

Student Handout: Case Study Analysis

Answer Key

Directions: In this case study, you will be examining the company, Not Your Daughter's Jeans and one of their leading products, Tummy Tuck Jeans. After reviewing the case study information below, watch the Paul Solman news segment a second time and look for the following concepts explained. Then discuss and answer the questions below.

Case Study:

- Company: Not Your Daughter's Jeans (NYDJ), based in Los Angeles, California
- Featured Product: Tummy Tuck Jeans
- Market Coverage: U.S. and North America, Australia, New Zealand, Germany, France, Scandinavian countries, UK, Ireland
- Target market: Women over 40 years-old
- Suggested Retail Price: \$100

Important economic concepts involving this product:

1. **Economic down turn in United States:** Over the past year, the U.S. economy has slid into a severe recession. Unemployment is markedly up and stocks and investments have plummeted. Financial sector has been reeling from bank closures and major industries like automobiles and related companies have filed for bankruptcy.

Question: What should be the effect on sales of Tummy Tuck Jeans at \$100/pair in this economic climate?

Sales should be declining

Question: What steps would a company like NYDJ normally take to survive in this type of economic climate?

Cut back on expenses, use cheaper materials, reduce number of employees, downsize manufacturing facilities, cut back on advertising

2. **Weak U.S. dollar:** In recent years, the U.S. dollar has become less valuable than many foreign currencies. In other words, it takes more U.S. dollars to match the unit of currency (yen, Euro, Swedish krona, etc.) in a foreign country.

Question: How has a weak U.S. dollar affected sales of Tummy Tuck Jeans in foreign countries?

Foreign sales are up as the value of the U.S. dollar has dropped in comparison to foreign currency

Question: How has this expansion into foreign markets affected the company's growth?

The company has expanded operations, hiring 30 percent more workers and expanding into facilities three times the size of their previous facility.

3. **Serving a “niche market:”** NYDJ's Tummy Tuck Jeans serves a niche market of women over 40 years old.

Question: According to George Rudes, CEO of NYDJ, why are women over 40 the target market for Tummy Tuck Jeans?

Niche market customers are women over 40 years old who have been neglected by the fashion industry. They want to look stylish but also be comfortable. They are in middle to upper income levels with a stable job and a little more disposable income

4. **Income Elasticity of Demand:** This measures how flexible your demand for a product is to economic changes. If money is tight and the price doesn't change, you will buy less. If cheaper substitutes are available, you'll buy those instead. If your economic condition is good, price won't be as great a factor and you will buy more. Example: In good economic times, you might buy steak. In poor economic times you're more likely to buy hamburger.

“Inelastic demand” measures how inflexible your demand is to a product as a market changes. For products where demand is in-elastic, you don't necessarily buy less as your income lowers. This is especially true for items that are in high demand, are scarce with few substitutes, and/or are a necessity. Example: Gasoline consumption stays steady or declines only slightly even when price raises and/or people's income declines.

Question: According to the news report, is demand for Tummy Tuck Jeans elastic or in-elastic in declining economic conditions?

In-elastic

Question: How do you account for this situation?

The niche market of women over 40 is willing and capable to pay the \$100 price for the jeans even in slower economic times.