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TAKING THE CHERRY OFF THE TOP: SKIMMING FRAUD IN A MEDICAL PRACTICE

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ABSTRACT

All organizations, small or large, should have internal controls to discourage and help prevent the perpetration of fraud. Cash in particular is susceptible to fraud due to its ready transferability, universal acceptance and potential lack of traceability. Therefore, there should be controls in place that prevent an employee from simply taking cash directly from a client/customer and pocketing the money for themselves. In the event that the preventive controls fail, there should be other detective controls in place to discover the fraud. If there are no such controls in an organization, they should be implemented.

This case provides details of an employee who skimmed more than $150,000 from their employer, MedPrac, a small medical practice. Skimming refers to stealing (or embezzling) money before the transaction is recorded in the books and records of the business entity. This skimming fraud continued over a period of at least five years and encompassed the misappropriation of copays that patients paid in cash. In addition, the employee also defrauded the medical practice by issuing unauthorized bonuses to themself. Numerous controls were either not in place or not monitored. One important control that was missing was the reconciliation of bank accounts. The details of the court case and the consequences for this fraudster after the fraud was discovered and prosecuted are also discussed.
Keywords: Internal Controls, Cash Controls, Internal Control Weaknesses, Audits, Skimming, Fraud, Asset Misappropriation

INTRODUCTION

The owner of MedPrac, a single physician medical practice, noticed an irregularity in payroll bonus payments. Specifically, the owner noticed unauthorized bonuses paid to the Office Manager via the payroll system. The owner then began looking at bank statements and copies of deposit slips and noted discrepancies between the amount of cash deposits to the bank and the amounts reported on deposit slip images that were scanned into the company's filing system. The owner called the bank and asked how much cash had been deposited in January of that year. The amount given by the bank was less than the total of the images in the filing system. This verified that, in addition to the unauthorized bonuses paid, there was also something amiss in the cash deposits made to the bank.

RELATED LITERATURE

"The most basic skimming scheme occurs when an employee sells goods or service to a customer, collects the customer's payment, but makes no record of the sale" (Wells, 2007). There are an untold number of variances of this basic fraud scheme and, also, other terminology used to describe it including embezzling, misappropriating and pilfering.
Internal control deficiencies, whether the lack of controls or the lack of adherence to the controls, make it much easier for fraud to be perpetrated in an organization. In their recent study of 1,921 cases, the Association of Certified Fraud Examiners (ACFE) found that over half of the reported cases of occupational fraud occurred because of a lack of internal controls (32%) or due to the override of existing controls (19%) (ACFE, 2024).

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as "a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance" (COSO, 2013). Implementing and enforcing internal controls in a small organization is more difficult as there are simply not enough personnel to fully implement the processes recommended by COSO (2013). However, the ACFE (2024) statistics emphasize the importance of creating and maintaining an effective internal control system as a means of fraud prevention.

There are three primary types of occupational fraud: asset misappropriation, corruption and financial statement fraud. In the 2024 Report to the Nations, the ACFE reports that asset misappropriation schemes are the most common type of occupational fraud but the least costly. They account for 89% of occupational fraud with a median loss of $120,000. The highest risk misappropriation schemes are check and payment tampering with a median loss of $155,000 (ACFE, 2024). Asset misappropriation is the theft of a company's assets. It is often employees who perform this type of fraud. The amounts are often relatively small and immaterial (Chapple et al., 2007). Schemes for carrying out these misappropriations include inflated or untrue expense claims, altering or stealing checks and fraudulent transfers of cash, among others (Turner, 2008).

Cash, as the most liquid asset in an organization, is especially susceptible to misappropriation if not properly monitored. All transactions involving cash should have strong, well-implemented controls. Cash copays at a physician's office fall in this area. According to the ACFE *2024 Report to the Nations on Occupational Fraud* (2024) skimming fraud accounted for 10% of all the cases and resulted in a median loss of $43,000.

Payroll is another area susceptible to fraud if proper controls are not in place and enforced. The ACFE *2024 Report to the Nations on Occupational Fraud (2024)* shows that Payroll fraud accounted for 10% of the cases and resulted in a median loss of $50,000.
Koomson et al. (2020) found that the extent to which an individual will misappropriate assets depends largely on a perception of how strong the company's internal controls are. Therefore, specific controls should be in place to ensure proper accounting for Cash Copays and there should be regular reconciliations of the bank accounts where the copays are deposited to ensure that fraud is not being perpetrated. Specific controls should also be in place for accounting for payroll checks and auto-deposits, and there should be regular reconciliations of the payroll bank account.

CASE OVERVIEW

MedPrac is a sole practitioner medical practice. During the timeframe of the case, there was one physician (the Owner) and two PAs (physician assistants) in the practice. In addition, there was an Office Manager who had been in the position for 10+ years and a front desk receptionist position that turned over periodically. An outside company handled the bookkeeping and taxes for the practice. The physician owner of MedPrac discovered unauthorized bonuses paid to the Office Manager via the payroll system.

The Owner then began looking at bank statements and copies of deposit slips. Upon performing an analysis of these and noting discrepancies between deposits to the bank and what was recorded in the practice's system, the Owner contacted the bank. The Owner thus determined that, in addition to the unauthorized bonuses paid, there was also something amiss in the cash deposits made to the bank.

At this point, the Owner confronted the Office Manager about the differences in cash deposits and the Office Manager said simply: "I took it." The Owner stated that there were no cash deposits found from April-June 2017. The Office Manager replied "I honestly don't remember when I started doing it…. It may have been farther back than that." The Owner then engaged the services of a forensic accountant to investigate the discrepancies that she had found.

THE INVESTIGATION

Two Frauds Required Investigation

1. The unauthorized bonuses paid to the Office Manager
2. The misappropriation of cash copays (differences in cash deposits vs amounts entered in the filing system)

Before conducting detailed investigations of the frauds, the investigator first collected information on the procedures that should have been followed at the company concerning these two areas. This information consisted of procedures established by MedPrac for calculating and paying bonuses and for the collection and deposit of copays from clients.

Established Procedures
MedPrac had established procedures for collecting money at the front desk. They were as follows:

- Copays were paid either by cash, check or credit card.
- The front desk receptionist greeted patients and collected their copay.
- The front desk receptionist then prepared the deposit slips at the end of the day and delivered them (along with the cash and checks received) to the Office Manager.
- Deposit slips and checks were scanned into the electronic filing system (ezFile)
- Patient payments made via cash, check or credit card were posted to the practice's management system
- The Office Manager took the deposit slip plus cash and checks to the bank for deposit
- Note: Recently, checks were scanned for remote deposit

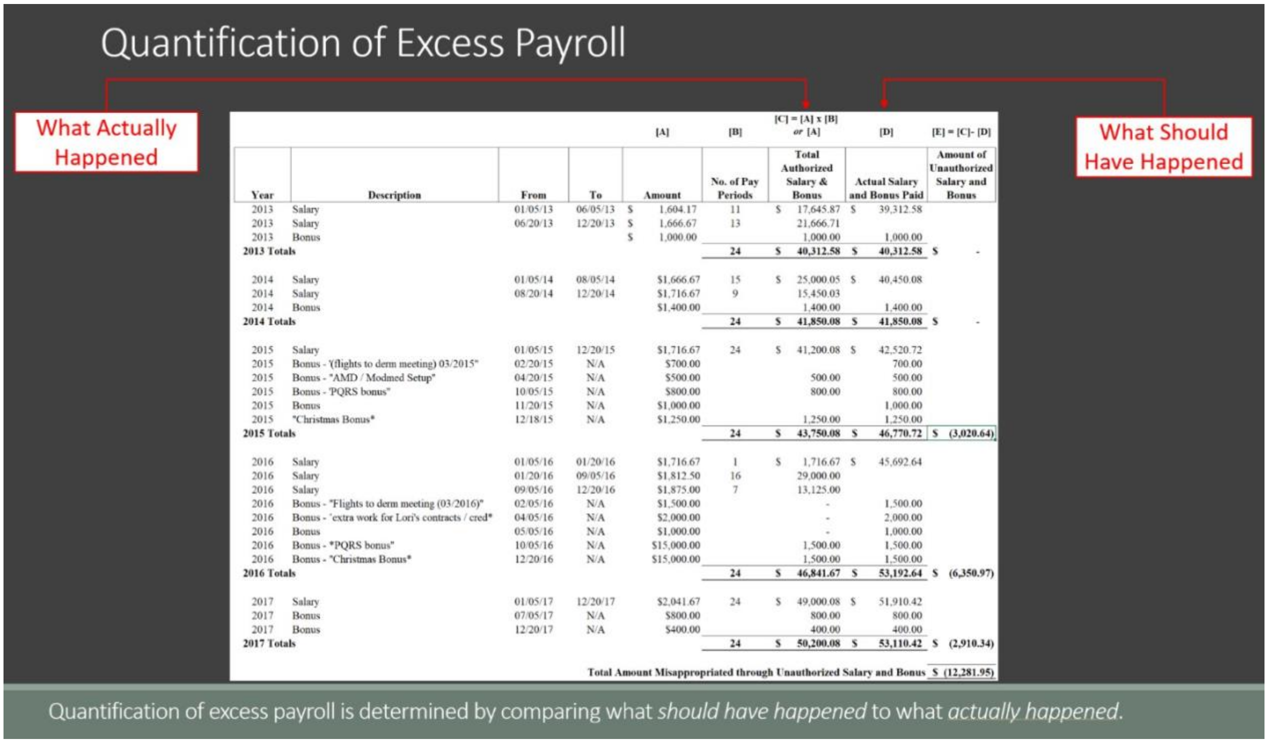
Other Pertinent Information

- The Office Manager had administrative privileges to the payroll system so she could post the number of hours worked for hourly employees
- A new practice management system was implemented in May 2017
- For periods before the implementation of the new system, information for cash and check deposits was not available in the new practice management system
- During the period that the investigation covered there were two different banks used by MedPrac. There was an Operating account and a Money Market account at each bank, for a total of four accounts.
- The bank accounts were not reconciled.

Next, the investigator set about quantifying the amounts associated with both types of fraud.

Quantifying the Unauthorized Bonuses
The Forensic Accountant (FA) needed to determine the total amount of the unauthorized bonuses paid to the Office Manager. First, the FA obtained administrative reports for changes to the normal payroll that initiated the bonus payments. Next, an evaluation was conducted of the personnel making the changes which identified those made by the Office Manager.

Once the changes made by the Office Manager were pinpointed, a reconciliation schedule was prepared. This schedule showed the difference between the approved and actual payroll and bonus payments made to the Office Manager. The years 2013-2017 were analyzed. In the first two years, the Office Manager's authorized salary and bonus were equal to what was paid. For the next three years, the actual payroll and bonuses exceeded the authorized amounts. The unauthorized bonuses paid to the Office Manager totaled $12,281.95. See the reconciliation below.



Year	Description	From	To	[A] Amount	[B] No. of Pay Periods	[C] = [A] x [B] or [A] Total Authorized Salary & Bonus	[D] Actual Salary and Bonus Paid	[E] = [C]- [D] Amount of Unauthorized Salary and Bonus
2013	Salary	01/05/13	06/05/13	$ 1,604.17	11	$ 17,645.87	$ 39,312.58	
2013	Salary	06/20/13	12/20/13	$ 1,666.67	13	21,666.71		
2013	Bonus			$ 1,000.00		1,000.00	1,000.00	
2013 Totals					**24**	**$ 40,312.58**	**$ 40,312.58**	$ -
2014	Salary	01/05/14	08/05/14	$1,666.67	15	$ 25,000.05	$ 40,450.08	
2014	Salary	08/20/14	12/20/14	$1,716.67	9	15,450.03		
2014	Bonus			$1,400.00		1,400.00	1,400.00	
2014 Totals					**24**	**$ 41,850.08**	**$ 41,850.08**	$ -
2015	Salary	01/05/15	12/20/15	$1,716.67	24	$ 41,200.08	$ 42,520.72	
2015	Bonus - '(flights to derm meeting) 03/2015"	02/20/15	N/A	$700.00			700.00	
2015	Bonus - "AMD / Modmed Setup"	04/20/15	N/A	$500.00		500.00	500.00	
2015	Bonus - 'PQRS bonus"	10/05/15	N/A	$800.00		800.00	800.00	
2015	Bonus	11/20/15	N/A	$1,000.00			1,000.00	
2015	"Christmas Bonus"	12/18/15	N/A	$1,250.00		1,250.00	1,250.00	
2015 Totals					**24**	**$ 43,750.08**	**$ 46,770.72**	**$ (3,020.64)**
2016	Salary	01/05/16	01/20/16	$1,716.67	1	$ 1,716.67	$ 45,692.64	
2016	Salary	01/20/16	09/05/16	$1,812.50	16	29,000.00		
2016	Salary	09/05/16	12/20/16	$1,875.00	7	13,125.00		
2016	Bonus - "Flights to derm meeting (03/2016)"	02/05/16	N/A	$1,500.00		-	1,500.00	
2016	Bonus - 'extra work for Lori's contracts / cred"	04/05/16	N/A	$2,000.00		-	2,000.00	
2016	Bonus	05/05/16	N/A	$1,000.00		-	1,000.00	
2016	Bonus - "PQRS bonus"	10/05/16	N/A	$15,000.00		1,500.00	1,500.00	
2016	Bonus - "Christmas Bonus"	12/20/16	N/A	$15,000.00		1,500.00	1,500.00	
2016 Totals					**24**	**$ 46,841.67**	**$ 53,192.64**	**$ (6,350.97)**
2017	Salary	01/05/17	12/20/17	$2,041.67	24	$ 49,000.08	$ 51,910.42	
2017	Bonus	07/05/17	N/A	$800.00		800.00	800.00	
2017	Bonus	12/20/17	N/A	$400.00		400.00	400.00	
2017 Totals					**24**	**$ 50,200.08**	**$ 53,110.42**	**$ (2,910.34)**
	Total Amount Misappropriated through Unauthorized Salary and Bonus							**$ (12,281.95)**

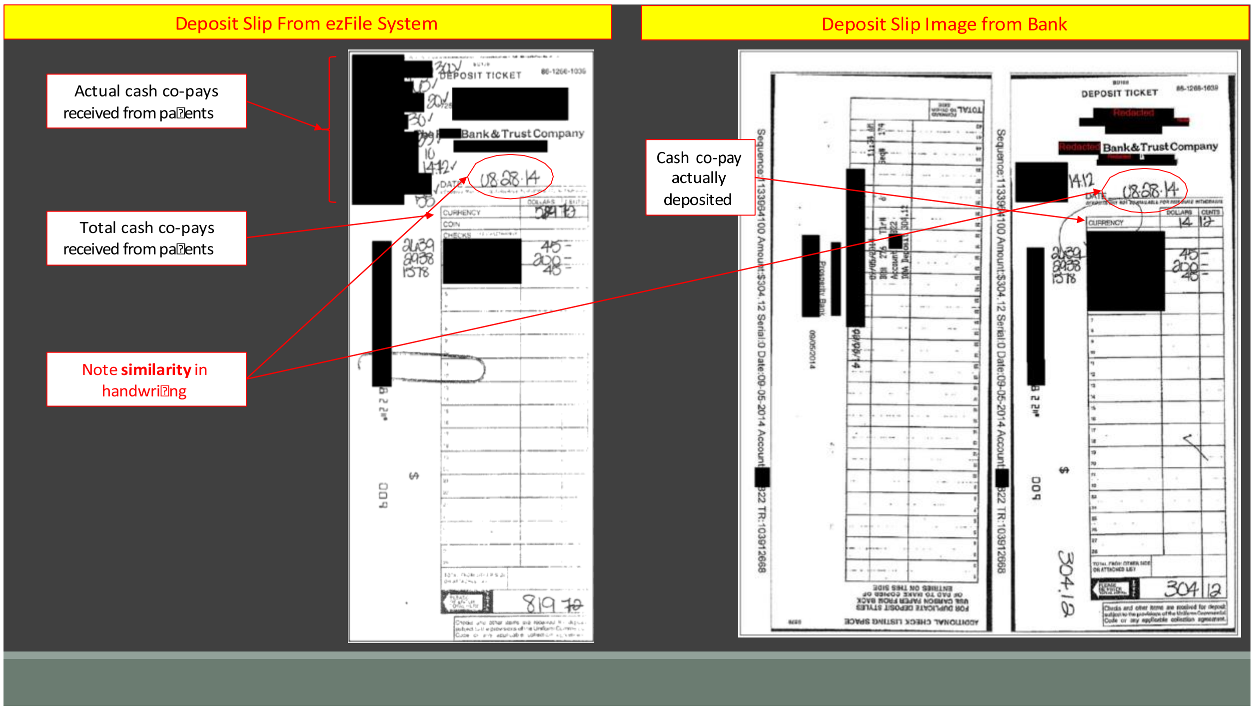
Quantifying the Misappropriation of Cash Copays
There are no cookie-cutter or checklist approaches to a forensic accounting investigation. The investigator's approach will be dictated by the facts and circumstances of the matter. When the mode of embezzlement is to steal cash before it is recorded in the accounting system, there are challenges due to the potential lack of records. It is typical to begin by obtaining original documents directly from the bank or other third parties. This approach minimizes the possibility of relying on documents that may have been altered by the perpetrator of the fraud.

The investigator took the following steps to quantify the copay cash misappropriated (i.e. stolen).

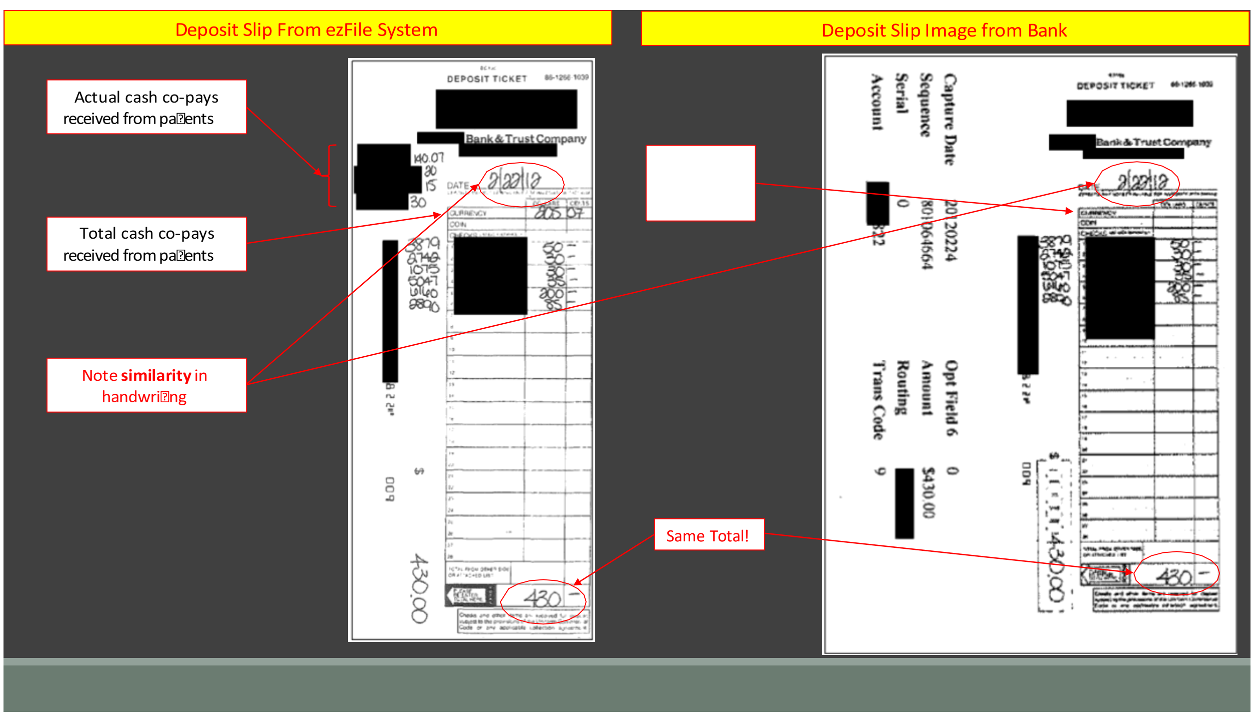
- Conducted interviews with the Owner and other key personnel to understand processes and internal controls.
- Obtained bank statements and images of enclosures (e.g., canceled checks, deposit slips, wire transfer reports, etc.) from the bank.
- Created a database of all transactional activity based on the bank statements.
- Downloaded all transactions from the current patient accounting system.
- Printed all images of deposit slips kept in the ezFile system from late 2011 to the last date of the Office Manager's employment in January 2018.

Four deposit slip examples are given below. On the left of each image is the deposit slip that was entered into the filing system, and on the right is the image of the actual deposit slip taken to the bank. On some deposits, there was a small amount of the copay cash deposited and on others there was none.

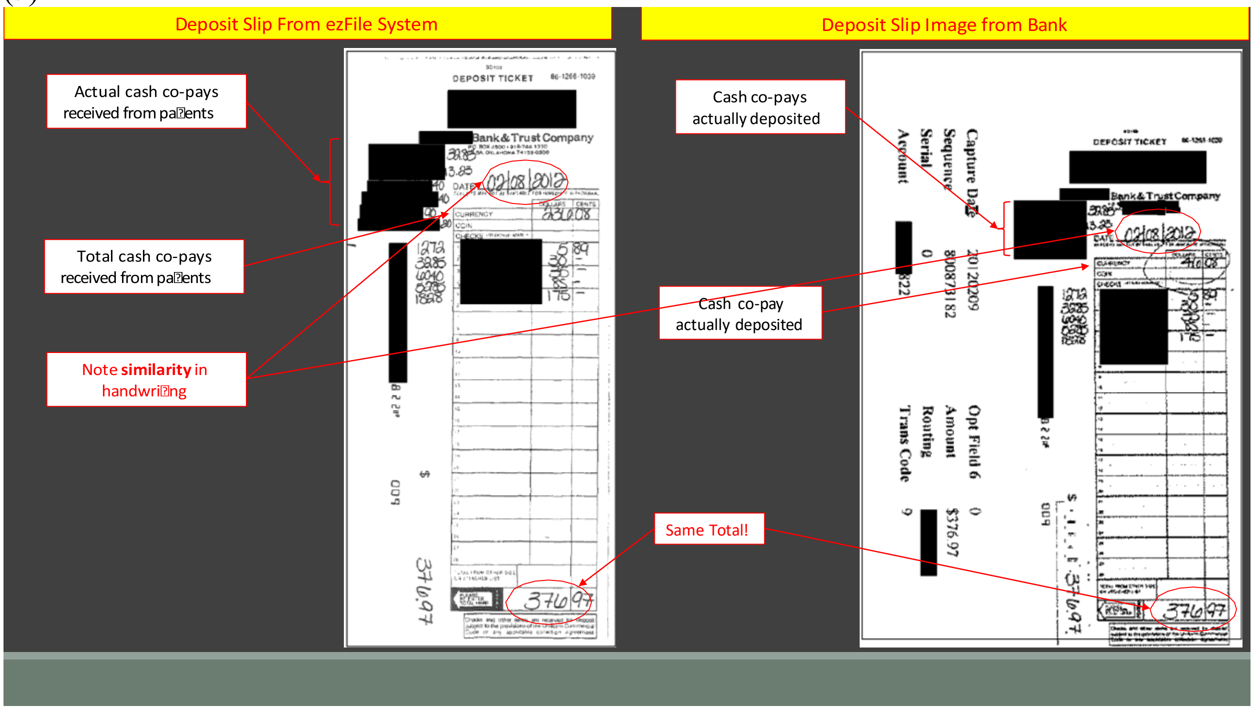
(1)


Deposit Slip From ezFile System
Deposit Slip Image from Bank
Actual cash co-pays received from patients
Total cash co-pays received from patients
Note similarity in handwriting
Cash co-pay actually deposited
DEPOSIT TICKET
Bank & Trust Company
08.28.14
819.70
304.12

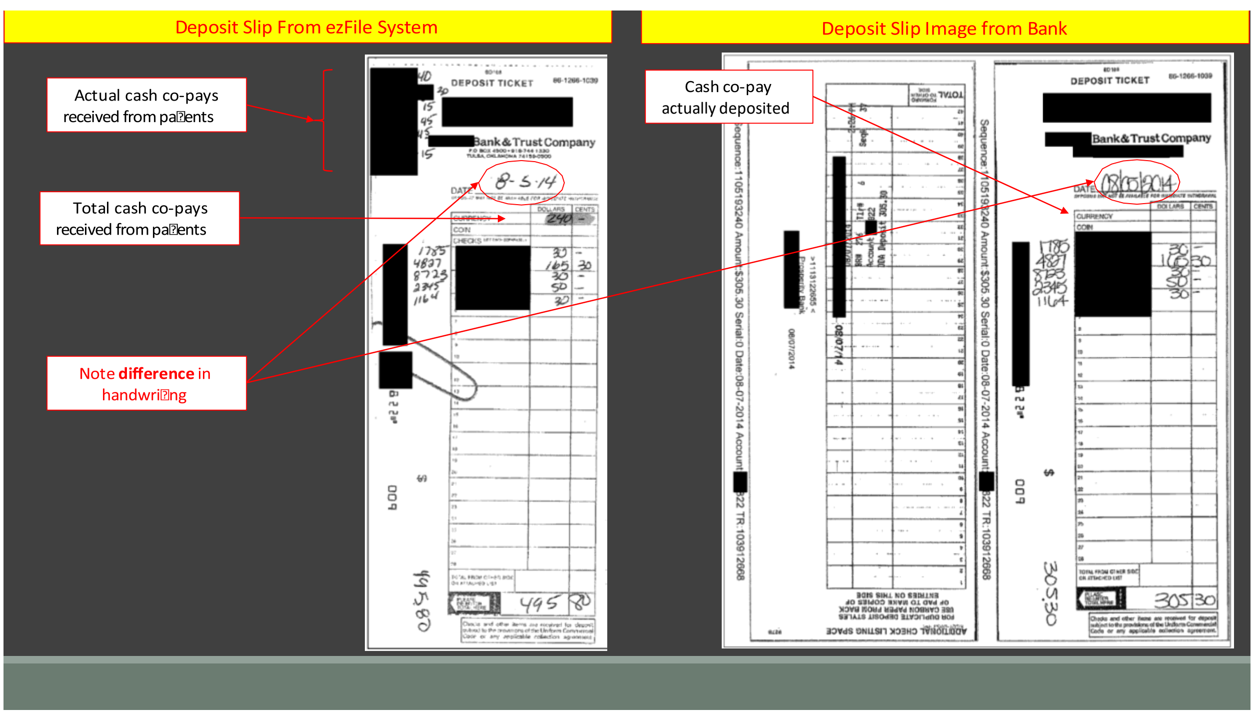
(2)


Deposit Slip From ezFile System
Deposit Slip Image from Bank
Actual cash co-pays received from patients
Total cash co-pays received from patients
Note similarity in handwriting
Same Total!
DEPOSIT TICKET
Bank & Trust Company
2/22/12
430.00
Capture Date
Sequence
Serial
Account
Opt Field 6
Amount
Routing
Trans Code
$430.00

(3)



(4) Note that the difference in the handwriting on the two documents here demonstrates that there was no apparent collusion among the employees. Even on the occasion that someone else prepared the deposit slip for the ezFile system, the Office Manager deposited less to the bank than the total of the receipts.



The misappropriation of cash copays by the Office Manager totaled $141,407.00. See the reconciliation below.

Calculation of Missing Cash (Skimming Fraud)

Year	Cash Deposits per Bank	Cash Deposits Per Accounting Records	Missing Cash
2011	$8,149	$10,472	**($2,323)**
2012	$403	$17,559	**($17,156)**
2013	$300	$15,642	**($15,342)**
2014	$1,477	$17,904	**($16,427)**
2015	$2,557	$27,914	**($25,357)**
2016	$453	$29,231	**($28,778)**
2017	$2,082	$34,452	**($32,370)**
2018 (thru Jan 30)	$94	$3,748	**($3,654)**
Totals	**$15,515**	**$156,922**	**($141,407)**

Total of the Unauthorized Bonuses and the Misappropriation of the Cash Copays
The total cash fraud perpetrated by the Office Manager including the unauthorized bonuses and cash copay misappropriations totaled $153,689 over the period investigated (2011-January 2018). See the schedule below which summarizes the dollar amount stolen per year for the period analyzed by the FA.

Total Asset Misappropriation (Bonuses and Cash Misappropriation)

Year	Unauthorized Payroll & Bonus	Missing Cash	Total
2011	$0	($2,323)	($2,323)
2012	$0	($17,156)	($17,156)
2013	$0	($15,342)	($15,342)
2014	$0	($16,427)	($16,427)
2015	($3,021)	($25,357)	($28,378)
2016	($6,351)	($28,778)	($35,129)
2017	($2,910)	($32,370)	($35,280)
2018 (thru Jan 30)	$0	($3,654)	($3,654)
Totals	**($12,282)**	**($141,407)**	**($153,689)**

Internal Control Weaknesses

In addition to determining the total dollar amount of the frauds, the investigator also examined how these frauds were perpetrated and why they were not discovered earlier. Numerous internal control weaknesses were discovered. These are listed below.

- Limited, sometimes zero, segregation of duties
- Failure to reconcile bank statements
- Inadequate authorization controls on the payroll system
- An analytical evaluation of cash receipts was not conducted. Someone should have been questioning: "Given the revenue of the practice and the number of patients using insurance, how much in cash copays is expected to be received and deposited?"
- Inadequate advice and oversight provided by the accounting professionals retained by MedPrac
- Reliance by the Owner of MedPrac on the Office Manager (without regular supervision and auditing of records) to follow the established procedures and act in an ethical, non-fraudulent manner

Outcomes

These types of cases are normally prosecuted by the local district attorney. However, due to the size of the fraud and increased focus on these types of fraud, the Office Manager (the Defendant) was the first person to be prosecuted for fraud by the Oklahoma Attorney General's office. The Defendant was charged with eight (8) counts of embezzlement and pled guilty.

The Office Manager received jail time and was ordered to pay restitution. A partial restitution payment was made in the amount of $50,000 and the Office Manager is currently making $777 monthly restitution payments. She was also ordered to serve 30 days in the county jail, which she has completed, and she was given deferred sentencing until 2026. At such date, and assuming no further criminal activities, the Defendant's criminal record will be expunged.

CONCLUSION

The owner of MedPrac, a small medical practice, realized that the Office Manager had issued unauthorized bonus payments to herself. The Owner then began looking at bank statements and copies of deposit slips and discovered that the amount of cash being deposited to the bank had, for several years, not matched the cash receipts of patient insurance copays. No one was reconciling the bank accounts during this period to discover that the Office Manager was skimming the cash copays and issuing unauthorized bonus payments to herself. Despite being a long-time, well-liked employee of the medical practice, the Office Manager recognized the lack of enforcement of internal controls and was "taking the cherry off the top" i.e. in addition to being well paid, the Office Manager was adding to that by perpetrating Cash receipt and Payroll fraud.

At Issue

At MedPrac, as with many other small businesses, there are a limited number of employees responsible for performing all the financial transactions of the company. At issue was ensuring that internal controls were in place and strictly adhered to minimize the opportunity for fraudulent activities to occur involving the handling of cash receipts and the issuing of bonus payments.

QUESTIONS

1. What controls should be in place for handling Cash Receipts in a small business?
2. How could the fraudster continue this fraud for such a long time?
3. What is this type of fraud (where cash is stolen before being recorded in the accounting system) called?
4. Why do you think the doctor's office was not exercising proper control over the receipts of patient copays?
5. What type(s) of analytical assessment could have been performed that may have revealed the cash receipts fraud?
6. Do you find it unusual that the discovery of a bonus (payroll) error led to the discovery of an issue with Cash Receipts and deposits?
7. What could have been done to prevent the employee from altering the payroll system?
8. Are you surprised that when the fraudster was confronted, the immediate reaction was an admission of guilt?
9. How would you explain to other companies the importance of internal controls?

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DO TWO WRONGS MAKE A RIGHT?
THE NIKE VP RESELL SCANDAL

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ABSTRACT

On March 1st, 2021, Ann Hebert, Nike Inc.'s Vice President and General Manager of North America, resigned following a news article that linked her to her son's lucrative sneaker resale business. Her 19-year-old son, Joe, was purported to be pulling in US$200,000 per month in revenue reselling shoes. Amid a substantial media scandal and the internal turmoil that followed a VP's resignation, Nike must analyze its internal policies to determine if Ann Hebert did have any impact on the brand and her son's business. The reader is tasked with diving into the situation with the goal of determining if a family chose to take advantage of the privilege granted to them, or if Nike's internal policies failed to keep them in check.

INTRODUCTION

On March 1st, 2021, Nike Inc.'s Vice President and General Manager of North America, Ann Hebert resigned following a media storm that linked her to her son's lucrative sneaker resale business. Her 19-year-old son, Joe, was reportedly earning six figures per month in revenue from reselling shoes and the news intimated that Ann was somehow involved. Social media was suggesting that having a mother who was the VP of one of the largest shoe brands worldwide in your back pocket helped drive that revenue. Amid a massive media scandal and the internal turmoil following a VP's resignation, Nike Inc. must analyze its internal policies to determine if Ann Hebert did have any impact on the Nike brand and involvement in her son's business. The reader is tasked with assessing the situation with the goal of determining what, if anything, went wrong, and how to remedy things going forward.

Snelgrove et al. (2020) note how vital it is in the growth of sports management students becoming practicing professionals to apply knowledge in practice, understand the sector, make decisions in teams, adapt to new organizational environments, understand how to make sequential decisions, and see how decisions are interconnected over time and across departments. "Sport managers need to make decisions that have moral implications on a regular basis, and applying their theoretical knowledge to real-world scenarios is an essential skill in the field. Utilitarianism is a consequentialist ethical theory that focuses on maximizing the production of good" (Provencio 2024). "Most often, the topic of risk management is not covered as extensively as necessary" (Foster and Miller 2025) despite it emerging as a critical focus area in sports-related organizations. Increasing complexity of operations, government challenges, and unexpected events are something organizations encounter incessantly (Genovard et al. 2025). Financial instability, legal liabilities, and operational disruptions are additional layers added to the already phrenetic pace of a manager's standard obligations. For a large, publicly traded corporation such as Nike, there is a panoply of stakeholders too. Managers must collect and prioritize claims made by constituents (Hum et al. 2018).

PART 1
OVERVIEW

Reselling and the Sneaker Market

Reselling involved the act of purchasing merchandise at retail or wholesale costs, with the intent of selling the merchandise at a mark-up in the aftermarket. Resellers operated in markets where products came in limited quantity and high demand, and the sneaker market was an excellent example where both of those conditions were met. With shoes that resulted from the collaborative efforts of celebrities and athletes working with major sneaker brands being released in scarce numbers worldwide, resellers could turn what could be an ordinary side hustle into a full-time profession. For instance, when the Travis Scott x Fragment Jordan 1 High 'dropped', only 50,000 pairs were distributed to the general public (Mazariego, 2021). The release had a retail price of US$200 and were instantly resold for approximately US$2,275 for a markup of 1138% (StockX*,* n.d.).

In fact, the sneaker market had become so large that in 2019, Cowen Equity Research identified sneakers as an alternative asset class, and the sneaker resale market was predicted to reach US$120 billion by 2026 (Braithewaite, 2021). This revolution in the sneaker industry led to entire businesses being created to service the increased aftermarket demand, namely StockX, GOAT, and Legit App. StockX and GOAT were both online resale marketplaces, where buyers and sellers connected to make the exchange and have them authenticated by the third-party service before receiving the pair of sneakers and money respectively. Legit App offered buyers the ability to perform legitimacy checks via smartphone, ensuring that the sneakers were the real deal from the comfort of home. Even eBay had joined in on the sneaker resale frenzy, charging authentication fees on any sneakers sold for a price over US$100 on its platform in an effort to compete with other businesses in the space (Servantes, 2021).

To become a successful sneaker reseller, one had to have expertise in identifying which sneakers would perform well in the aftermarket, as well as ideal times to sell one's stash of kicks. One also had to have expertise in building an online presence and acquiring clients to buy the products offered (Kane, 2021). Typically, this was done via some form of social media, as most resellers could be found on Instagram, Facebook, Twitter, YouTube, or some combination of the platforms. This helped them reach larger audiences to sell products and also enabled them to build influencer-like fanbases, giving them more control over the market and having a say in which shoes became more popular. Finally, because resellers tended to hold some control over prices in the aftermarket, they could make larger profits by fueling engagement. Joe sold monthly subscriptions to his Discord group for $250 per person for information on "what sneakers would be discounted, when and where the sale would begin, and how many the retailer would have" (Johnson 2021).

Nike, Its Ethics, and the Impact on the Sneaker Market

Nike was a brand known worldwide for its multipurpose shoes and clothing and was widely regarded as the largest sportswear brand with a global revenue of over US$46 billion in 2021 (Smith, 2022). Nike sponsored athletes at the highest level of almost every sport, and its marketing reach was incredibly broad. It was safe to say that almost everyone on earth had heard of Nike, recognized the swoosh, and was aware of its products in some manner.

Despite its market domination, Nike was no stranger to ethical issues and contentious debates. Two notable dips into the moral quagmire came in the form of Colin Kaepernick and sweatshop workers. Colin Kaepernick was a Nike-sponsored quarterback in the National Football League (NFL) who ignited national discussion in 2016 for his taking a knee protests during the US national anthem (Creswell et al., 2018). He became a complete pariah in the NFL because of these protests, as team after team refused to sign him when he became a free agent after the 2016 season.

This led to an internal Nike debate about whether to cut him as one of its endorsed athletes, simply because he was no longer on the field, and out of fear that its partnership with the NFL could become jeopardized for keeping him on its roster of sponsored athletes. Eventually, Nike concluded that cutting him would bring in more negative publicity than keeping him would and released the "Dream Crazy" advertising campaign with the hopes of gaining credibility with the "young, urban market" that Nike had targeted for a long time (Creswell et al., 2018). Additional resources about Colin Kaepernick's protests and the "Dream Crazy" campaign are provided in Table 1.

Table 1. Additional Resources

Nike ad with Colin Kaepernick: https://www.youtube.com/watch?v=WW2yKSt2C_A
Guardian sport. (2019, September 16). Nike's 'Dream Crazy' advert starring Colin Kaepernick wins Emmy. *The Guardian*. https://www.theguardian.com/sport/2019/sep/16/nikes-dream-crazy-advert-starring-colin-kaepernick-wins-emmy
Wilner, B. (2020, June 6) Colin Kaepernick: A timeline of his activism and the NFL's response. *Global News*. https://globalnews.ca/news/7035746/colin-kaepernick-timeline/

Nike's conduct had also been questioned for its use of sweatshops. Despite not being brought to public attention until the 1990s, Nike had used sub-contracted factories across developing countries since the 1970s, such as Indonesia, Vietnam, and Cambodia. Working conditions in these facilities had been described as horrific, with incidences of "wage theft, forced overtime, restrictions on the workers' use of toilets, exposure to toxic solvents, and padlocked exit doors" all being discovered during an undercover observation of one of the factories in Vietnam (McKay, 2022). Nike declared that it had over 700 factories making Nike products and despite consistently taking strides to change the public opinion about how its products were manufactured, many of the 569 audited factories showing instances of "abusive treatment" (McKay, 2022). At the time of this resell scandal, Nike was rebounding from the late 2019 accusations of doping and other actions by Alberto Salazar whom Nike had entrusted with leading its Oregon Project and supported Salazar until he lost his appeal in September 2021. Nike was embroiled in its treatment of pregnant athletes – declining financial support, including 7-time Olympic champion Allyson Felix (Felix 2019). Nike's Alphafly shoes were banned from elite distance running competition in early 2020 for providing an unfair technological advantage.

Most sneakerheads had a love-hate relationship with Nike when it came to hyped sneakers and sneaker releases. Nike had been responsible for some of the most hyped sneaker releases over the past few years, including several variations of the previously referenced Travis Scott Jordans, collaborations on shoes with Sacai, Ben & Jerry's, Drake, Cactus Flea Plant Market, and Off-White, as well as the most recent pair of Jordan 1s, dubbed "Lost & Found" (Goh, 2022). However, despite these successful releases, Nike was consistently criticized by sneakerheads for how difficult these pairs were to obtain. With most of them releasing in limited quantities through computerized drop systems like SNKRS, its in-house raffle app, it seemed as though sneakerheads could only obtain such limited shoes by using bots, which were computer programs that checked out automatically for them (Welty, 2022). Otherwise, consumers would almost surely have to settle for paying inflated resell prices for coveted sneakers.

The Initial Issue

When Joe Hebert first started his sneaker reselling business called West Coast Streetwear, he made sure to keep himself anonymous throughout his business dealings and across his business' social media accounts. He took extra effort to ensure his level of anonymity by blurring his face across social media, an unusual precaution for resellers, but not unheard of in the industry. During his time in the reselling business, he grew West Coast Streetwear at an incredible rate, making more than US$100,000 per month by reselling sneakers (Barajas, 2021). He was known across the state of Oregon (Nike's 'home') as the go-to guy for sneakers, even acquiring a few celebrity clients in the process. As a result of his success and earning potential, blurring his face was a smart decision for his personal safety, as he only revealed to a few select clients who he truly was.

However, his rise in the reselling industry was abruptly ended when Bloomberg Businessweek published an article that connected his name to the business. The same article indicated that he had purchased shoes for his business with a credit card that belonged to his mother, Ann Hebert, Nike's Vice President and General Manager of North America. According to Bloomberg Businessweek, when Joe realized that these facts were going to be published in the article, he requested that his connection to Nike not be published. When Bloomberg Businessweek published the article despite his pleas, he abruptly ended his communication with them (Dunne, 2021).

Nike Connections and Ann's Resignation

Upon release of the news article, details about Ann's connection to her son's business began to reveal themselves. A Nike spokesperson stated that Ann Hebert had disclosed relevant information about her son's business in 2018 and that "there was no violation of company policy, privileged information, or conflicts of interest" (Dunne, 2021).

However, Joe's mother was the Vice President and General Manager for North America, Nike's largest region and the one with the highest number of limited sneaker drops. She oversaw the SNKRS app, which was notorious among the resell community for being nearly impossible on which to win sneaker drops, which were essentially raffles that one entered using the app. Additionally, the article also revealed that Ann's position at Nike meant that she could give Joe access to Nike friends and family stores, which offered products at 40-50% discounts off retail prices for shoes (Dunne, 2021). There was no guarantee that these stores would have hyped products, but at a heavy discount and discerning eye, almost any Nike product would sell on the secondary market or with some buzz created could enable them to sell. Access to these stores could be combined with the Nike product discounts that she and her family received due to her position, enabling Joe to purchase products at even further reduced prices. It made it hard to believe that there was no violation of company policy for her.

PART TWO

The ensuing media attention set off a new internal review of Ann at Nike, which appeared to have been led by Ann's boss, Heidi O'Neill. Upon completion of the investigation, O'Neill stated "our internal review of the relationship between Ann and her son's reseller business confirmed that she had not explicitly violated company policies." O'Neill also stated, "Ann should have continued to share updates, including informing me, as her new manager, and unfortunately she did not" (Barajas, 2021). A week after the article was published, Ann resigned (Dunne, 2021).

Those who knew about the resignation and the benefits that Ann gave to her son as a result of her position at Nike were initially outraged at the situation that had occurred with West Coast Streetwear. Externally, sneakerheads across the United States and beyond were angry, assuming that part of the 'problem' that plagued the sneaker industry emanated from inside one of the largest companies in the business. They placed the blame on Ann and Joe, believing that this was simply a situation of two bad actors with Nike sharing little culpability. However, employees seemed to be convinced that there was a much larger internal problem within Nike itself.

Repeat Behavior

Upon further investigation, it became clear that Joe's efforts to remain anonymous online were for good reason. Joe Hebert was reported several times to the Nike Loss Prevention team across Nike stores in the Portland, Oregon area for abusing his family discount codes and buying sneakers in egregiously large quantities. The Loss Prevention team typically dealt with internal matters like employees and their family members abusing benefits at Nike stores. However, despite the repeated reports, the Loss Prevention team did not take any action against Joe or his mother (Barajas, 2021).

Sources inside Nike stated that the employees on the team knew that their efforts to stop Joe from continuing to violate policies were "just going to fall on deaf ears" (Barajas, 2021). It appeared as though the internal knowledge of who Joe's mother was meant that Joe could continue his behavior with no repercussions. In contrast, other Nike employees stated that staffers at a lower level with similar violations could easily lead to someone losing their job. The fear among employees of being accused of abusing their discounts ran so deep that many would not even let their family use the code, a direct contrast to the actions taken by Joe and Ann (Barajas, 2021).

Employee Unrest

After Joe's actions were publicly shared via articles and additional research, many Nike employees stated that they felt "outraged by the company's 'lack of transparency' and 'accountability,' its efforts to downplay the seriousness of the situation, and what they deem was special treatment for Hebert" (Barajas, 2021). A source within the company stated that "there's nothing to make me believe that if it were below the VP level, or if she was a person of color, that she would have gotten the same latitude." This source expressed despite the lack of illegality in the situation, the general sentiment among employees was that Nike should have made an example of her. Instead, it felt as though the company was trying to sweep everything under the rug, while simultaneously shifting all the blame to Ann (Barajas, 2021).

Another source at Nike, a senior employee with over 10 years of experience in their role felt as though there was no common sense in the decision. They commented "it's very clear, both overtly and covertly, that kind of thing [reselling] ain't it. And so for her to be given a free pass, when the vast majority of employees wouldn't want to be caught in that situation, it's a different set of rules" (Barajas, 2021).

Former employees also chimed in on the apparent double standard that Nike followed in regard to its employees. They stated that "it was understood, for sure, that you or your family can't profit off the company." They concluded that Nike should have been more transparent about how exactly it investigated Ann, because as of right now, it appears that it was "just straight up greed and privilege" (Barajas, 2021).

Final Thoughts

Did Ann influence Joe's ability to acquire in-demand sneakers? His mother was responsible for overseeing the SNKRS app, which was known amongst the reselling community for quick product sellouts. However, according to others familiar with reselling, they believed that Joe obtained most of his sneakers by using bots, which were high-tech programs that quickly grab and purchase products to skip the issues that can come as a result of human online checkout transactions.

Despite the fact that Ann Hebert may not have had a hand in SNKRS manipulation for Joe, he would not have had the access to the Nike friends and family stores or the employee discounts without her employment at Nike, which allowed him to amass large collections of heavily discounted shoes for the resale market. Furthermore, the employee testimonials indicate that both Joe and Ann were given preferential treatment, not only by enabling Joe's behaviour in Nike stores, but also by failing to challenge Ann's enablement of his behavior. As a result, one wonders if this was a situation of a family that chose to take advantage of the privilege they were granted, and opportunities given to enable their 'above the law' approach? Or if this was the result of failed internal Nike policies and procedures? The remedy would likely involve a stakeholder management strategy, including stakeholder engagement and stakeholder participation (cf. Walters 2010).

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PEPPER PLACE AND THE CULINARY INITIATIVES

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ABSTRACT

This is an undisguised decision-based case using both primary and secondary data. The case explores the dilemma faced by the developer of a multi-block site in a downtown area experiencing marked revitalization. Following the successful renovation of several city blocks of buildings, the developer is considering adding a food-related element to the development. After providing background on the initial redevelopment, the case overviews the three potential initiatives under consideration: a restaurant, a kitchen incubator, and a cooking school. Students are challenged to analyze these opportunities and guide the developer on its best path forward. An instructor's guide providing relevant theories, teaching suggestions, and recommended discussion questions and sample answers is provided for instructor guidance. [1]

INTRODUCTION

“Hello Franklin, this is Cathy, how are things going today?” “Hi Cathy, it is Monday morning- what else can I say?” he replied jokingly. “Maybe I can brighten your day, Franklin. I spent the weekend thinking about businesses that could continue the revitalization of downtown Birmingham and specifically how to expand Pepper Place. Do you have time to meet with me for coffee or lunch?” “Sure. How about lunch at noon at The Market?” Franklin responded. “Great. See you there.”

Cathy Sloss Jones was the president of Sloss Real Estate and founder of Pepper Place, a seven-building, multi-block combination of historic buildings in downtown Birmingham, Alabama that was home to popular restaurants, antique stores, professional service firms, and a hugely popular Saturday farmers’ market.

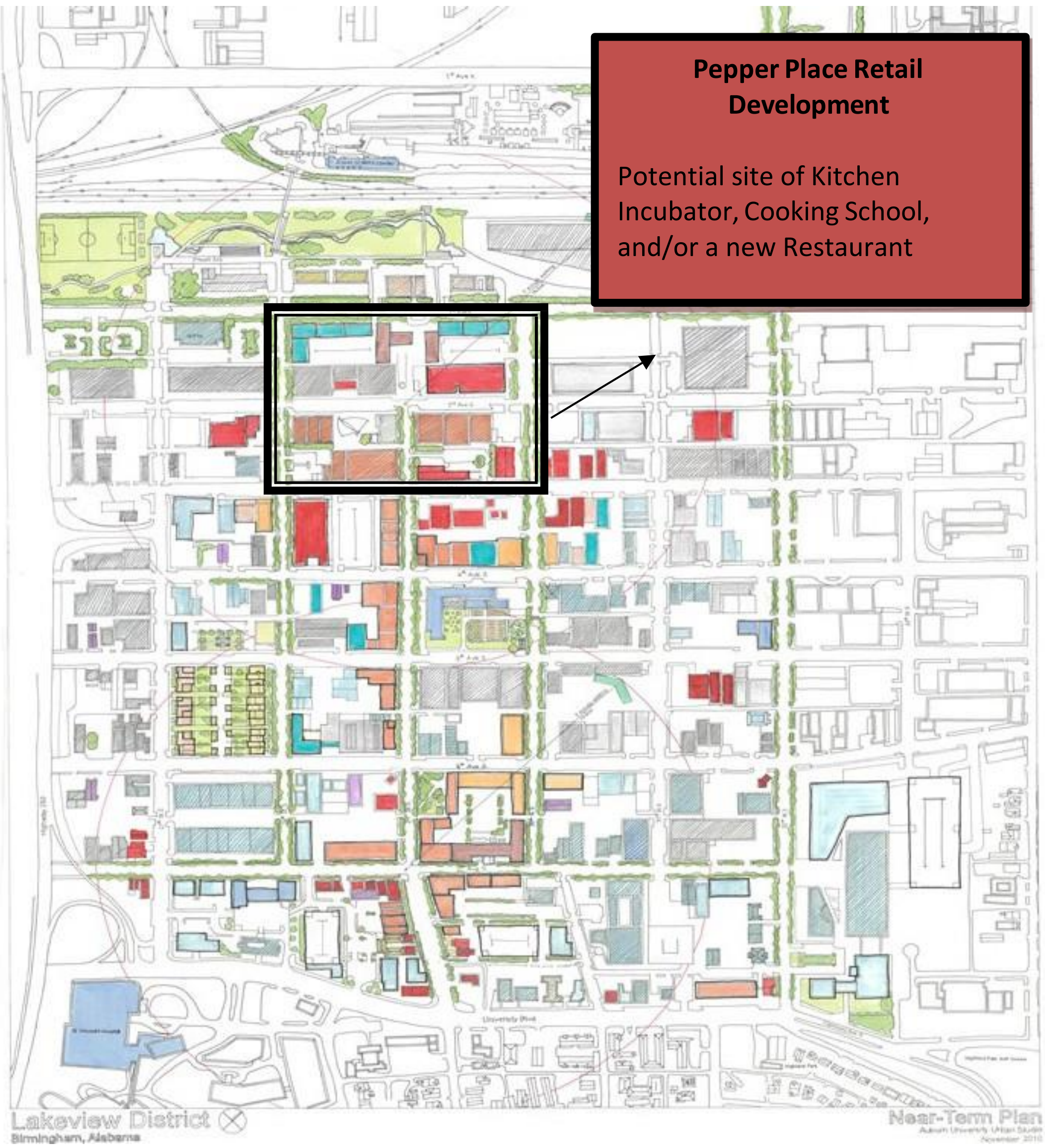
Jones had a passion to continue the revitalization of the once-dying downtown area of Birmingham. For this particular conversation with Franklin Biggs – a friend, fellow board member of the Market at Pepper Place, and legendary Birmingham restaurateur, Jones had ideas for how to utilize unused warehouse space on the Pepper Place grounds.

Specifically, Jones had three potential ideas in mind for Pepper Place: a restaurant, a kitchen incubator, or a cooking school. She needed to decide on and commit to one of these concepts and wanted input from Biggs. In her office overlooking Pepper Place (see Figure 1), Jones pondered strategies for accomplishing her goal of continuing to revitalize downtown Birmingham. She thought food was always a good strategy since it motivated her personally.

Biggs was certainly the person Jones needed to bounce her ideas off, as she knew Biggs would be candid with her. The decision about which new concept to pursue was also tied to how to fund it. Jones knew her personal business, Sloss Real Estate, could not carry the full financial burden of the new business concept.

Figure 1

Map of Lakeview District



Source: Auburn University Urban Studio's short-term plan for Sloss's development of the Lakeview district

REVITALIZATION IN BIRMINGHAM

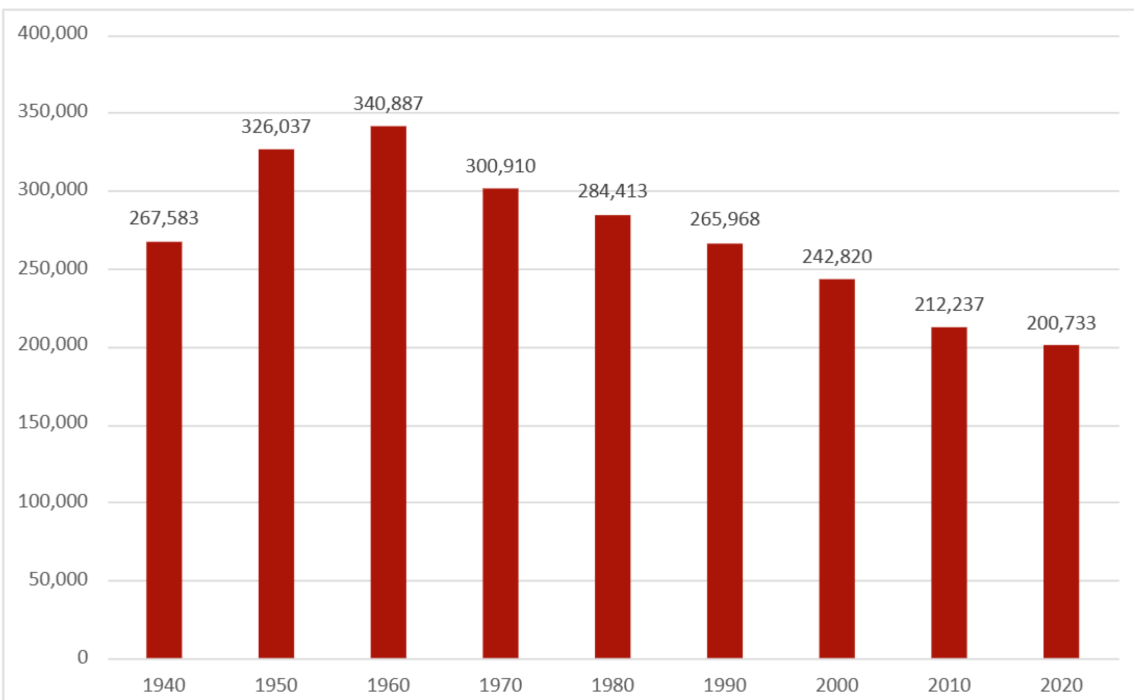
Founded in 1871 at the crossing of two railroad lines, Birmingham blossomed through the early 20th century and quickly became the center of industry in the South. It earned its nickname as the Magic City because of its fast growth. Birmingham was rich with natural deposits of minerals such as coal, iron ore, and limestone, which made iron and steel production a natural industry.

Indeed, Birmingham was second in the U.S. only to Pittsburgh, Pennsylvania for steel production and would also become known as "the Pittsburgh of the South."

Like many industrial towns, Birmingham was hit hard by the Depression of the 1930s. Yet following World War II, the city enjoyed a healthy rebound. As the nation's industrial boom was waning in the 1960s, Birmingham's prospects looked bleak. Mills closed, workers lost jobs, and many of the city's residents found themselves unable to find work. To add to its problems, segregation became an issue that dealt the city a major blow to its image and its population growth. Unrest within the city, racial divisions, and the growth of suburbs contributed to a population decline within the city limits. The population steadily declined from 340,877 to 200,733 or 41.1% in the sixty years that spanned 1960 to 2020 (see Exhibit 2 for a more detailed look at the population from 1940 to 2020). During that era, upscale stores, such as Parisian's, Yeilding's, Loveman's, Blach's, and Pizitz, abandoned the downtown area. In addition, many other businesses closed due to lack of "traffic," or they moved to the suburbs where most of the population with higher levels of disposable income lived. Many downtown buildings and stores stood vacant and in decay.

Figure 2

Birmingham, Alabama's Population Decline, 1940 – 2020



Source: U.S. Census Bureau

THE CORE BUILDINGS OF PEPPER PLACE

Pepper Place's footprint was anchored by two historic buildings. The first building was home to the Martin Biscuit Company. The structure boasted 14-inch thick brick walls and was completed in 1928 at a cost of $32,000. While the company survived the Great Depression, it was not able to meet the challenges of the next decades. Due to sugar rationing in World War II, the Martin Biscuit Company could not acquire enough of the key ingredient in its product line. The company was liquidated in 1947, and the structure became a storage building for a nearby hospital.

The second historic building, constructed in 1931, served as a syrup plant for the **Dr. Pepper** Company and would – many years later – become the inspiration for the Pepper Place name. Also built like a fortress, the 3-story structure used concrete post-and-beam construction and had 12-inch-thick red brick exterior walls. The interior was standard industrial space featuring unfinished brick walls, a cement floor, and an open truss ceiling supporting wood beams. The syrup factory continued in operation until 1982. By 1988, a movement was underway to revitalize downtown Birmingham, and the area surrounding the Martin Biscuit and Dr. Pepper buildings, known as the Lakeview District, were near ground zero.

CATHY SLOSS JONES AND SLOSS REAL ESTATE

Sloss Real Estate was a family business that had shaped the skyline of Birmingham for almost one hundred years. Founded in 1920, Sloss Real Estate's mission was rooted in the belief that "the city of Birmingham serves as a touchstone for the entire metropolitan area," and the company works "tirelessly to revitalize and enhance the city's unique commercial districts."[i] Jones joined the family business in 1975 and was the main supporter of Sloss's involvement in the city's renovation. As CEO and President of Sloss Real Estate, Jones became actively involved in the revitalization of Birmingham in the 1980s. "I felt a connection to the city. I spent a lot of time with my grandfather as a little girl watching as he and his company [Sloss Real Estate] built so much of the downtown developments." Sloss Real Estate's revitalization efforts began in the Lakeview district of Birmingham, where it directed a public/private initiative to redevelop the 36-block area, which included Pepper Place.

Joining with others interested in seeing the city come back to life, a revitalization effort began with a goal of bringing prominence, community, and culture back to the once-prosperous and growing city. Sloss Real Estate was heavily involved in the development of the historic Lakeview District where Martin Biscuit Company and Dr. Pepper were located (see Exhibit 1). Sloss Real Estate acquired the Dr. Pepper building in 1982 and the 56,000 square foot Martin Biscuit Company building in 1997. It also acquired other nearby abandoned warehouses and christened the area "Pepper Place." The seven buildings totaled more than 227,000 square feet and would form the epicenter of Jones's attempts to revitalize the Lakeview District.

Adjacent to Pepper Place's historic buildings, Jones's family had owned and operated Sloss Furnaces, an iron-producing blast furnace, from 1882 to 1971. When the furnaces closed, it became one of the first industrial sites in the U.S. to be preserved for public use and earned the National Historic Landmark designation in 1981. Becoming a beloved piece of Birmingham nostalgia, Sloss Furnaces would later house a museum of industry, host a nationally-recognized metal arts program, and serve as a site for numerous concerts, festivals, weddings, an annual Halloween haunted house, and other events. Construction on a $10 million visitor center was completed in 2016.

Meanwhile, the city of Birmingham itself was poised for urban renewal. In 2005, revitalization efforts took a major step forward with the creation of the 19-acre Railroad Park along Second Avenue South. Further, the medical industry was becoming a powerful force in the economy. The University of Alabama Medical Center, anchoring the section of downtown known as Southside, had developed into a highly-reputed medical and research center, and St. Vincent's Hospital, just blocks away, was a major player, as well.

PEPPER PLACE AND THE MARKET AT PEPPER PLACE

As renewal efforts were continuing in the late 1990s and early 2000s, Pepper Place grew to become Birmingham's premier design center, featuring furniture showrooms, galleries, photography studios, antique shops, architecture and construction firms, as well as a community theater, a winery, several restaurants, and many small business offices. It was run by a board of directors and organized as a not-for-profit entity.

During the development of Pepper Place, Jones served on the board of the Birmingham Branch of the Federal Reserve of Atlanta, where she was informed about small family farms in the region and what was happening to them and their land. The board issued reports that argued small, family-owned farms would be extinct in a few years due to urban growth and expansion. Jones agreed and remembered, "Where I used to ride horses as a teenager, suddenly there were big shopping malls." She said, "We had to stop losing the farms and forest land that I saw being eaten up by suburban development." Jones believed there should be a venue where farmers could sell their wares and engage with the community. A farmers' market would be such a place. People and businesses in the area could purchase home-grown vegetables, flowers, fruits, nuts, and hand-made items direct from producers. Farmers and others would have a viable outlet to sell their products directly to customers. Jones stated: "I saw a farmers' market at Pepper Place as a way to provide an outlet for local farmers to sell direct and, at the same time, also help highlight the revitalization of Lakeview and Pepper Place in particular."

Thus, The Market at Pepper Place was created in 1999 – an independent non-profit organization served as a market for local farmers and artisans. The market quickly became a beloved area attraction, dependably driving foot traffic to Pepper Place and the surrounding Lakeview area every weekend from April to December. Each Saturday morning, thousands of people from all over Birmingham and surrounding areas visited the market. It featured Birmingham musicians, cooking demonstrations by local chefs, and over 100 booths of arts and crafts, fresh produce, meat, flowers, and homemade goods. Interest in and recognition of the Lakeview area increased due to the market's popularity. In the local *B-Metro* magazine's June 2011 edition, Pepper Place was named the "hottest spot in the city to hear live music." The article continued, "Pepper Place is one of the best examples of a common ground where the city comes together in an exciting new way… When a place has depth and beauty and style as Pepper Place does, we respond to it with passion. It matters to us in much the same way that a living thing we know and love matters to us" (James, 2011).

CULINARY INITIATIVE POSSIBILITIES

Reflecting on Pepper Place's unused warehouse space, Jones believed a food-related venture could be a great, complementary addition to Pepper Place and its market while serving as a catalyst for continued revitalization of the area. Jones and Biggs recognized the rising trend of Southern food and the ever-increasing demand for local produce and products sold at the market. Jones's considerations of a restaurant, kitchen incubator, or cooking school were inspired by those trends. Now was the time to make a decision, so the Pepper Place team started the evaluation of each food-related investment possibility.

Restaurant

Perhaps the simplest answer for adding a food space to Pepper Place was to create a restaurant. The trump card Jones held in her pocket for this endeavor was her connection to some of the most influential chefs in Birmingham and, arguably, the southeastern United States. Alongside Biggs, Jones also had connections with award-winning chefs such as Frank Stitt (Highland's Bar and Grill, Bottega) and Chris Hastings (Hot and Hot Fish Club), which stemmed from their involvement in and support of the Pepper Place Market since its inception. With plenty of space and likely allies, the idea of a Pepper Place restaurant seemed an excellent choice. But the real question was what did a restaurant stand to bring to Jones's bigger-picture goal of downtown revitalization?

The Contribution

A restaurant started and supported by the Pepper Place Board of Directors had the potential to bring an abundance of additional attention to the area. Typically, new restaurants generated a surge of press and consumer interest to see what delights a chef could create. That awareness alone could bring new interest to the area, bridging demographic groups from young, enthusiastic foodies to wealthy businesspeople looking for a new spot to entertain. A restaurant had the ability to be self-sustaining, with potentially unlimited longevity.

Related to the community aspect Jones intended to create, the restaurant could form a hub or meeting place for area professional groups. Configuration of the right space could provide an event space in conjunction with the restaurant. By anchoring the district in a single location synonymous with Pepper Place, the creation of a sense of community could be established, leading to a permanent presence and enhanced local pride. The restaurant could also attract non-area residents looking for an urban vibe or a special dinner place. Jones believed a restaurant could start a new niche in the Birmingham restaurant scene for laid back, fresh plate meals in alignment with the farmers' market.

The Hesitation

While the restaurant would have the benefit of a very strong leadership team with a proven track record of success in the Birmingham restaurant industry, other factors had to be considered before moving ahead with the project. One major concern was the impact a new restaurant would have on others that were in the area. Pepper Place was already home to Bettola, a locally-owned Italian restaurant known for its handmade pizzas and sauces; Cantina, a taqueria owned by someone with additional restaurants in the area; and the Red Cat Coffee House, which specialized in organic foods and Fair Trade coffee drinks. Would a new restaurant, especially one started by the Pepper Place board, harm those already successful establishments, goodwill with their owners, and ultimately, the area's revitalization? Further, with 60% of new, independent restaurants failing within the first five years (Miller, 2007), was this a risk the board would be willing to take? Finally, Jones expressed reluctance saying, "I'm not interested in being in the restaurant business." She wanted Biggs to do it, but he would later state that he was "not ready to take on that endeavor. My reason is purely personal." A different chef entrepreneur would have to claim the project if it were to proceed.

Kitchen Incubator
A second option for Pepper Place's food space was a kitchen incubator. Also known as a culinary incubator, this entity would be dedicated to early-stage wholesale, retail, and catering food businesses. Jones believed such an incubator facility could serve as an economic catalyst for the area. The capital investment required for a commercial kitchen can be a major obstacle for many food startups. An incubator addresses this hurdle by allowing restaurants to share the cost of a common kitchen facility.

Effectively, the incubator "loans" kitchen time to businesses, which typically have a goal of developing to a point where they can invest in their own, private kitchen facilities. While a part of the incubator, tenants can obtain assistance with business planning, access mentors, and be given access to finance options, all while operating within a nurturing environment. The National Business Incubation Association stated that these shared-use commercial kitchens were well-embraced by their communities, as they often nurtured startups into successful businesses (National Business Incubators Association, n.d.). Businesses using a kitchen incubator fall into categories, such as delivery-only restaurants without a physical presence and vendors selling at farmer's markets, where owners desire growth but are not ready for the investment required for a full kitchen on their own premises (Colpaart, 2020). Such an incubator at Pepper Place would have to be a licensed facility that met both Food and Drug Administration and state regulations for the safe handling of food.

With Jones's goal of fostering local sustainability, would the creation of a kitchen incubator meet that goal?

The Contribution
With only one established kitchen incubator in the state of Alabama (located over an hour and a half drive away) and only a handful within a five-hour drive (see Exhibit 3), Jones and Biggs saw the need to create an opportunity for local entrepreneurs in the food industry to flourish. A kitchen incubator would bring ties to the community, integrating Pepper Place further into Birmingham's Lakeview District. It would provide an opportunity for those interested in utilizing the kitchen incubator to partner with existing market contributors.

Exhibit 3
Locations of Kitchen Incubators within a 5-hour Drive from Birmingham, Alabama at the time of the case

Once established in the Birmingham business community, the relationship between the Pepper Place kitchen incubator and the new culinary business owner stood to be mutually beneficial. Research by the National Business Incubators Association showed that after five years, businesses that were nurtured in an incubator had a survival rate of 87%. Of those, 84% remained in the community where an incubator was located,[ii] giving an incubator the potential to be a significant contributor to the local economy.

The Hesitation
Jones wondered how this space ultimately would aide her long-term vision of the area and whether the associated costs made it feasible. Another concern was the unknown amount of interest the space would create. If the incubator failed to generate enough interest to fill time

slots and cover basic operational costs, not including overhead and capital costs, the project could flounder and harm the few participants who did join in the beginning.

During the board's investigation of the possibilities for a kitchen incubator, they discovered that another group in Birmingham was contemplating a similar move. The chamber of commerce of the neighboring suburb of Homewood, in conjunction with Samford University, was exploring spaces that could be used as a kitchen incubator. This group found an abundance of unused or under-utilized spaces around the city – though many of these did not meet current health codes for commercial use or demanded rent that would make the success of a kitchen incubator tenuous. The Pepper Place considered if it would be feasible to insert themselves into those discussions and find a mutually beneficial solution to each group's common goal.

Cooking School

The final food-related option under consideration for Pepper Place was the creation of an independent cooking school. Because of Jones's extensive network of relationships within the Birmingham culinary community, the project could connect would-be students with the well-known chefs of the city. Further, the school's educational opportunities would be conducive to the Saturday market's goals, which included helping inform the local community about the benefits of local, healthy food consumption.

The Contribution

With the establishment of a cooking school, Pepper Place could generate more interest in the area as a culinary center in addition to its existing reputation as a design center. The aim of a culinary school would be to bring new interest to the area using well-known chefs in Birmingham as a draw. The cooking school could even inspire the development of a Pepper Place product line that could be sold at a Pepper Place General Store – another concept that was gaining traction among board members.

Both Jones and Biggs believed there would be sufficient interest to make a cooking school self-sustaining. The cooking school could provide a source of inspiration to local culinary artists. Those students could eventually play a part in the continued revitalization of downtown Birmingham – and Pepper Place in particular – through the opening of their own restaurants, bistros, and bakeries. Jones said, "I believe the cooking school would be a great investment because it could be profitable."

The Hesitation

Jones suspected that a cooking school may bring its own set of problems, not only at the inception level, but in its management, as well. In the beginning, alternatives such as pursuing accreditation versus creating an independent, non-accredited school had to be discussed. By seeking accreditation, Pepper Place would be competing with Culinard (an established, accredited cooking school located in Birmingham) and would perhaps be deviating from the local community feel that the board wanted to maintain. If the school were non-accredited, there may be less interest in it. This project would be a major undertaking: Coordinating chefs, prepping for classes, and maintaining the facilities would take someone's full attention – something the existing two-person Pepper Place staff did not have time to undertake.

Another major concern was the profitability and longevity of a cooking school. Jones believed startup costs would be incredibly high, as health department-approved commercial kitchens must follow strict guidelines. Breaking even would be a lofty goal. Jones wondered, "If the school was to show promise in the beginning, would it be able to capitalize on its "newness," or would the novelty wear off and Pepper Place be left with an empty demonstration kitchen?"

Multi-Use Facility
With the creation of a commercial food space, Pepper Place was not limiting itself to only one of three options. The board members expressed interest in a multiple use space, expressing that a kitchen that was approved to function as an incubator could surely serve as a cooking school as well. Desiring a space that could serve as an event area, board members expressed a willingness to support a concept that allowed for more than one use.

The Contribution
By using the space for different purposes at different times, the average cost of using it for each group would be lower. A kitchen incubator configured by day could, by night, become a cooking school. A cooking school could provide budding culinary artists a place to hone their skills, and an adjoining restaurant could provide the exposure and feedback needed. Joining ventures together would make the space more versatile, and possibly, more profitable. "A cooking school would be a vital part of the kitchen incubator," Biggs stated. "The school could bring more clients in for the kitchen incubator down the road."

The Hesitation
Any one of those projects alone would be a major undertaking, and the prospect of attempting more than one was even more daunting. The current full-time staff of Pepper Place did not have the time to contribute fully to the project, and the venture needed an abundance of attention and cultivation to be successful.

Any type of commercial kitchen must comply with Department of Health rules and regulations. The State of Alabama had adopted the 2005 U.S. Public Health Service and Food and Drug Administration Food Code, which was a basis for the state's food safety laws. The Food Code was developed in 1993 to serve as a model for each state and municipality to set their own food and commercial kitchen regulations and was updated every few years as new rules and regulations evolved. To establish a commercially approved kitchen, Jones and Biggs would have to follow the 500-page code, along with additional rules laid out in the 2008 Alabama State Board of Public Health Rules for Food Establishment Sanitation.

A TIME TO ACT

In a *New York Times* article, Rob Walker wrote "For some, the old cliché that you are what you eat has taken on increasingly complex implications: food choices can be a stand-in for social, ideological, even political identity and beliefs. Eaters can form communities of a sort, and businesses are built catering to them" (Walker, 2010). Jones's vision relied on this idea, and Biggs was ready and willing to help. But which ideas were within reason and ultimately in line with Jones's revitalization goals for Birmingham's Lakeview District?

Space was available at Pepper Place to create a commercial kitchen, but Sloss Real Estate would require rent from whatever initiative was pursued. Locally, rent averaged $12 per square foot for a one-year lease. Furthermore, Jones noted, “The biggest hindrance for developing a kitchen would be raising the $150,000 required capital to put it in place. We would need a business plan and other data to raise capital. Grants could be another funding source.” Jones was optimistic about the prospects of securing grant funding for the project, remarking “our biggest strength is that we have a clear – well, relatively clear – vision of what we want… We also have a compelling story to tell for potential investors.” What they needed was a concrete plan. Jones summarized, “Do we do one of the recommendations, do we do all three and house it as one, or do we just abandon the whole idea?”

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LIGHTNING STRIKES TWICE: THE IMPACT OF POOR MARKET RESEARCH ON THE EDSEL AND F150 EV

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ABSTRACT

Early in the Spring of 2024, the Lightning management team was going over the latest sales figures for the Ford F-150 Lightning, an all-electric version of Ford's best-selling pickup truck. The Lightning was Ford's bold foray into the rapidly evolving world of electric vehicles (EVs). The team was preparing to meet with the truck's production, marketing and finance team. While they might still be discussing what went wrong, they had to produce a strategy for the future.

By late Spring 2024, they would know there was no reason to celebrate and had to look at the future of the vehicle. In the Summer of 2024, Ford sent a memo to Ford dealerships throughout the United States to pause all actions in reference to the Model-e division of vehicles, which encompasses all EVs. In the first quarter of 2024, Ford lost $100,000 per EV sold and expects to lose $5.5 billion on EVs this year alon (Reynolds, 2024).

To make matters worse, this is not the first time in Ford's history that a much-hyped new product has cost the company dearly. Why does Ford seem to repeat its own blunders?

INTRODUCTION

The Ford Edsel, launched in 1957, stands as one of the most notable failures in automotive history, primarily due to a series of strategic missteps. Ford misjudged the market by targeting the Edsel at a shrinking mid-range segment during an economic downturn, which made consumers more cautious with their spending. Design flaws, such as the controversial front grille, and significant quality control problems from a complicated manufacturing process further marred the Edsel's reputation. The car's distinctive but unattractive design and numerous mechanical issues led to poor initial impressions and damaged consumer trust.

Marketing mistakes compounded these issues. Ford's overhyped advertising campaign created unrealistic expectations that the Edsel failed to meet, leading to severe backlash. The car's name, chosen to honor Henry Ford's son, did not resonate well with the public. Internally, the Edsel faced competition from other Ford brands like Mercury and Lincoln, creating confusion among dealers and customers. Poor dealer relations and inadequate preparation for selling and servicing the Edsel further exacerbated its failure. Ultimately, the Edsel project resulted in a massive financial loss for Ford and tarnished its reputation, serving as a lasting lesson in the importance of market research, realistic marketing, and internal coherence.

Fast forward 64 years later, to 2021, and the historical disaster of the Edsel is far in the rear-view mirror. Surely, the Ford learned a hard lesson with the failure of the Edsel. Surely, Ford now understands the importance of market research and understanding consumer wants and needs. Surely, Ford will draw on this history before investing over $750 million to an electrified vehicle plant where the proposed F150 Lightning will be built.

A BREWING STORM

In May 2021, Ford Motor Company marked a significant milestone in its storied history with the introduction of the Ford F-150 Lightning, an all-electric version of its best-selling pickup truck. The launch of the Lightning was more than just the introduction of a new vehicle; it represented Ford's bold foray into the rapidly evolving world of electric vehicles (EVs) and its commitment to a future driven by sustainable and innovative automotive technologies. This all-electric truck was designed to meet the growing consumer demand for greener alternatives while maintaining the rugged reliability and performance that had made the F-150 a favorite among American truck buyers for decades.

The journey towards electrification had been a strategic priority for Ford, driven by a combination of regulatory pressures, technological advancements, and shifting consumer preferences. As governments around the world began implementing stricter emissions regulations and offering incentives for electric vehicle adoption, automotive manufacturers faced increasing pressure to reduce their carbon footprints. Ford, recognizing these global trends, invested heavily in electric vehicle research and development, culminating in the launch of the Lightning. The F-150 Lightning was positioned not just as an environmentally friendly option but as a technologically advanced vehicle that promised to redefine the capabilities of an electric truck.

Ford's decision to electrify the F-150 was a calculated move, leveraging the immense popularity and brand loyalty of the F-150 series, which had been America's best-selling vehicle for nearly four decades. The F-150's reputation for durability, versatility, and performance made it an ideal candidate for electrification, promising to bring the benefits of electric power to a broad and dedicated customer base. The Lightning was designed to retain the core attributes that made the F-150 a household name, such as its towing and payload capacity, while introducing groundbreaking features unique to electric vehicles.

The Ford F-150 Lightning was unveiled with much fanfare, boasting impressive specifications that included dual motors delivering 563 horsepower, a driving range of up to 300 miles on a single charge, and innovative functionalities such as the ability to power a home during an outage using its Intelligent Backup Power feature. The truck also came equipped with advanced connectivity options, including over-the-air software updates and a comprehensive suite of driver-assist technologies. These features positioned the Lightning as a cutting-edge vehicle, appealing to both traditional truck buyers and early adopters of electric vehicles (MotorTrend, 2022).

The initial market reaction to the F-150 Lightning was overwhelmingly positive. Within the first 48 hours of its announcement, Ford received 44,500 reservations for the truck, indicating strong consumer interest and confidence in Ford's electrification strategy. This surge in demand led to vehicles being sold at prices significantly above the Manufacturer's Suggested Retail Price (MSRP), with some dealerships marking up prices by as much as $30,000 to $50,000 due to the high demand and limited supply (Edmunds, 2022). The excitement surrounding the Lightning's launch reflected broader trends in the automotive industry, where electric vehicles were becoming increasingly mainstream, driven by advancements in battery technology, expanding charging infrastructure, and growing environmental awareness among consumers.

However, the initial euphoria was short-lived. A few months after the launch, reports emerged that dealerships were offering substantial discounts on the F-150 Lightning, with some trucks being sold at prices up to $10,000 below MSRP (Automotive News, 2022). This unexpected turn of events raised questions about the factors that led to such a dramatic price fluctuation and the role that marketing research could have played in averting this situation. This case study delves into the launch of the Ford F-150 Lightning, examining the initial market conditions, the subsequent price adjustments, and how comprehensive marketing research could have provided Ford with the insights needed to launch the Lightning with a more effective and sustainable marketing strategy.

By analyzing the trajectory of the F-150 Lightning's launch, this case study aims to highlight the importance of robust market research in the automotive industry, particularly when introducing innovative products in a rapidly changing market landscape. Through detailed exploration of demand forecasting, competitive analysis, consumer behavior studies, and economic impact assessments, this study seeks to provide valuable lessons for future product launches in the electric vehicle sector and beyond.

Launch and Initial Market Reaction
The launch of the Ford F-150 Lightning was a landmark event for both Ford and the broader automotive industry. Unveiled in May 2021, the Lightning represented Ford's most ambitious effort to date to transition from traditional internal combustion engines to electric powertrains. The initial reception was overwhelmingly positive, with industry analysts and consumers alike praising the truck for its blend of performance, practicality, and advanced features.

Initial Demand and Sales Figures
The Ford F-150 Lightning's announcement sparked immediate interest, with reservations quickly surpassing Ford's expectations. Within the first 48 hours, Ford received 44,500 reservations, reflecting the high anticipation and confidence in the new electric truck (CNBC, 2021). By mid-2022, Ford had secured over 200,000 reservations, leading the company to temporarily suspend new reservations to manage the overwhelming demand and focus on fulfilling existing orders (Car and Driver, 2022).

The production ramp-up was rapid. Ford initially planned to produce 40,000 units annually, but in response to the high demand, the company announced plans to increase production capacity to 150,000 units per year by mid-2023. The first batch of F-150 Lightning trucks was delivered to customers in May 2022, and by the end of the year, Ford had sold approximately 25,000 units, making it one of the best-selling electric trucks in its class.

Consumer Feedback
Consumer feedback for the Ford F-150 Lightning has been largely positive, with many early adopters praising the truck's performance, range, and innovative features. Key highlights from customer reviews include:

1. Performance: The dual-motor setup delivering 563 horsepower and 775 lb-ft of torque provides impressive acceleration and towing capabilities. Consumers appreciated the smooth and quiet ride, a hallmark of electric vehicles, combined with the ruggedness expected from an F-150. Many reviews highlight the truck's rapid acceleration and powerful performance, with one user noting it was the fastest production F-150 and described its capability to handle heavy loads without noticeable impact on performance (Cars.com, 2024)
2. Range and Charging: The Lightning's range of up to 300 miles on a single charge was well-received, addressing one of the primary concerns about electric vehicles—range anxiety. Additionally, the availability of Ford's network of fast chargers and compatibility with other charging networks made it convenient for long-distance travel. Users reported positive experiences with home charging setups, highlighting the cost savings on fuel and the convenience of charging at home. The truck's ability to power tools and even food trucks using its Intelligent Backup Power feature was particularly praised for its practicality (Cars.com, 2024).
3. Innovative Features: One standout feature is the Intelligent Backup Power, allowing the truck to serve as a power source for homes during outages. This feature garnered significant praise for its practicality, especially in regions prone to power disruptions. The interior also received high marks for comfort and advanced technology, including Ford's SYNC 4A system, over-the-air updates, and a comprehensive suite of driver-assist

technologies like BlueCruise, which offers hands-free driving on highways (Thedrive.com, 2022).
4. Interior and Technology: The interior of the F-150 Lightning features a spacious cabin with advanced technology, including a large infotainment screen with Ford's SYNC 4A system, over-the-air updates, and a comprehensive suite of driver-assist features. Consumers valued the blend of traditional truck elements with modern tech enhancements, which enhanced the overall driving experience and comfort (Thedrive.com, 2022).

However, despite the positive feedback, there were some criticisms and challenges noted by consumers:

1. Pricing and Availability: The high demand led to significant markups over the Manufacturer's Suggested Retail Price (MSRP). Some dealerships added premiums of $30,000 to $50,000, which was a source of frustration for potential buyers who felt priced out of the market (Thedrive.com, 2022).
2. Supply Chain Issues: The global semiconductor shortage and other supply chain disruptions affected production timelines, leading to delays in deliveries and reduced availability of certain configurations and options. This contributed to consumer dissatisfaction, particularly among those who faced extended wait times for their orders (Thedrive.com, 2022).
3. Learning Curve: Some traditional truck buyers faced a learning curve with the new electric technology, particularly regarding charging infrastructure and maximizing the efficiency of the electric powertrain. While many found the transition smooth, others reported initial challenges in adapting to the new vehicle dynamics and maintenance routines (Thedrive.com, 2022).

These reviews highlight the importance of considering both positive feedback and areas for improvement in future marketing and production strategies. Understanding and addressing consumer concerns can help enhance the overall ownership experience and foster long-term brand loyalty.

INITIAL MARKET REACTION AND MEDIA COVERAGE

The media coverage of the Ford F-150 Lightning launch was extensive, with many industry analysts and automotive journalists highlighting the truck's potential to revolutionize the electric vehicle market. Articles and reviews from major automotive publications such as MotorTrend, Car and Driver, and Edmunds were generally favorable, often comparing the Lightning to its primary competitors, including the Tesla Cybertruck and Rivian R1T.

MotorTrend awarded the F-150 Lightning its prestigious "Truck of the Year" award for 2022, praising its blend of innovation, performance, and practicality. Car and Driver highlighted the truck's driving dynamics and advanced features, while Edmunds emphasized the practical benefits of the electric powertrain for truck owners.

Despite the initial excitement and positive reviews, the landscape began to shift towards the end of 2022. Reports of dealerships offering substantial discounts on the Lightning emerged, with some trucks being sold at prices up to $10,000 below MSRP. This drastic change raised concerns about the sustainability of the initial pricing strategy and the broader market dynamics affecting electric vehicle sales.

In summary, the launch of the Ford F-150 Lightning was initially a resounding success, driven by strong consumer interest, positive reviews, and robust sales figures. However, the subsequent price adjustments highlighted the challenges and complexities of introducing a new electric vehicle in a rapidly evolving market. The following sections will explore how comprehensive marketing research could have helped Ford navigate these challenges more effectively and ensure a more stable and profitable product lifecycle.

THE SHIFT: FROM MARKEUP TO DISCOUNTS

Despite the initial excitement and high demand that characterized the launch of the Ford F-150 Lightning, the market dynamics began to shift markedly within a few months. By late 2022, reports emerged that dealerships were offering significant discounts on the Lightning, a stark contrast to the initial phase where trucks were selling well above the Manufacturer's Suggested Retail Price (MSRP). This sudden change raised several questions about the underlying factors and provided a learning opportunity for Ford and other automakers about the importance of market research and adaptive strategies.

Causes of the Price Shift

1. **Market Saturation and Demand Forecasting Errors**
   Initially, the high number of reservations and pre-orders created a perception of overwhelming demand. However, as the production ramped up and more units became available, it became evident that the market had reached a saturation point faster than anticipated. Ford's decision to increase production capacity from 40,000 to 150,000 units annually was based on early reservation data, which may not have accurately reflected sustained demand over time. This misalignment between production and actual market demand led to an oversupply of vehicles.
2. **Economic Conditions**
   The broader economic environment played a significant role in the price adjustments. Throughout 2022, rising inflation and increasing interest rates affected consumers' purchasing power. The higher cost of living and borrowing reduced disposable income, making it harder for consumers to justify the premium prices of electric vehicles. This economic squeeze likely contributed to a drop in demand, prompting dealerships to lower prices to stimulate sales.
3. **Competition in the EV Market**
   The electric vehicle market saw heightened competition with the introduction of new models from established and emerging automakers. Vehicles like the Tesla Cybertruck, Rivian R1T, and GMC Hummer EV provided consumers with a range of alternatives. The increased competition put pressure on Ford to remain competitive, leading to price adjustments. Additionally, some competitors offered compelling features or price points that swayed potential buyers away from the F-150 Lightning.

4. **Consumer Sentiment and Pricing Perception**
   The initial price markups by dealerships created a perception of exclusivity and urgency, which drove early sales. However, this strategy had a downside; potential buyers who were priced out or dissuaded by the high markups decided to wait, anticipating price drops. Once the initial wave of high-paying customers had made their purchases, dealerships faced a backlog of unsold inventory, necessitating discounts to clear the stock. This behavior highlights the importance of consumer sentiment and pricing perception in shaping market dynamics.
5. **Production and Supply Chain Challenges**
   The global semiconductor shortage and other supply chain disruptions affected production schedules and delivery timelines. Some consumers experienced delays in receiving their vehicles, which may have dampened enthusiasm and contributed to cancellations or deferred purchases. The resultant backlog in inventory required dealerships to offer discounts to maintain sales momentum.

Impact of the Price Adjustments
The shift from markups to discounts had several implications for Ford and its stakeholders:

1. **Brand Perception**
   The initial high prices followed by steep discounts could affect the brand perception of the F-150 Lightning. Consumers might perceive the vehicle as less exclusive or desirable, impacting its long-term brand equity. Maintaining a balance between exclusivity and accessibility is crucial for brand management, especially for a flagship product like the Lightning.
2. **Dealer Relationships**
   The pricing volatility created tension between Ford and its dealership network. While markups benefited dealers in the short term, the subsequent discounts strained profitability and inventory management. Developing a more consistent pricing strategy and better aligning with dealer incentives could mitigate such issues in future launches.
3. **Customer Trust and Loyalty**
   The rapid price changes could erode customer trust and loyalty. Early adopters who paid premiums might feel disadvantaged compared to those who purchased later at discounted prices. Ensuring transparent communication and offering loyalty programs or incentives for early adopters can help maintain customer satisfaction and loyalty.
4. **Market Research and Strategy Adjustments**
   The experience underscored the importance of robust market research and agile strategy adjustments. By closely monitoring market trends, consumer behavior, and competitive dynamics, Ford could have better anticipated the need for price adjustments and implemented more gradual changes. Incorporating real-time data analytics and feedback mechanisms can enhance responsiveness to market shifts.

LESSONS LEARNED

The Ford F-150 Lightning's journey from initial markups to subsequent discounts offers valuable lessons for automakers:

1. **Comprehensive Demand Analysis**
   A thorough demand analysis that goes beyond initial reservations and considers long-term interest and purchasing behavior is essential. Utilizing advanced predictive analytics and machine learning models can provide more accurate demand forecasts.
2. **Adaptive Pricing Strategies**
   Implementing adaptive pricing strategies that can respond to changing market conditions helps maintain competitiveness and profitability. Dynamic pricing models that adjust based on real-time supply and demand data can mitigate the risks of overpricing or underpricing.
3. **Consumer Behavior Insights**
   Understanding consumer behavior through continuous engagement and feedback helps tailor marketing strategies and product offerings. Regularly conducting surveys, focus groups, and social media listening can provide valuable insights into consumer preferences and concerns.
4. **Economic Impact Assessments**
   Assessing the broader economic environment and its impact on consumer spending is crucial. Macroeconomic factors such as inflation, interest rates, and economic growth should be integral to strategic planning and decision-making processes.
5. **Competitive Analysis and Positioning**
   Ongoing competitive analysis helps identify potential threats and opportunities. Regularly benchmarking against competitors and adjusting positioning strategies can enhance market presence and consumer appeal.

THE ROLE OF MARKETING RESEARCH Role of Marketing Research

Proper marketing research is crucial for understanding market dynamics, consumer preferences, and competitive landscapes, especially when launching innovative products. In the case of the Ford F-150 Lightning, several areas of marketing research could have provided valuable insights to help Ford avoid the pricing pitfalls and ensure a more effective and sustainable product launch.

DEMAND ANALYSIS

A detailed demand analysis is essential to accurately forecast market interest and ensure that production aligns with actual consumer demand. For the Lightning, demand analysis could have involved several key components:

1. **Pre-Launch Surveys and Focus Groups**
   Conducting extensive surveys and focus groups with potential buyers could have provided deeper insights into consumer interest, willingness to pay, and perceived value of the truck's features. These methods would have allowed Ford to gather qualitative data on consumer preferences and expectations.
2. **Pilot Programs**
   Implementing pilot programs in key markets could have helped test demand and gather data on consumer purchasing behaviors and preferences. This approach would allow Ford

to adjust its production and marketing strategies based on real-world feedback and sales performance.

3. **Sales Data Analysis**
Analyzing sales data from comparable electric vehicles and traditional trucks could have identified trends and potential market segments. This data could have provided benchmarks for the Lightning's performance and helped Ford set realistic sales targets and pricing strategies.

COMPETITIVE ANALYSIS

Ongoing competitive analysis is crucial for staying ahead in a dynamic market. For the F-150 Lightning, this could have included:

1. **Benchmarking Against Competitors**
Regularly comparing the Lightning's features, pricing, and performance against competitors like the Tesla Cybertruck, Rivian R1T, and GMC Hummer EV would have provided insights into the competitive landscape. Understanding the strengths and weaknesses of competitors could have helped Ford position the Lightning more effectively.
2. **Monitoring Market Entries**
Keeping track of new entrants in the electric truck market and analyzing their potential impact on the Lightning's market share would have allowed Ford to anticipate competitive pressures and adjust its strategies accordingly.
3. **Consumer Sentiment Analysis**
Utilizing social media listening tools and sentiment analysis to understand consumer perceptions of the Lightning relative to its competitors could have provided valuable insights. This data could have informed marketing strategies and helped Ford address any negative perceptions or capitalize on positive feedback.

CONSUMER BEHAVIOR STUDIES

Understanding consumer behavior is vital for tailoring marketing strategies to meet their needs and preferences. For the Lightning, this could have involved:

1. **Behavioral Segmentation**
Segmenting the market based on behavioral data, such as purchase motivations, usage patterns, and attitudes towards electric vehicles, could have helped Ford identify key customer segments and tailor its marketing messages accordingly.
2. **Customer Journey Mapping**
Mapping the customer journey to identify key touchpoints and areas where consumers may encounter barriers or friction could have provided insights into improving the overall buying experience. This approach would help Ford enhance customer satisfaction and loyalty.
3. **Post-Purchase Feedback**
Collecting and analyzing post-purchase feedback to identify areas for improvement and enhance customer satisfaction is crucial. This feedback could have provided Ford with

valuable insights into consumer experiences and helped refine product features and marketing messages.

ECONOMIC IMPACT ASSESSMENTS

Analyzing broader economic trends can provide insights into potential challenges and opportunities. For the Lightning, this could have included:

1. **Macroeconomic Analysis**
   Assessing the impact of inflation, interest rates, and economic growth on consumer spending power and demand for electric vehicles would have helped Ford anticipate potential market fluctuations and adjust its pricing and production strategies accordingly.
2. **Supply Chain Risk Assessment**
   Evaluating potential supply chain disruptions and their impact on production and delivery timelines could have allowed Ford to develop contingency plans and mitigate risks. Understanding supply chain vulnerabilities would be crucial for maintaining production schedules and meeting consumer demand.
3. **Regulatory Analysis**
   Monitoring changes in government policies and incentives related to electric vehicles and their potential impact on demand would have helped Ford align its strategies with regulatory trends. Staying informed about regulatory developments could have allowed Ford to take advantage of incentives and navigate potential challenges.

PRACTICAL APPLICATIONS OF MARKETING RESEARCH

1. **Refined Pricing Strategy**
   With detailed demand and competitive analysis, Ford could have developed a more refined pricing strategy that balanced exclusivity with accessibility. This strategy could have included tiered pricing models, special editions, and targeted promotions to maintain interest and manage supply.
2. **Enhanced Product Positioning**
   Consumer behavior studies and competitive analysis could have informed Ford’s product positioning, highlighting unique features and benefits that set the Lightning apart from competitors. Effective positioning would have emphasized the truck’s innovative capabilities and practical advantages.
3. **Agile Marketing Campaigns**
   Incorporating real-time data analytics and feedback mechanisms into marketing strategies could have enabled Ford to run agile marketing campaigns. These campaigns would have been responsive to market shifts, consumer feedback, and competitive actions, ensuring sustained engagement and sales momentum.
4. **Comprehensive Market Segmentation**
   Detailed market segmentation based on behavioral and demographic data would have allowed Ford to tailor its marketing messages and outreach efforts to specific customer segments. This targeted approach would have maximized the effectiveness of marketing campaigns and enhanced consumer engagement.

5. **Supply Chain Optimization**
   Proactive supply chain risk assessments and contingency planning would have helped Ford manage production and delivery challenges more effectively. Ensuring a stable supply of vehicles would have supported consistent pricing and availability, reducing the need for drastic price adjustments.

CONCLUSION

The launch of the Ford F-150 Lightning marked a significant milestone in the automotive industry, demonstrating Ford's commitment to innovation and sustainability. The initial excitement and high demand for the Lightning underscored the potential of electric trucks to revolutionize the market. However, the subsequent shift from high markups to substantial discounts highlighted the complexities and challenges inherent in introducing a new product in a rapidly evolving market.

This case study has explored the key factors that contributed to the price fluctuations of the F-150 Lightning, including market saturation, economic conditions, competition, consumer sentiment, and supply chain issues. The analysis revealed the critical role that comprehensive marketing research could have played in mitigating these challenges. By leveraging demand analysis, competitive analysis, consumer behavior studies, and economic impact assessments, Ford could have better anticipated market dynamics and developed more effective strategies to ensure the long-term success of the Lightning.

The lessons learned from the F-150 Lightning's launch emphasize the importance of robust market research and adaptive strategies. As the electric vehicle market continues to grow and evolve, automakers must remain vigilant and responsive to changing consumer preferences, competitive pressures, and economic conditions. Effective marketing research provides the insights needed to navigate these complexities, enabling companies to develop products that meet consumer needs, maintain competitive advantage, and achieve sustainable growth.

In conclusion, the Ford F-150 Lightning's journey offers valuable insights for future product launches in the electric vehicle sector and beyond. By understanding and addressing the factors that influence market dynamics, automakers can better position themselves for success in an increasingly competitive and rapidly changing landscape. The F-150 Lightning serves as a testament to the potential of electric vehicles and the importance of strategic market research in driving innovation and sustainability.

QUESTIONS FOR DISCUSSION

1. How can automakers more accurately forecast demand for new products, particularly in emerging markets like electric vehicles, to avoid issues of overproduction or underproduction?
2. What are the potential risks and benefits of using dynamic pricing strategies in the automotive industry, and how can companies balance exclusivity with accessibility to maximize consumer satisfaction and profitability?

3. In a highly competitive market, how can companies effectively differentiate their products and create unique value propositions that resonate with consumers while staying ahead of competitors?
4. What role do consumer behavior studies play in shaping marketing campaigns for new product launches, and how can companies use these insights to enhance customer engagement and loyalty?
5. How can companies proactively manage supply chain risks and economic fluctuations to ensure stable production and delivery timelines, and what strategies can be employed to mitigate the impact of global disruptions on product launches?

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