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An Analysis of the Marketing Practices of Selected Snowmobile Companies in North America

James G. Eaton

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AN ANALYSIS OF THE MARKETING PRACTICES
OF SELECTED SNOWMOBILE COMPANIES IN NORTH AMERICA

by
James G. Eaton

Bachelor of Science in Business Administration
University of North Dakota 1967

A Thesis

Submitted to the Faculty

of the

University of North Dakota

in partial fulfillment of the requirements

for the Degree of

Master of Science

Grand Forks, North Dakota

August
1970

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This thesis submitted by James G. Eaton in partial fulfillment of the requirements for the Degree of Master of Science from the University of North Dakota is hereby approved by the Faculty Advisory Committee under whom the work has been done.

D. S. Anderson
(Chairman)

Courtney F. Schly

Oswald M. Hager

William Johnson
Dean of the Graduate School

667555

Permission

Title An Analysis of the Marketing Practices of Selected Snowmobile

Companies in North America

Department Marketing

Degree Master of Science

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Date July 14, 1970

ACKNOWLEDGEMENTS

I would like to express my indebtedness to Dr. Donald G. Anderson, Chairman of the Department of Marketing, University of North Dakota, for his time and assistance.

Gratitude is also expressed to Mr. Courtney F. Schley and Mr. Oswald M. Hager for serving on my graduate committee.

Also, I would like to thank Mr. and Mrs. Edward Scholwin, Editors of SnowGoer Magazine, The United States Snowmobile Association, and the selected snowmobile companies for providing me with information which enabled me to complete this thesis.

Finally, the writer wishes to express his gratitude to his wife, Jan, whose patience, encouragement, and assistance contributed immeasurably to the success of this study.

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ABSTRACT

This thesis describes and analyzes the marketing practices of snowmobile companies in North America. The data were obtained principally from a review of related literature and from structured interviews with representatives from selected snowmobile companies in North America. The main topics discussed in the thesis are: consumer attitudes, channels of distribution, methods of physical distribution, pricing methods and policies, advertising methods and sales promotion.

Snowmobiles were purchased primarily for personal pleasure, racing, and family pleasure. Three major characteristics considered by consumers in choosing a brand of snowmobile were the dependability and reliability of the snowmobile, the quality of the construction of the snowmobile, and the availability of parts and service.

The channels of distribution employed by snowmobile companies were the manufacturer-distributor-retailer-consumer channel, manufacturer-retailer-consumer channel, and the manufacturer-distributor channel. Twenty-one snowmobile companies employed the manufacturer-distributor-consumer-retailer channel.

Four methods of transporting snowmobiles were trucks, railroads, ships, and airplanes. Trucks were employed by all of the snowmobile companies surveyed to transport snowmobiles.

Cost-plus pricing was employed by sixteen of the snowmobile companies surveyed for the determination of prices for snowmobiles. Trade, quantity, cash, and seasonal discounts were granted to middlemen.

The mean advertising expenditure of the snowmobile companies surveyed was 5.2 percent of the yearly gross revenue. Magazines were the most commonly used advertising medium. Television was adjudged to be the most effective advertising medium for snowmobile companies.

All of the snowmobile companies assisted their middlemen in numerous sales promotion activities.

CHAPTER I

INTRODUCTION

Purpose

The purpose of this thesis is to describe and analyze the marketing practices of selected snowmobile companies in North America. The American Marketing Association defines marketing as, "the performance of business activities that direct the flow of goods and services from producer to consumer or user."¹ Snowmobile is the accepted term used to describe motorized sleds, power toboggans or "Ski-Doos," the latter being the brand name of the most popular machine on the market. These machines are track-type vehicles capable of operating on all types of ice and snow conditions.

Sources of Information

A major part of the information for this study has been taken from issues of the SnowGoer magazine and SnowGoer trade journal. These publications are the official publications within the industry and have been published monthly since September, 1966. Additional information has been obtained from the United States Snowmobile Association, related periodicals, and

¹ The Committee on Definitions of the American Marketing Association, Marketing Definitions (Chicago: American Marketing Association, 1960), p. 15.

structured personal interviews with representatives from the snowmobile firms under study.

Approach

The structure of this study was divided into four major activities:

(1) review of related literature, particularly SnoGoer publications; (2) structured interviews with representatives in attendance at the International Snowmobile Trade Show on June 27, 28, and 29, 1969; (3) evaluation of the data from the structured interviews; and (4) formulation of findings and conclusions. All thirty-one producers of snowmobiles in North America were at the International Snowmobile Trade Show in June, 1969 in Minneapolis, Minnesota. Information from the structured interviews was obtained by asking the company representatives to answer the questions that appeared on the questionnaire. A copy of the questionnaire is located in Appendix A.

Limitations

There were thirty-one known snowmobile firms in North America as of July 1, 1969. Not all of these snowmobile firms could be contacted. However, it is assumed that the replies of those snowmobile firms contacted were representative of the population of snowmobile firms in North America.

Organization of the Study

The history of the snowmobile industry in North America is discussed in Chapter II. The economic importance of the snowmobile industry is also considered in Chapter II.

Consumer attitudes with respect to snowmobiles are examined in Chapter III. The examination centers on the purposes for which snowmobiles are purchased and the considerations in choosing a brand of snowmobile by consumers.

Chapter IV describes the marketing channels of distribution, the criteria used in the selection of middlemen, the methods of physical distribution and the geographical areas of distribution.

Pricing and promotion methods and policies by snowmobile companies are analyzed in Chapter V.

Chapter VI contains a summation of the thesis and the writer's conclusions regarding the snowmobile industry in North America.

CHAPTER II
HISTORY AND ECONOMIC IMPORTANCE OF
THE SNOWMOBILE INDUSTRY

This chapter discusses the development of the snowmobile industry in North America. In the chapter is an evaluation of the importance of the snowmobile industry including estimates of past and present industry and company sales.

Development of the Snowmobile Industry

The first known motor vehicles used to travel across snow were motorized sleds used by Commander R. F. Scott in his 1910-1912 Antarctic expedition. The machines functioned for the first part of the polar trip but failed under exposure to the extreme cold weather.²

From 1912 to 1926, there were no known attempts of anyone using a motorized vehicle to travel across snow or ice. In 1926, however, Joseph-Armand Bombardier of Valcourt, Quebec, Canada began experimenting with vehicles to cross the snow. His first vehicle was a sled with an aircraft engine and propeller mounted on the rear portion of the machine to supply it

²Kenneth G. Ellsworth, "Snowmobile Sales Soar," Automotive Industries, November 1, 1968, p. 59.

with power. Bombardier realized that small machines using automobile or aircraft engines were too heavy to stay on top of the snow and abandoned the idea of a small motorized snow vehicle. Instead, he turned his attention to larger units. In 1938 he succeeded in building a snowmobile for sportsmen. He opened a factory in 1940 with thirteen employees in Valcourt, Quebec, Canada. Sales of this small snowmobile were of limited volume until 1958. In 1958, Bombardier introduced a two-seater Ski-Dog as a replacement for dog sleds. Outdoorsmen who saw the Ski-Dog misconstrued the name as "Ski-Doo" and this name became the brand name. Production in 1959 was 250 units followed by 1250 units in 1960.³

In 1927, while Joseph-Armand Bombardier was experimenting with large vehicles to travel across the snow, Carl Eliason of Saynor, Wisconsin obtained patents on a motor toboggan. His intention was to develop a comfortable means of travel over snowbound trails. Eliason's first unit consisted of a modified 2.5 horsepower outboard motor which rotated wooden lugs on a revolving belt. Multiple skis provided the lift and support for the motor toboggan.

Limited production hampered Carl Eliason's efforts to sell his snowmobile. However, he did sell more than forty of his motor toboggans from 1927 to 1930. Orders eventually increased to the extent where Carl Eliason could not produce enough snowmobiles to fill the orders so that, in 1939, he

³William T. McKeown, "Turning On the Off Season," Camping Trade Journal, Fall, 1967, p. 19.

contracted with a large manufacturer of heavy mobile equipment to mass produce the motorized toboggan. Sales continued until World War II, when production had to be set aside.

A third type of snowmobile was also developed in the late 1920's and early thirties. This type of snowmobile represented a conversion of snow vehicles. This was accomplished by the substitution of skis for the front wheels of the automobile and by the addition of various track mechanisms to the rear wheels for propulsion. These vehicles were mainly designed for commercial purposes and had very little recreational value.

The successful introduction of Skidoos by Bombardier, Ltd., resulted in the entry of competitive firms. In 1958, Polaris Industries entered the snowmobile industry when the company began producing snowmobiles on a commercial basis. The entrance of Polaris Industries was soon followed by Artic Enterprises, Larson Industries, Outboard Marine, American Machine and Foundry, Bolens, and Trail-A-Sled Corporation. Today the snowmobile industry is composed of an estimated forty manufacturers including twelve in Canada and three in Europe.

Economic Importance of the Snowmobile Industry

Snowmobiling has become the fastest growing winter sport in North America and has grown from a one hundred thousand dollar industry in the 1962-63 season to a four hundred million dollar industry in the 1969-70 season. Shown in Table I are the estimated unit sales from 1962 to 1970.

Bombardier, Ltd., has been the industry leader since it first introduced its snowmobile in 1958. Other large producers are Artic Enterprises, Polaris Industries, Sno-Jet Incorporated, and Industries Bouchard Incorporated.

TABLE 1

ESTIMATED UNIT SALES OF SNOWMOBILES^a

Year	Total U.S. and Canada
1962-63	10,000
1963-64	15,000
1964-65	30,000
1965-66	58,000
1966-67	95,000
1967-68	160,000
1968-69	225,000
1969-70	350,000 ^b

^aInternational Snowmobile Industry Association, "Report on Snowmobile Industry Sales," Washington, D.C., 1969 (Mimeographed).

^b"A Red Hot Winter for Snowmobiles," Business Week, January 10, 1970, p. 34.

Table 2 indicates the relationship of estimated unit sales to the number of years in operation of the snowmobile companies surveyed. Snowmobile companies that entered the snowmobile industry in its pioneering stage became the industry leaders. Of the snowmobile companies surveyed, the top six leaders in unit sales have all been in operation over six years.

One economic contribution made by the development of the snowmobile industry has been the addition of new sources of revenue for the distributors

of marine products. Eighty-six percent of the snowmobile companies have established marine products distributors as middlemen in their distribution system.⁴ The addition of a line of snowmobiles to that of marine products accounted for an estimated 15-20 percent total snowmobile-marine distributor sales in the 1968-69 season.⁵ Many distributors will exceed a gross revenue of \$50,000 each in 1970, selling an item unheard of ten years ago plus giving marine distributors a year-around business. Lawn and garden supply distributors, motorcycle distributors and automobile service stations also reap additional revenue from the sales of snowmobiles.

TABLE 2

RELATIONSHIP OF ESTIMATED UNIT SALES TO YEARS IN OPERATION^a

Estimated Unit Sales 1968-69	Years in Operation					Total Number of Companies in Each Classification
	1-2	3-4	5-6	7-8	9-10	
Under 4,999	3	4	3			10
5,000-9,999	1		2			3
10,000-14,999		2	1	1		4
15,000 or more			3		3	6
Total	4	6	9	1	3	23

^aSurvey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

⁴Survey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

⁵Ken Berglund, "Dealers in the Snowmobile Capital Report Good Sales Despite Lack of Snow Cover," Recreational Industry, June, 1968, p. 142.

Manufacturers of trailers, sleds, cold weather clothing, and other adaptable accessories are receiving a new form of revenue due to the development of the snowmobile industry.

Snowmobilers are purchasing this accessory equipment that is desirable for the complete operation of a snowmobile. Examples of other industries that have seen an increase in their revenue due to the snowmobile are the insurance and building materials industries. The investment of over a thousand dollars in a snowmobile and accessory equipment has resulted in the purchase of insurance to protect the investment from damage or theft. Many snowmobilers are also purchasing insurance to guard against the costs of injury either to themselves or to passengers. The purchase of building materials for converting previous summer resorts and private cabins into year-around use has resulted in an increase in revenue for the building materials industry.

Many communities are also benefiting from the development of the snowmobile industry. For example, in 1969, a one-week snowmobile marathon brought 1.5 million dollars in business to the little town of Rhinelander, Wisconsin. In addition, parks which used to be empty and deserted for eight months are now inhabited all year around. An example, Yellowstone Park, which was formerly deserted in the winter time, is now occupied with snowmobilers. Obtaining reservations to tour Yellowstone Park on the two big ten-passenger snowmobiles during the weekends is almost impossible due to the new year-around popularity of the snowmobile in the park.

Summary

Motorized sleds used by Commander R. F. Scott in his 1910-to-1912 Polar expedition was the first known account of using motorized vehicles to travel across snow. Joseph-Armand Bombardier and Carl Eliason in 1926 and 1927 respectively developed replicas of the modern-day snowmobile. Conversions of automobiles into snow vehicles came about in the late 1920's and early 1930's. The introduction of snowmobiles by Bombardier, Ltd., Canada, in 1958 resulted in the entry of many competitive firms.

Snowmobiling has grown from a one hundred million dollar industry in the 1962-63 season to a four hundred million dollar industry in the 1968-70 season. Bombardier, Ltd., has been the industry leader since it first introduced its snowmobile. Snowmobile companies that entered the snowmobile industry its pioneering stage became the industry leaders. Marine products distributors, communities, national parks, and others are receiving additional revenue from the development of the snowmobile industry. The development of the snowmobile industry has also created revenue for those companies that manufacture adaptable accessories which are used in the operation of a snowmobile.

CHAPTER III

CONSUMER ATTITUDES WITH RESPECT TO SNOWMOBILES

Chapter III centers on the purposes for which snowmobiles are purchased and on the characteristics consumers consider in choosing a particular brand of snowmobile.

Purposes For Which Snowmobiles Are Purchased

There are many purposes for which snowmobiles are purchased. Personal pleasure, racing, and family pleasure were the three major purposes for which snowmobiles were purchased in 1968, according to a study published by the United States Snowmobile Association in May, 1968.⁶ In the study by the United States Snowmobile Association, personal pleasure was explained as all general references to fun or pleasure and family pleasure was interpreted as references to fun or pleasure in which specific mention of "family" was present. Racing was construed to mean the purchase of a snowmobile for the purpose of entering a contest of speed.

Though snowmobiles were developed as a replacement for the dog sled, many individuals saw the snowmobile as a means of personal pleasure. The

⁶United States Snowmobile Association, "Snowmobile Usage and Attitude Study," May, 1968, p. 6.

use of the snowmobile for this purpose has developed to the extent that approximately 50 percent of the snowmobiles purchased were for this reason. Industry representatives state that snowmobiles have become a permanent means of personal pleasure.⁷ Reasons given by industry representatives as to why snowmobiles have become a permanent means of personal pleasure were: (1) the winter season is longer in some areas than the summer, therefore the ways for spending leisure time are much fewer, and (2) consumers have the money and desire to purchase snowmobiles in order to fulfill their winter recreational needs.⁸

The second most frequently mentioned purpose for purchasing snowmobiles was racing. The organized racing of snowmobiles has grown from less than one hundred events in 1964 to over a predicted one thousand events in 1970.⁹ Reasons for the growth of organized snowmobile racing are lucrative monetary prizes, new and different types of events, including events for the entire family, and a reduction of dangers associated with racing.

A third major purpose for purchasing snowmobiles was family pleasure. Seventy-seven percent of the snowmobile consumers were married and 86 percent of these had children.¹⁰ Modern snowmobiles can be safely

⁷McKeown, Camping Trade Journal, p. 21.

⁸Ibid.

⁹Marty Nordstrom, "A Red Hot Winter for Snowmobiles," Business Week, January 10, 1970, p. 34.

¹⁰"The V.I.P., The Snowmobile Consumer," SnowGoer, September, 1969, p. 2.

driven by women or school-age children. This is evidenced by the fact that women and children operated over 56 percent of the snowmobiles in existence in 1968.¹¹ The use of the snowmobile by women and children has added to the popularity of the snowmobile for family recreation.

The relative importance of the various purposes for which snowmobiles were purchased is shown in Table 3.

TABLE 3
PURPOSES FOR WHICH SNOWMOBILES WERE PURCHASED^a

Purpose	Percent of Respondents Who Indicated Purpose
Personal pleasure ^b	47
Racing	20
Family pleasure ^c	14
Trail or pleasure riding	7
Hunting, fishing, or trapping	6
Scenic exploration	3
Business, utility, or rescue	2
Other	1

^aUnited States Snowmobile Association, "Snowmobile Usage and Attitude Study," May, 1968, p. 6.

^bPersonal pleasure includes all general references to fun or pleasure.

^cFamily pleasure includes all general references to fun or pleasure in which specific mention of "family" was present.

¹¹
Ibid., p. 9.

Consideration of the Characteristics in Choosing
a Brand of Snowmobile

Consumers rate many characteristics of snowmobiles as important in choosing among the various brands of snowmobiles. Knowledge of these characteristics has assisted the snowmobile manufacturers in developing their marketing strategies.

Consumers stated that the three most important characteristics in choosing a brand of snowmobile were the dependability and reliability of the snowmobile, quality of the construction of the snowmobile, and the availability of parts and service.¹²

The most important characteristics in choosing a brand of snowmobile was the dependability and reliability of the particular brand of snowmobile. Snowmobiles are used for driving through parks and forests, and for cross country excursions and races. These uses necessitate a dependable and reliable brand of snowmobile since no immediate aid is available should the snowmobile cease to operate.

The second most important characteristic mentioned in brand selection was that of the construction of the snowmobile. Snowmobiles are subjected to extreme adverse weather conditions, rough terrain, and physical abuse which requires a well-built, quality constructed snowmobile.

A third major characteristic in choosing a brand of snowmobile was the availability of parts and service for a particular brand of snowmobile. Snow-

¹²United States Snowmobile Association, "Snowmobile Usage and Attitude Study," p. 5.

mobiles require periodic maintenance and replacement of parts which must be available in order that the consumer can enjoy continual and satisfactory snowmobile performance.

Other important characteristics mentioned in brand selection were: the experience and reputation of the manufacturer in producing snowmobiles, the speed of the snowmobile, and the weight of the snowmobile.

The characteristics considered as most important in choosing a particular brand of snowmobile are summarized in Table 4.

TABLE 4
CHARACTERISTICS IN CHOOSING A BRAND OF SNOWMOBILE^a

Characteristic	Percent of Respondents Naming Each Characteristic
Dependability, reliability	18
Quality of construction	16
Parts and service availability	13
Experience and reputation of manufacturer	11
Speed	10
Cost	10
Maneuverability	8
Lightness	8
Weight	6

^a United States Snowmobile Association, "Snowmobile Usage and Attitude Study," May, 1968, p. 5.

Summary

Snowmobiles are purchased mainly for three purposes: personal pleasure, racing, and family pleasure. Approximately 50 percent of the snowmobiles purchased are for personal pleasure. Racing and family pleasure account for 20 percent and 14 percent respectively as purposes for purchasing snowmobiles.

Of the many characteristics that consumers consider in choosing a snowmobile, the dependability and reliability of a snowmobile were the most important characteristics. Other important characteristics were the quality of construction, parts and service availability, experience and reputation of the manufacturer, speed, and the cost of the snowmobile.

CHAPTER IV

DISTRIBUTION OF SNOWMOBILES

A discussion of the channels of distribution employed by snowmobile companies, the criteria used in the selection of the middleman, the methods of physical distribution of snowmobiles, and the geographical areas of distribution are presented in this chapter.

Channels of Distribution Employed by Snowmobile Companies

The American Marketing Association defines a channel of distribution as, "the structure of intracompany organization units and extracompany agents and dealers, wholesale and retail, through which a commodity, product or service is marketed."¹³

Snowmobile companies employ either one, or a combination of several channels of distribution in distributing their snowmobiles to the consumer.¹⁴ None of the snowmobile companies surveyed distributed their snowmobiles directly to the consumer. Instead, middlemen were used to distribute

¹³The Committee on Definitions of the American Marketing Association, Marketing Definitions, p. 16.

¹⁴Survey of Snowmobile Companies in North America by James G. Eaton, July 27-29, 1969.

snowmobiles to the consumer. A middleman is an independent business concern which performs activities and services in the purchase and/or sale of products, ideas, or services as they move from producer to consumer.¹⁵

The middlemen used in the snowmobile industry are distributors and retailers.

Channels of distribution can be classified into two categories: (1) long, or indirect, channels of distribution; and (2) short, or direct, channels of distribution. A long channel of distribution is construed to mean the inclusion of two or more middlemen in the channel of distribution. A short channel of distribution is characterized by the use of less than two middlemen between the snowmobile manufacturer and the consumer. An example of a long channel of distribution in the snowmobile industry is the channel of manufacturer-distributor-retailer-consumer.

Manufacturer-Distributor-Retailer-Consumer .--The most widely used channel of distribution was the channel of manufacturer-distributor-retailer-consumer. Twenty-one of the twenty-three snowmobile companies surveyed used this channel of distribution. Eleven of the snowmobile companies employed this channel exclusively to distribute their snowmobiles. Seven of the eleven companies that employed this channel exclusively had been in operation for over five years and five of these were industry leaders in unit sales. The remaining ten snowmobile companies that used the manufacturer-

¹⁵William J. Stanton, Fundamentals of Marketing (New York: McGraw-Hill Book Company, 1967), p. 251.

distributor-retailer-consumer channel employed the channel in combination with either the manufacturer-distributor-consumer channel, or the manufacturer-retailer-consumer channel. Seven snowmobile manufacturers used the manufacturer-distributor-retailer-consumer channel to market over 75 percent of their snowmobiles, while three companies used this channel for the distribution of less than 20 percent of their snowmobiles.

There are several principal reasons for the use of long channels of distribution by snowmobile companies.

First, the snowmobile manufacturer can avail himself of the middleman's knowledge of, and experience with, a given market area or groups of consumers.

Second, the snowmobile company can sell through middlemen, whose prestige in their individual areas is far greater than the prestige of the snowmobile company. Selling through reputable middlemen is a very effective method of securing favorable consumer recognition throughout the market.

Third, the snowmobile manufacturer can gain access to market segments otherwise barred to him.

Fourth, the snowmobile manufacturer can utilize middlemen where direct sales are unprofitable.

Fifth, the snowmobile manufacturer need not make a large financial commitment on a long-term basis. National, as well as international, markets can be tapped by even the smallest of snowmobile companies utilizing middlemen.

Sixth, the snowmobile company can acquire a reduction in the unit freight costs. This can be obtained by shipping smaller quantities from the manufacturer to the retailer.

Manufacturer-Retailer-Consumer .--Short channels of distribution used by the snowmobile companies surveyed were the channels of manufacturer-retailer-consumer and manufacturer-distributor-consumer.

The manufacturer-retailer-consumer channel of distribution was used by seven snowmobile companies. Six snowmobile companies employed this channel in combination with the manufacturer-distributor-retailer-consumer channel. One company used this channel exclusively in marketing its snowmobiles. Three companies employed the manufacturer-retailer-consumer channel to market from 80 to 90 percent of their snowmobiles, while three other companies employed this channel for less than 15 percent of the snowmobiles marketed.

Manufacturer-Distributor-Consumer .--Five snowmobile companies used this channel of distribution to market their snowmobiles. Four snowmobile companies used this channel to market less than 25 percent of their snowmobiles, while employing the manufacturer-distributor-retailer-consumer channel the remainder of the time. One company used this channel exclusively in marketing its snowmobile.

There are several benefits derived from the use of short channels of distribution.

First, the snowmobile company is able to maintain a closer relationship to its market than by the use of long channels.

Second, short channels permit sales presentations to the middleman by a salesman who is able to concentrate his selling efforts upon a single product or line. If the sales presentation is made through several middlemen, the middlemen's efforts are diversified over a wide variety of products and lines, thus reducing the selling efforts on a single product or line.

Third, the snowmobile company obtains better and closer cooperation from the middlemen in furthering the sale of its product or products.

Fourth, the snowmobile company acquires better control over the distribution of snowmobiles. The use of only one middleman permits greater communication between the snowmobile company and the middleman. This enables the company to have better control over the distribution of snowmobiles, than when several middlemen are used.

Fifth, the physical distribution of snowmobiles is more rapid than when long channels of distribution are utilized.

Table 5 on the following page indicates the number of snowmobile companies using each channel of distribution and the percentage of snowmobiles marketed by each company.

Criteria Used in the Selection of the Middlemen

Certain criteria are used to select the correct middlemen for a snowmobile company's channel or channels of distribution. Eight criteria were

employed to select the retailers and distributors by the snowmobile companies surveyed.

TABLE 5

CHANNELS OF DISTRIBUTION EMPLOYED AND THE PERCENTAGE OF SNOWMOBILES MARKETED THROUGH EACH CHANNEL^a

Percentage of Snowmobiles Marketed	Channel of Distribution		
	Manufacturer to Distributor to Retailer to Consumer	Manufacturer to Retailer to Consumer	Manufacturer to Distributor to Consumer
	Number of Companies		
1-10	1	2	0
11-20	2	1	2
21-30	0	0	2
70-79	2	0	0
80-89	1	2	0
90-99	4	1	0
100	11	1	1
Total ^b	21	7	5

^a Survey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

^b Total exceeds twenty-three companies due to the use of more than one channel by a company.

Financial resources of the middlemen. --All of the twenty-three snowmobile companies surveyed cited the financial resources of the middlemen as a consideration in selecting their retailers and distributors. Adequate financial resources were needed by the middlemen in order to perform the marketing activities as prescribed by the various snowmobile companies.

The middlemen's capacity to handle snowmobiles. --Twenty-one of the snowmobile companies cited this measure in selecting the middlemen. Capacity, in terms of physical facilities and personnel resources, was considered to be an important criterion, since it helped to determine whether the addition of snowmobiles to the middleman's product line could be accommodated to the snowmobile company's requirements.

The amount of effort that the middlemen had agreed to expend in selling snowmobiles. --Nineteen of the snowmobile companies surveyed employed this criterion in selecting their retailers and distributors. The amount of effort that the retailers and distributors had agreed to expend allowed the snowmobile companies to evaluate the amount of effort in terms of what they felt was necessary to market snowmobiles according to their specifications.

The geographic area served by the distributors and retailers. --Fourteen snowmobile companies considered the geographic area served by the distributors and retailers an important factor because of both the present and potential snowmobile sales in that area.

The condition of the middleman's physical facilities. --Thirteen snowmobile manufacturers employed this measure in selecting their middlemen. Good physical facilities were important because they reduced product deterioration from the weather and enhanced the consumer's image of both the snowmobile companies and the middleman.

The complementary product line handled by the middlemen. --Six snowmobile companies cited this criterion in selecting the middlemen. Snowmobile manufacturers sought distributors and retailers whose existing product line would aid the marketing of snowmobiles. The depth, quality, and price of the complementary product line were also considered in selecting the middlemen. The complementary product lines of the middlemen, who marketed snowmobiles in 1968-69, were marine products, motorcycles, lawn and garden equipment, and others.

The ability to service snowmobiles. --Four snowmobile companies considered the ability to service snowmobiles in selecting distributors and retailers. Snowmobiles require both presale and postsale service, as well as an explanation of the mechanical aspects of the product, by the middlemen. Consumers rated the ability of the middlemen to provide parts and services as a primary consideration in the purchase of a brand of snowmobile.¹⁶

¹⁶The United States Snowmobile Association, "Snowmobile Usage and Attitude Study," p. 6.

The mental attitude of the distributors and retailers towards the snowmobile company. --One snowmobile company cited the use of this criterion in the selection of the middlemen. A "positive" attitude helped solidify the relationship between the middleman and the snowmobile company.

Table 6 indicates the percentage of snowmobile companies employing each criterion in selecting their middlemen.

TABLE 6

PERCENTAGE OF SNOWMOBILE COMPANIES EMPLOYING EACH
CRITERION IN SELECTING THEIR MIDDLEMEN^a

Criteria	Number of Companies Using Each Criterion
Financial resources of distributors and retailers	23
Capacity to handle snowmobiles	21
Amount of effort agreed upon to expend in selling snowmobiles	20
Geographic area	14
Condition of physical facilities	13
Complementary product line already being marketed	6
Ability to service snowmobiles	4
Attitude of distributors and retailers toward snowmobile companies	1

^aSurvey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

Methods of Physical Distribution

Physical distribution is defined as, "the management of movement and handling of goods from the point of production to the point of consumption or use."¹⁷

Four methods of transporting snowmobiles between major terminal points were used by the snowmobile companies surveyed.¹⁸ The methods used were trucks, railroads, ships, and airplanes. These four methods, as well as others, were also used in the pickup and delivery of the snowmobiles from the major terminal points. However, this thesis is concerned with methods employed in transporting snowmobiles between major terminal points.

Trucks.--All of the twenty-three companies surveyed used trucks to distribute snowmobiles. Nine of the snowmobile companies used trucks exclusively in transporting their snowmobiles to their distributors and retailers. Another seven of the snowmobile companies employed trucks to transport over 90 percent of their snowmobiles, and trucks were used to transport at least 60 percent of the snowmobiles by the remaining snowmobile companies.

Reasons given by the snowmobile companies for the use of trucks over other forms of transportation were as follows: (1) trucks had, by reason of relatively small units involved, the ability to provide greater frequency of

¹⁷The Committee on Definitions of the American Marketing Association, Marketing Definitions, p. 21.

¹⁸Survey of Snowmobile Companies in North America by James G. Eaton, July 27-29, 1969.

service; (2) trucks were faster than railroads in delivering snowmobiles to the middlemen; (3) trucks were able to deliver the snowmobiles to the middlemen in better condition; (4) trucks enabled snowmobile companies to reach markets inaccessible by other means of transportation; (5) trucks displayed greater flexibility; (6) trucks were more readily available than other forms of transportation.

Limitations cited by the snowmobile companies surveyed in employing trucks to transport snowmobiles included non-controllable factors, such as weather and weight restrictions which limited dependability of service and the high initial investment expense of purchasing trucks.

Railroads. --The second most widely used method of physical distribution was railroads. They were employed in conjunction with trucks and ships to distribute snowmobiles. Ten of the snowmobile companies used railroads to transport up to 25 percent of their snowmobiles, with the median use being 10 percent of snowmobiles transported.

Benefits derived from the use of railroads to transport snowmobiles were cited by snowmobile companies as these: (1) railroads were the most economical method of transportation over long distance; (2) railroads were capable of moving large quantities of snowmobiles; (3) railroads provided the snowmobile companies with the opportunity of diverting snowmobiles to different markets while in transit.

Limitations upon the use of railroads by snowmobile companies were: (1) railroads were costly and inefficient on short distances; (2) railroads were

inflexible as to the routes desired; (3) railroads required greater time for delivery of snowmobiles than alternative means of transportation.

Ships.--The third method of physical distribution employed to transport snowmobiles was ships. They were used to transport snowmobiles via ocean routes to countries other than the United States and Canada by seven of the snowmobile companies. The seven companies transported from 1 to 10 percent of their snowmobiles by ships.

Ships were used to transport snowmobiles because they proved to be the most inexpensive method of transportation available, provided a large snowmobile movement capability, and presented the most feasible method of transportation of snowmobiles to other countries.

The inconvenience of ships, slow speed, and the extensive and protective packaging required, limited the use of ships to transport snowmobiles.

Airplanes.--One snowmobile company used airplanes to transport a very small percentage of its snowmobiles. The use of airplanes as a method for the physical distribution of snowmobiles were impeded by two major restrictions: (1) airplanes were incapable of transporting large quantities of snowmobiles at one time; (2) airplanes' freight charges were extremely high.

Middlemen were provided by some snowmobile companies with the option of either having the snowmobile manufacturer deliver the snowmobiles to them or transporting the snowmobiles by their own transportation methods. Eight of the snowmobile companies permitted middlemen to use their own

facilities to transport snowmobiles. All of these snowmobile companies restricted this option to middlemen located within a geographic area of 150 miles from the snowmobile manufacturing facility.

One disadvantage of this method, as cited by the snowmobile companies surveyed, was that it made accounting procedures and inventory control more difficult for the snowmobile company. Another disadvantage was that the middlemen who were able to procure the snowmobiles at the manufacturing facility had a cost advantage over those middlemen who did not have transportation facilities to procure the snowmobiles at the snowmobile company's manufacturing facility.

Geographical Areas of Distribution

Snowmobiles are marketed in the United States, Canada, Europe, Japan, Australia, and South America. All of the twenty-three snowmobile companies surveyed marketed snowmobiles within the United States. Six of the snowmobile companies reported that they distributed snowmobiles only within the United States, while eight snowmobile companies marketed snowmobiles in both the United States and Canada. Nine snowmobile companies marketed snowmobiles to North America, Europe, Japan, Australia, and South America. Five of the companies that marketed snowmobiles outside the United States and Canada were industry leaders in unit sales and had been in operation for over five years.

Summary

Snowmobile companies employ several channels in the distribution of snowmobiles to the consumer. The channel of manufacturer-distributor-retailer-consumer was the most widely used channel, with eleven of the twenty-three snowmobile companies using it. The remaining snowmobile companies used the manufacturer-distributor-consumer channel, manufacturer-retailer-consumer, or a combination of all three channels.

Eight criteria were used by the snowmobile companies to select middlemen. The financial resources of the middlemen was used as a measure by all of the snowmobile companies. Other widely used criteria were: the capacity to handle snowmobiles; the amount of effort the middlemen were willing to expend in selling snowmobiles; the geographic area served by the middlemen; and the condition of the middleman's physical facilities.

Five methods of physical distribution were employed by the snowmobile companies surveyed. Trucks were used by all twenty-three snowmobile companies to transport snowmobiles. Other methods employed were railroads, ships, airplanes, and the middlemen procuring the snowmobiles at the manufacturing facility.

All of the twenty-three snowmobile companies reported that they marketed snowmobiles to the "snow" regions of the United States. Snowmobiles were also marketed by some companies to parts of Canada, Europe, and to several countries in the rest of the world.

CHAPTER V

PRICING AND PROMOTION METHODS AND POLICIES

This chapter discusses the competitive elements of pricing and promotion by the snowmobile companies surveyed. Specifically, this chapter analyzes the methods used to determine the prices of snowmobiles, the type of discounts used, the geographic pricing policies and financing practices employed, the revenue spent on advertising, the methods used to determine the amount of revenue spent on advertising, the media used by the snowmobile companies, and the snowmobile companies' sales promotion assistance to the middlemen.

Pricing Methods and Policies

Price is defined as, "the amount of money which is needed to acquire in exchange some combined assortment of a product and its accompanying services."¹⁹

The price of a snowmobile is a major determinant of the market demand for snowmobiles, affects the firms competitive position and its share of the market, and influences both the revenue and profit of the enterprise.

¹⁹William J. Stanton, Fundamentals of Marketing, p. 404.

The pricing methods employed by the snowmobile companies surveyed are shown in Table 7.

TABLE 7
PRICING METHODS EMPLOYED BY SNOWMOBILE
COMPANIES SURVEYED^a

Method	Number of Companies	Percentage of Companies
Cost-plus a certain percentage figure	16	69
Competitor's market price	5	22
Combination of cost-plus a certain percentage figure and competitor's market price	2	9
TOTAL	23	100

^aSurvey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

Cost-plus pricing. --The simplest method of pricing is to increase the cost of a product by an established percentage markup.²⁰ The percentage is determined by past experience. Cost-plus pricing takes into consideration only one of the major factors in pricing, cost. Cost-plus pricing is concerned

²⁰E. Jerome McCarthy, Basic Marketing: A Managerial Approach (Homewood, Illinois: Richard D. Irwin, Inc., 1960), p. 253.

with setting a profitable markup above an item's cost. The cost-plus method of pricing can be revised to account for variations in the behavior of costs.

Sixteen of the twenty-three snowmobile companies employed this method of pricing.²¹ The snowmobile companies indicated that costs had to be checked and control over costs maintained. Since all costs do not behave in the same way whenever production expands or contracts, the average cost may change considerably as output changes.

Competitors' market price. --The second most widely used method of determining prices of snowmobiles was to set prices in relation to those of the competitor's market price. When employing this method of price determination, prices are set in relation only to the competitive market price. Cost in no way determines the price. This market-equated method of pricing is simply to apply. The company ascertains the prices of the competitor's products and, after allowing for customary markups for the middlemen, arrives at its own selling price.

The five snowmobile companies using the method of selling prices at the competitor's market price indicated that competition on a non-price basis was more desirable. Attention was then focused on quality differences, advertising, and salesmanship.

Combination of cost-plus pricing and competitors' market price. -- Two of the snowmobile companies surveyed used this combination of methods in

²¹Survey of Selected Snowmobile Companies in North America by James G. Eaton, July 27-29, 1969.

determining prices of snowmobiles. In the combination method of price determination, a company combines cost-plus pricing with a consideration of market prices to arrive at a price for its product.

Discounts

All of the snowmobile companies surveyed granted at least one type of discount.²² A deduction from the list price of the snowmobile was granted by snowmobile companies to middlemen. The philosophy underlying discounts is that middlemen will, in return, perform some marketing activities whose value to the snowmobile company will be equivalent to the amount of the discount.

Trade discounts. --All of the snowmobile companies surveyed granted trade discounts to their middlemen. Trade discounts are a reduction from the list price offered to the middlemen in payment for marketing functions which they will presumably perform.²³ All of the snowmobile companies surveyed granted the distributors a 40 percent discount off the list price. Retailers were granted a 25 percent discount by seventeen of the snowmobile companies and a 20 percent discount by the remaining six snowmobile companies.

Seasonal discounts. --Eight of the snowmobile companies surveyed granted seasonal discounts. A seasonal discount is a deduction from the

²² Survey of Selected Snowmobile Firms in North America by James G. Eaton, July 27-29, 1969.

²³ William J. Stanton, Fundamentals of Marketing, p. 446.

dollar amount of the snowmobile order during the slack season.²⁴ The slack season in the snowmobile year usually occurs between April to September but varies by the amount of snow and the extent of winter weather. Off-season orders enable the snowmobile companies to level out their production schedules and make more efficient use of their facilities. Five snowmobile companies granted a 3 percent discount, two companies a 4 percent discount, and one company a 1 percent discount between April 1st and September 1st.

Cash discounts. --Seven of the snowmobile companies gave cash discounts to the middlemen. A cash discount is a deduction from the price granted to the middleman for paying his bill within a specified period of time.²⁵

Thirteen of the snowmobile companies which granted cash discounts offered a deduction of 2 percent if the bill was paid within ten days. Seven companies offered a deduction of 1 percent if paid within ten days. The other snowmobile companies offered a discount of 1 to 3 percent off the bill depending on the time of the year.

Quantity discounts. --Three snowmobile companies surveyed granted discounts to their middlemen. Quantity discounts are deductions granted from list prices by companies to encourage their middlemen to buy in larger amounts or to concentrate purchases with one particular snowmobile company.²⁶

²⁴ Ibid., p. 449.

²⁵ Ibid., p. 448.

²⁶ Ibid., p. 446.

Non-cumulative discounts of 4 percent were granted by two companies to retailers who purchased more than six snowmobiles per order. A 3 percent discount was offered by the other firm.

Table 8 indicates the types of discounts and the number of snowmobile companies granting each discount.

TABLE 8
DISCOUNTS GRANTED BY SNOWMOBILE COMPANIES SURVEYED^a

	Number of Snowmobile Companies Granting Each Discount
Trade	23
Seasonal	8
Cash	7
Quantity	3

^aSurvey of Selected Snowmobile Firms in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

Geographic Pricing Policies and Financing Practices

When establishing a price structure, snowmobile companies face the task of determining whether the company or the middlemen will be responsible for paying the freight costs of shipping snowmobiles from the manufacturing facility to the customer. The decision on who is going to pay the freight costs

has an important bearing on the geographic limits of a firm's market, the location of its production facilities and sales branches, the source of its raw materials, and its competitive strength in various market areas.²⁷

All snowmobile companies employed one geographic policy, f.o.b. point-of-production.²⁸ In f.o.b. (free on board) point-of-production pricing, as used by snowmobile companies, the selling price at the factory is quoted and the responsibility of paying the entire cost of transportation is left to the purchaser. The snowmobile companies pay the cost of loading the shipment aboard the carrier. If the snowmobile companies' transportation facilities are used, the middlemen either pay a predetermined freight cost per snowmobile, or a freight cost that is determined by distance from the snowmobile factory. Many middlemen include actual freight costs in determining the price of the snowmobile to the customer.

Eight snowmobile companies participated in financing the purchase of snowmobiles by middlemen. These eight snowmobile companies employed the method of financing generally known as "floor planning." Under the floor plan method of financing, middlemen acquire the snowmobiles, store or display them, and execute a trust receipt for the benefit of a finance company. The middlemen sell the snowmobiles but do not have legal title to them. The title rests with independent finance companies, who pay cash to the snowmobile

²⁷Ibid., p. 456.

²⁸Survey of Selected Snowmobile Companies in North America by James G. Eaton, July 27-29, 1969.

companies upon the delivery of the snowmobiles to the middlemen. For providing full payment to the snowmobile companies, the finance companies assess the middlemen an interest charge of approximately 1 percent per month. Though it is legally the middleman's responsibility to pay the interest charges on the loan, all of the snowmobile companies assisted middlemen in paying the interest charges. Five of the snowmobile companies divided the interest charges equally, with the snowmobile company paying half the charges and the middlemen paying the other half. Three of the companies paid all interest charges for a six-month period from either June 1st to December 31st, or from July 1st to January 31st, with the middlemen paying the charges the duration of the time. One snowmobile company reported that it paid all of the interest charges throughout the year.

Advertising

The American Marketing Association defines advertising as, "any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor."²⁹ Advertising is concerned with reaching as many prospects as possible with the most effective message at the lowest possible cost. An effort is made by the sponsor of the advertisement to persuade potential customers to purchase the advertised product or products.

²⁹The Committee on Definitions of the American Marketing Association, Marketing Definitions (Chicago: American Marketing Association, 1960), p. 9.

Advertising expenditures. -- All of the snowmobile companies advertised during the 1968-69 season.³⁰ Advertising expenditures ranged from 1 to 20 percent of the snowmobile companies' yearly gross revenue. The mean advertising expenditure of the snowmobile companies surveyed was 5.3 percent of the yearly gross revenue. The methods used for the determination of the advertising budget are shown in Table 9.

TABLE 9

METHODS USED BY SNOWMOBILE COMPANIES FOR DETERMINING
THE AMOUNT OF MONEY TO BE SPENT ON ADVERTISING^a

Method	Number of Companies
Percentage of future gross revenue	14
Percentage of past gross revenue	2
Combination of past and future gross revenue	2
No defined method	1
Failed to answer	4
TOTAL	23

^aSurvey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969,

The most common method for the determination of the advertising budget was to use a percentage of future gross revenue. The advertising budget is determined by the multiplication of the estimated gross revenue for

³⁰Survey of Selected Snowmobile Firms in North America by James G. Eaton, July 27-29, 1969.

the next fiscal period by a certain percentage figure. The percentage figure is considered the appropriate amount to be spent on advertising. Percentage of past gross revenue was another method employed for the determination of the advertising budget. This method is determined in the same way as the previous method, but is based upon the past fiscal period's gross revenue.

The amount of advertising appropriation, in employing the combination method, is determined by choosing a figure between the past and future revenue. This figure is then multiplied by a certain percentage figure.

Media used by the snowmobile companies. --The snowmobile companies surveyed utilized a wide variety of advertising media. Table 10, page 41, illustrates the types of media and the degree to which these media were used by the snowmobile companies.

Twenty-one of the twenty-three snowmobile companies surveyed employed magazines to advertise to potential customers. Nine of the twenty-one snowmobile companies spent from 41 to 100 percent of their total advertising budget for magazines.

Trade papers were used by sixteen snowmobile companies to inform middlemen about the marketing and merchandising operations of the particular snowmobile company. One company spent 65 percent of its advertising appropriation in this medium, while the remaining fifteen companies spent less than 40 percent of their advertising appropriation in trade papers.

Radio was used by fifteen snowmobile companies to induce potential customers to visit the snowmobile company's retailers. Radio was also used,

TABLE 10

ADVERTISING EXPENDITURES FOR VARIOUS MEDIA OF ADVERTISING BY SNOWMOBILE COMPANIES^a

Percent of Advertising Expenditures	Magazines	Trade Papers	Radio	Television	Newspapers	Outdoor Advertising Signs and Billboards	Novelties	Brochures
Number of Companies								
0-5	2	8	7	-	3	1	3	2
6-10	3	2	2	1	2	3	1	2
11-15	-	-	2	2	-	-	1	-
16-20	2	1	1	2	1	1	-	-
21-25	2	2	1	1	-	1	-	-
26-30	1	1	1	2	3	-	-	-
31-35	-	-	-	1	-	-	-	-
36-40	2	1	1	1	1	-	-	-
41-45	3	-	-	-	-	-	-	-
46-50	3	-	-	2	1	1	-	-
51-60	1	-	-	-	-	-	-	-
61-70	1	-	-	1	1	-	-	-
71-80	-	1	-	-	-	-	-	-
81-90	-	-	-	1	-	-	-	-
91-100	1	-	-	-	-	-	-	-
Total	21	16	15	14	12	7	5	4

^a Survey of Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

on occasion, to promote price reductions, free snowmobile demonstrations, and snowmobile contests.

Fourteen snowmobile companies employed television to advertise snowmobiles. This particular medium allowed snowmobile companies to use a combination of ideas and messages to inform many potential consumers of the features and benefits of their snowmobiles. The high cost associated with the use of television was a factor limiting its extensive use.

Twelve snowmobile companies used newspapers primarily to inform potential consumers of the location of snowmobile retail establishments.

Other media employed to advertise snowmobiles were outdoor advertising, novelties, and brochures. These media, however, were not used extensively in advertising snowmobiles.

Snowmobile companies were asked to indicate the one type of advertising medium that they thought was the most effective for their snowmobile company. Table 11 indicates the answers to this question.

TABLE 11

THE TYPE OF ADVERTISING MEDIUM CONSIDERED TO BE THE MOST EFFECTIVE FOR SNOWMOBILE COMPANIES^a

Type of Advertising Medium	Number of Snowmobile Companies
Television	9
Magazines	8
Trade Papers	3
Newspapers	2
Trade Show	1
TOTAL	23

^aSurvey of Selected Snowmobile Companies in North America by James G. Eaton, International Snowmobile Trade Show, Minneapolis, Minnesota, July 27-29, 1969.

As stated in Table 11, television was considered to be the most effective medium.

Promotional assistance to middlemen. -- An important promotional activity of snowmobile companies is that of providing cooperative advertising assistance to middlemen. Eighteen of the twenty-three snowmobile companies surveyed cooperatively advertised with their middlemen. These companies provided matrixes, poster sheets, and other materials for the cooperative program. Five snowmobile companies reported that they paid half of the advertising cost, the amount not to exceed 1 percent of the middlemen's purchases.³¹ (For example, if a middleman's snowmobile purchases were

³¹Survey of Selected Snowmobile Firms in North America by James G. Eaton, July 27-29, 1969.

50,000 dollars, 1 percent of the purchase amount would be 500 dollars.) The remaining thirteen snowmobile companies did not indicate the method(s) used to determine the amount of advertising assistance granted to their middlemen.

There were several reasons given by snowmobile companies for using cooperative advertising.

First, cooperative advertising stimulated interest of middlemen in brands of snowmobiles being promoted by providing additional funds with which to advertise.

Second, cooperative advertising intensified the snowmobile company's advertising program and built up its name and image.

Third, cooperative advertising provided an incentive for the middlemen to advertise and promote the snowmobile brand.

Fourth, cooperative advertising gave middlemen more of a professional and creative advertising message than they could create for themselves.

Fifth, cooperative advertising enabled the advertising message or theme that was used nationally to be used in local media, thus creating continuity in the advertising program.

Sixth, cooperative advertising facilitated additional advertising by middlemen.³²

³²
Ibid.

Sales Promotion

The American Marketing Association defines sales promotion as, "those marketing activities, other than personal selling, advertising, and publicity, that stimulates consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstrations, and various non-recurrent selling efforts not in the ordinary routine."³³ All of the snowmobile companies surveyed assisted their middlemen in various sales promotion activities.

There were several types of sales promotion assistance provided to middlemen. They were: (1) point-of-purchase displays, fixtures, signs; (2) catalogs, product manuals, brochures; (3) trade and consumer contests; (4) trade show exhibits, consumer education programs, factory visits; (5) demonstrators, factory-sponsored racing teams; (6) sales training literature; and (7) premiums.³⁴

There were three major reasons cited by the snowmobile companies surveyed for providing sales promotion assistance to their middlemen.

First, sales promotion aided in furthering the interest of the distributors, retailers, and consumers in the company's snowmobiles.

Second, sales promotion increased customer visits to middlemen's retail establishments which created sales and goodwill for the company and middlemen.

³³The Committee on Definitions of the American Marketing Association, Marketing Definitions (Chicago: American Marketing Association, 1960), p. 20.

³⁴Survey of Selected Snowmobile Firms in North America by James G. Eaton, July 27-29, 1969.

Third, sales promotion made middlemen more knowledgeable in the sales and service of snowmobiles, allowing them to do a more competent job. Some sales promotion activities, such as sales training literature and product manuals, aided in the training of middlemen.³⁵

Summary

The snowmobile companies surveyed employed three methods in determining the prices of their snowmobiles. Cost-plus pricing was employed by sixteen snowmobile companies in determining the prices of their snowmobiles. The second most widely used method of price determination was to adjust prices to those of competitors' market prices. The combination method, of cost-plus pricing and competitor's market price, was another method used.

All snowmobile companies granted at least one type of discount. Trade discounts were used by all of the snowmobile companies surveyed. Seasonal discounts were the second most widely used discount and were granted by eight snowmobile companies. Other discounts granted by the snowmobile companies were cash and quantity discounts.

Snowmobile companies employed the geographic pricing policy of f.o.b. point of production, whereby the middlemen were responsible for paying the freight costs involved in shipping snowmobiles from the factory to their place of operation.

³⁵
Ibid.

Thirty-five percent of the snowmobile companies surveyed granted a method of financing known as "floor planning." In floor planning, a finance company pays the snowmobile company the entire amount of the invoice. Upon the sale of the snowmobiles by the middlemen, the finance company was repaid the amount of the invoice plus interest. Interest of approximately 1 percent of the invoice was charged to the middlemen. Five snowmobile companies assisted their middlemen by paying half of the interest charges of the finance companies, three companies paid all of the interest charges incurred by middlemen during a six-month period, and one company paid all of the interest charges for its middlemen.

All of the snowmobile companies advertised in the 1968-69 season. The average advertising expenditure was 5.2 percent of the yearly gross revenue. The most common method of determining the amount to be spent on advertising was the method of using a percentage of future gross revenue. Other methods used to fix advertising expenditures were percentage of past gross revenue, and a combination of past and future gross revenue.

Snowmobile companies utilized a wide variety of advertising media. The most widely used advertising medium was magazines. Trade papers, radio, television, and newspapers were other commonly used advertising media. The most effective medium for snowmobile companies, as adjudged by representatives from the snowmobile companies surveyed, was television. The second most effective medium was magazines.

Eighteen snowmobile companies granted promotional assistance to their middlemen in the form of cooperative advertising. All of the snowmobile companies aided their middlemen by providing numerous sales promotion activities.

CHAPTER VI

SUMMARY AND CONCLUSIONS

The data used in this thesis were obtained principally from interviews with representatives of selected snowmobile companies in North America.

History and Economic Importance of the Snowmobile Industry

The first known vehicles used to travel across snow were motorized sleds employed by Commander R. F. Scott for his 1910-1912 Antarctic expedition. Between 1912 and 1958 several versions of snowmobiles were developed. In 1958, Joseph-Armand Bombardier introduced a snowmobile, Ski-Doo, which resulted in the entry of many competitive snowmobiles. The snowmobile companies that entered the snowmobile industry in its pioneering stage became industry leaders. In the 1968-1968 season, the top six firms in unit sales had been in operation for over six years. This situation may change as some of the snowmobile companies that entered the industry in recent years become more established.

The development of the snowmobile industry has created additional revenue for marine products distributors, manufacturers of accessory equipment, communities, and national parks.

Consumer Attitudes with Respect to Snowmobiles

Snowmobiles were purchased by consumers primarily for three purposes, according to the "Snowmobile Usage and Attitude Study" published by the United States Snowmobile Association in May, 1968. The major purpose for purchasing snowmobiles was for personal pleasure. Two other major purposes for purchasing snowmobiles were racing and family pleasure. Consumers will likely continue to purchase snowmobiles primarily for personal and family pleasure. If racing is going to remain a major reason for purchasing snowmobiles, the dangers associated with racing will have to be further reduced. Also, racing contests involving various members of the family will need to be more extensively developed.

Consumers stated that the three most important characteristics in choosing a brand of snowmobile were the dependability and reliability of the snowmobile, quality of construction of the snowmobile, and the availability of parts and service. These three characteristics will probably continue to be important to consumers in their selection of a brand of snowmobile.

Distribution of Snowmobiles

The snowmobile companies surveyed employed either one or a combination of several channels of distribution. Twenty-one of the twenty-three snowmobile companies used the channel of manufacturer-distributor-retailer-consumer. The manufacturer-retailer-consumer channel was employed by seven snowmobile companies, while five snowmobile companies used the manufacturer-distributor-consumer channel to distribute their snowmobiles.

The shorter and more direct channel of manufacturer-retailer-consumer, although not the most commonly used channel in the 1968-1969 season, provides snowmobile companies with such benefits as more rapid physical distribution and better and closer cooperation from the middlemen. These benefits could contribute to this channel becoming relatively more important in the future as snowmobile retailers and snowmobile companies become larger in size. Larger retailers and companies will be able to capably assume some of the marketing functions now performed by distributors.

The snowmobile companies employed eight criteria in the selection of middlemen. Major criteria used to select middlemen were: the financial resources of the middlemen, the middleman's capacity to handle snowmobiles, the amount of effort agreed upon to expend in selling snowmobiles, the geographic area served by the middlemen, and the condition of the middleman's physical facilities. The criteria employed by the snowmobile companies were realistic standards in which to measure, evaluate, and select middlemen. The use of these criteria permits snowmobile companies to reduce uncertainties as to what should be expected of the middlemen selected.

Four methods of transporting snowmobiles between major terminal points were employed by the snowmobile companies surveyed. Trucks provided snowmobile companies with the most feasible means of transporting snowmobiles and were used by all snowmobile companies. Ten snowmobile companies employed trucks exclusively to transport snowmobiles. Railroads,

ships, and airplanes were other methods of transportation used by a few snowmobile companies to transport a small percentage of snowmobiles.

Eight snowmobile companies gave their middlemen the option of using their own transportation methods or having the snowmobile manufacturer deliver the snowmobiles to them. The option of using their own transportation methods allows middlemen to possibly secure a savings in freight costs. Because of this possibility, increasing numbers of middlemen will probably request this option, which is not yet granted to them by some snowmobile companies.

The geographical markets of the snowmobile companies surveyed were parts of North America and Europe, Japan, and Australia. Five of the nine companies who marketed snowmobiles outside the United States and Canada were industry leaders in unit sales and had been in operation for over five years. As the snowmobile markets in the United States and Canada become fully developed, the relatively untapped foreign markets will become more important to North American snowmobile companies.

Pricing and Promotion

The methods used by the snowmobile companies surveyed to determine prices of snowmobiles were cost-plus pricing, adjusting prices to those of competitors' market prices, and a combination of cost-plus pricing and competitors' market price. Sixteen of the snowmobile companies surveyed employed cost-plus pricing, while five companies used competitors' market prices in determining their prices. A combination price-setting method using

cost-plus and competitors' market price was employed by two snowmobile companies. Cost-plus pricing is desirable from the standpoint that it considers costs in determining prices. Costs are important elements in pricing and should be considered when making a pricing decision.

All of the snowmobile companies surveyed granted at least one type of discount from their list price. Trade discounts were granted by all twenty-three snowmobile companies. Seasonal discounts were granted by eight snowmobile companies, while seven snowmobile companies granted cash discounts. Quantity discounts were also granted, but by only three snowmobile companies. Granting seasonal, cash, and quantity discounts stimulates middlemen to purchase snowmobiles during the slack season, pay their bills promptly, and purchase snowmobiles in larger quantities. It is also beneficial for snowmobile companies to grant discounts because discounts can solidify the relationship between the company and middlemen.

All snowmobile companies employed one geographic pricing policy, f.o.b. point-of-production. In f.o.b. point-of-production, the middlemen are left with the responsibility of paying the entire freight costs. F.o.b. point-of-production is very suitable for use by snowmobile companies. Transportation costs are a significant part of the delivered cost of the snowmobile; it is only fair that each buyer pay his true transportation costs. It is an impartial pricing policy since the snowmobile price is stated at the factory and is the same for all middlemen.

Nine snowmobile companies provided financial assistance to middlemen. This assistance was granted through a finance method called floor planning. In floor planning, an independent finance company pays the snowmobile company the entire amount of the middleman's purchase invoice. Upon the sale of the snowmobiles by the middlemen, the finance company is repaid the amount of the invoice by the middleman plus interest. Five of the snowmobile companies divided the payment of the interest charges equally with their middlemen. Three snowmobile companies paid all interest charges incurred by their middlemen for a six-month period, and one company paid all interest charges for their middlemen throughout the entire year. The participation by snowmobile companies in sharing the interest costs of financing snowmobiles has the effect of assuring middlemen of an adequate availability of funds for marketing activities. Participation by the companies in floor planning also stimulates middlemen to stock and display an adequate amount of snowmobiles.

All of the snowmobile companies advertised in the 1968-1969 season. The mean advertising expenditure of the snowmobile companies surveyed was 5.2 percent of the yearly gross revenue. This compares to the mean of 1.5 percent of sales which, according to the Internal Revenue Service, was the national average for all industries in the United States for 1967. Fourteen of the nineteen snowmobile companies selected a percentage of expected future gross revenue as the amount for the planned advertising budget. Four other snowmobile companies derived their budget amount by use of a percentage of

their past gross revenue or by a combination of past and future gross revenue. The use of a definite plan, such as was employed by eighteen of the nineteen snowmobile companies surveyed, would probably be productive and yield effective results.

The five most commonly used media were, in descending order of use, magazines, trade papers, radio, television, and newspapers.

Television was adjudged by the snowmobile companies as the most effective advertising medium. The high cost associated with television limited its extensive use. Magazines were cited as being the second most successful advertising medium for snowmobile companies.

Eighteen snowmobile companies cooperatively advertised with their middlemen. Cooperative advertising can assist the snowmobile company in solidifying its relationship with its middlemen.

All of the snowmobile companies assisted middlemen in numerous sales promotion activities. Sales promotion activities can increase middlemen's interest in snowmobiles and the particular company, as well as enhance the effectiveness of the middlemen's marketing activities.

Snowmobile companies, like all businesses, must operate at a profit to survive. Snowmobile companies must employ the correct mixture of marketing activities that will bring a profit to the company, as well as satisfying the consumer's needs. It is only by satisfying the needs of the consumer that a snowmobile company can justify its continued existence.

APPENDIX A

SNOWMOBILE QUESTIONNAIRE

1. How long has your snowmobile company been in operation?

_____ Years _____ Months

2. How many people are employed 40 or more hours a week?

_____ During your busiest period?

_____ During your slackest period?

_____ How many less than 40 hours?

3. What geographical areas do you market your snowmobiles to?

_____ Snow regions in the United States?

_____ Snow regions in the United States and Canada?

_____ Europe

_____ Other areas - please list _____

4. Do you plan on marketing your snowmobiles to new geographical areas in 1969? If yes, please list _____

5. What transportation methods do you use to distribute your snowmobiles? Why?

_____ % Trucks _____

_____ % Railroads _____

_____ % Airplanes _____

_____ % Ships _____

_____ % Other - Please indicate _____

6. If you employ distributors in marketing your snowmobiles, do they also sell:

_____ Marine products

_____ Marine products and snowmobiles other than yours

_____ Sell your snowmobiles only and no other products or services

_____ Sell only snowmobiles but several brands

_____ Other - Please indicate _____

7. Do you also manufacture other products? If yes, please list _____

8. Which channels of distribution do you use in marketing your snowmobiles?

Manufacturer-distributor-retailer-consumer _____%

Manufacturer-distributor-consumer _____%

Manufacturer-consumer _____%

Manufacturer-retailer-consumer _____%

Other _____%

9. What criteria do you use in selecting your distributors and/or retailers? Please check the appropriate comments that apply to distributors and/or retailers.

Financial resources of the dealer _____

Amount of effort that the distributor and/or retailer has agreed to expend in selling snowmobiles _____

Geographical area served by dealer _____

Complementary product line handled by dealer _____

Condition of dealers' physical facilities _____

Dealers' capacity to handle your product _____

Other - Please indicate _____

10. How do you determine the prices of your snowmobiles?

_____ Production cost-plus basis

_____ Meet competition

_____ Percentage above competition

_____ Percentage below competition

_____ Other - Please indicate _____

11. Do you allow discounts? _____ If yes, check the type below and indicate the terms.

_____ Cash discounts _____

_____ Quantity discounts _____

_____ Seasonal discounts _____

_____ Trade discounts _____

_____ Other _____

12. Do you extend credit terms? _____ If yes, to whom and to what extent? Please describe below.

13. Approximately what percentage of your firm's gross yearly revenue was spent on advertising in 1968?

_____ %

_____ Don't know

14. What percentage of your advertising expenditures do you spend on the following media (in 1968). Please write down expenditure percentages in front of the media.

_____ % Radio

_____ % Television

_____ % Outdoor Advertising (Signs and Billboards)

_____ % Newspapers

_____ % Magazines

_____ % Novelties (Matches, Pencils, Calendars, etc.)

_____ % Trade Papers

_____ Other - Please indicate _____

15. How do you determine how much you spend for advertising?

_____ Percentage of past sales

_____ Percentage of future sales

_____ Match competitors' expenditures

_____ No particular method

_____ Other - Please indicate _____

16. Which media of advertising do you think is best for your firm?

17. Do you cooperatively advertise with your middlemen? _____ Yes _____ No

If yes, how do you determine the assistance granted to your middlemen?

18. What is the yearly gross snowmobile sales of your firm in Units for 1968?

- | | |
|--------------------------------------|-----------------------------------------|
| <input type="checkbox"/> Under 500 | <input type="checkbox"/> 4,000-5,000 |
| <input type="checkbox"/> 500-1,000 | <input type="checkbox"/> 5,000-6,000 |
| <input type="checkbox"/> 1,000-1,500 | <input type="checkbox"/> 6,000-7,000 |
| <input type="checkbox"/> 1,500-2,000 | <input type="checkbox"/> 7,000-10,000 |
| <input type="checkbox"/> 2,000-2,500 | <input type="checkbox"/> 10,000-15,000 |
| <input type="checkbox"/> 2,500-3,000 | <input type="checkbox"/> 15,000-30,000 |
| <input type="checkbox"/> 3,000-4,000 | <input type="checkbox"/> 30,000 or more |

19. Name of your company _____

20. Would you like a copy of the results of this study?

_____ Yes

_____ No

THANK YOU VERY MUCH FOR YOUR COOPERATION

A LIST OF THE SNOWMOBILE COMPANIES SURVEYED

Company	Home Office
American Machine & Foundry Co.	York, Pennsylvania
Arctic Enterprises	Thief River Falls, Minnesota
Ariens Co.	Brillion, Wisconsin
Bolens	Port Washington, Wisconsin
Bombardier, Ltd.	Valcourt, Quebec, Canada
Chapparral Industries, Inc.	Denver, Colorado
Couparral Company	St. Paul, Minnesota
Evinrude Motors	Milwaukee, Wisconsin
Fox Corporation	Janesville, Wisconsin
Industries Bouchard	Forest Lake, Minnesota
Jac Trac	Marshfield, Wisconsin
Jeans, Incorporated	Forest Lake, Minnesota
Johnson Motors	Waukegan, Illinois
Leisure Industries	Minneapolis, Minnesota
Mallard Coach Corporation	West Bend, Wisconsin
Massey-Ferguson, Inc.	Des Moines, Iowa
Polaris Industries	Roseau, Minnesota
Rupp Manufacturing	Mansfield, Ohio
Sno Jet	Thetford Mines, Quebec, Canada
Trail-A-Sled, Inc.	Crosby, Minnesota
Viking Snowmobile	Twin Valley, Minnesota
Wheel Horse, Inc.	Des Moines, Iowa
Yamaha International	Los Angeles, California

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