small stock.

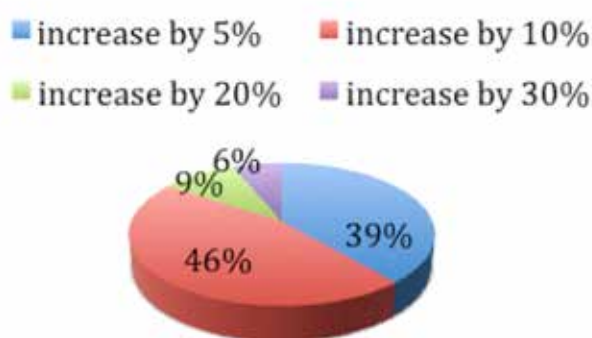
##### *Potential customer reaction to temporary price increase*

I mapped out the question whether a price increase would be okay or not by conducting a survey (October 2013). I asked 100 customers (people who bought at least one item) to answer two short questions.

The first question I posed was: 'Would a temporary price increase (except tobacco) in general be okay with you, to cover the loss of sales because of the road works?' In response, 72% answered 'yes' and 28% answered 'no'. This shows that the majority is supportive of a price increase, however 28% is not willing to pay more money.



The second question I posed was: ‘Which price increase (expressed in percentages) would be okay with you?’ In response, 85% of KaM customers would still buy at KaM, if the price increases would lie between 10% and 20%. 15% of all customers would even spend more. The chart below is divided in 4 parts and represents the answers in percentages.



With regard to the survey, KaM would lose an additional 28% (50 customers or € 201,60, because of the price increase) on top of the 40% (120 customers or 480€, because of the road works). As a result of that, the supportive customers (72%) have to add another € 201,60 to make up for this additional loss. This would mean a price increase of at least 39% ( $518.4 \times 1.39$ ). However, the majority (85%) is only okay with an increase of 10%.

### Interim conclusion

To conclude, the option to adjust the product assortment to the situation seems promising. This means a huge offer (many different items) with a comparatively small stock. A price increase in general would not make sense since the negative effects on buying behaviour are likely to outweigh the positive effects.

### Identifying serious business competitors

I used Kotler’s product levels. My intention behind this is to find out business competitors of KaM on the level of core products. Focussing on the core products helps me, because the complete range of products (e.g. named magazine X or Y) is huge. As soon as the core products are defined, I research (by doing desk research) all possible competitors within a radius of 500 m

(Google Maps). After this I do primary research again and research directly in the stores if they offer the same core products or not. Finally I compare and contrast my results.

First, to define the level of each product, I need information on what KaM sells. Therefore, all products that it currently offers are clustered on basis of the basic need they fulfill. This leads to five groups of products. As the focus is on core products, I mark them green, to get a better overview:

Level	Product	Core product	Actual product	Augmented product
1	Drinks	Refreshment	(Non) a/c drinks and coffee	Stand-up café
2	ERMIS Logistics	Get goods from A to B (Logistics)	Package station for collection/retour/ship	Information point
3	Magazines	Entertainment	TV Magazine, Bravo and so on	
4	Newspapers	Education	RP, WZ, Bild, Hürjet, FAG and Express	
5	Tickets	Travel	Bus & train tickets for complete NRW	Customer care, information point

Second, I will check on Google Maps (Wednesday, 20 November 2013) which possible competitors are within a 500 m radius. I will concentrate on grocery stores and petrol stations, because their portfolio is nearly the same. A pizzeria (98 m) and a pharmacy (120 m) are not seen as possible competitors, because their main business is very different. With regard to my collected data, there are in total 4 possible competitors (green: do offer the same core product and red: don't offer the same core product). Soll Petrol Station (SPS) offers 4 similar core products. Lidl and Kaiser's have 3 similar core products. Finally, Ben Iedecker offers two similar products. Their place depends on how many of the same core products they have. Based on this analysis, I determine who are serious competitors. The results are shown below.

	Refreshment	Logistics	Entertainment	Education	Travel	Place
Lidl (ca. 30 m)	Green	Red	Green	Green	Red	2
Ben Iedecker (ca. 180 m)	Green	Red	Red	Green	Red	3
Soll Petrol Station (ca. 50 m)	Green	Red	Green	Green	Green	1
Kaiser's (ca. 300 m)	Green	Red	Green	Green	Red	2

(Source: Google Maps and primary research 20 November 2013)

SPS offers 4 similar core products (refreshment, logistics, education and travel). Besides this, they are just 50 m away from KaM. SPS's portfolio is nearly the same, but not identical since their focus is on gasoline. Kaiser's and Lidl offer 3 similar core products. These two grocery stores have a relatively large offer of refreshments. Therefore they influence KaM's sales negatively as well. Finally, Ben Iedecker is also within a radius of 500 m. They are in low competition, because their focus is on baked goods.

### Interim conclusion

To conclude, not one of the competitors offers all of the core products of KaM. However, Soll Petrol Station can be considered a serious competitor, with the exception of logistics services.

## 4 Conclusion

The following page outlines my final conclusion. First, the interim conclusions are listed. After that, I relate those three and integrate them to come to an overall conclusion. The overall conclusion will provide a direction for the recommendation, which is the next step.

- 1 The option to adjust the product assortment to the situation seems promising. This means a huge offer (many different items) with a comparatively small stock.
- 2 A price increase in general, however, would not make sense. This is because the negative effects on buying behaviour are likely to outweigh the positive effects.
- 3 Not one of the competitors offers all of the core products of KaM. However, Soll Petrol Station can be considered a serious competitor, with the exception of logistics services.

The overall conclusion is as follows. Overall, the options for KaM are strongly influenced by customers' buying behaviour. Both findings indicate that a widening of KaM's product assortment creates possibilities for increased sales without decreasing prices. Although a general price increase is likely to negatively affect the situation, a temporary increase in logistics services seems worth considering in order to recover some of the company's profit.

A recommendation on how to reduce the decline in profit during the road works will be presented next.

## 5 Recommendation

In the following paragraphs, a recommendation will be given on how to reduce the decline in sales revenues of Kiosk am Mohrplatz during the period of road works.

Based on the overall conclusion, the owner (Frank Wellten) of Kiosk am Mohrplatz should aim at a combination of two actions to increase sales revenues during the road works and thereby reduce the recent decline in profit.

To begin with, KaM should follow the advice of the owner of KFE Kiosk and change their product portfolio in the following way. The current small choice of goods in huge stock should be changed to a wider range with a smaller stock. To reach the above-mentioned advice KaM has to change their use of selling and storage space. A simple example: instead of buying 30 Coca-Cola bottles, they should buy 5 bottles of Coca-Cola, 5 Fanta, 5 Sprite, 5 Coca-Cola zero, 5 Coca-Cola light, 5 Mexomix. As mentioned, a high variety of items with a relatively small stock will be attained. This leads to the effect that KaM can satisfy a larger number of customers since no one has to be declined, because of the huge offer.

A further advice, which is supported by the conclusion, is that KaM should concentrate and build on their advantage, which is the core product logistics. More specifically, KaM should temporarily increase the price of their logistics services. Concretely, KaM should increase the core product logistics by 10% for the time being.

All in all, the above-mentioned recommendations are relatively easy to implement. Together they will help reduce the monthly decline in profits to some extent.

## 6 Critical appraisal

This research project has several limitations. These are stated below. After that, the remaining value of this project will be considered.

First off, the research is limited by the validity of the survey (research activity 1.2). I conducted the survey on a Saturday morning. The survey was not conducted on other days, therefore this may have biased the findings to some extent.

A second limitation of this project is that a part of my recommendation depends on the company's ability to order small quantities from its suppliers. If these are not willing to supply small quantities, the option to offer a wide variety of products will be compromised.

Regarding the value, this project is still a guideline for KaM. This project provides KaM with possibilities and limitations with regard to reducing its current decline in profit.