BURNED POPCORN AND BROKEN CRYSTAL BALLS: BEWARE OF FALSE PROPHETS BEARING FOOD

Ed Chung, St Norbert College
Hiroshi Nakamura, St. Norbert College
Amy Spielbauer, St Norbert College

ABSTRACT

This paper will attempt to debunk the myths that The Popcorn Report promulgates. The paper is not meant as an attack on *Popcorn*, but as a reminder to business people (practitioners and academics alike) that fortune telling is not a science and should be used with care.

INTRODUCTION

Recently, the Psychic Network went bankrupt. The psychics involved failed to predict its demise. So much for fortune-telling. Yet all sorts of business people seek to predict future trends. How useful are these predictions? In the late 1980's, Faith Popcorn forecasted the trends of the 1990's, and published her *Popcorn Report.* While her forecasts were (and still are) eagerly swallowed by the uninitiated, serious students of business should be skeptical of conclusions drawn on no more than opinions. The purposes of this paper are to inspect her forecasts on *The Popcorn Report* and to attempt to debunk the myths that *The Popcorn Report* promulgates with the use of evidence to the contrary.

Her forecasts and implications on *The Popcorn Report* are not supported by data, but instead are based on opinions dressed up in user-friendly languages. There are ten major 90's trends that Popcorn forecasted: Cocooning, Fantasy Adventure, Small Indulgences, Egonomics, Cashing Out, Down-Aging, Staying Alive, The Vigilante Consumer, 99 Lives, and S.O.S. Interested readers may wish to consult the book itself, or summaries of it in popular business texts (e.g. Kotler and Armstrong, *Marketing Management)* We will not, however, regurgitate Popcorn's report here.

How accurate are all these trends Popcorn forecasted for the 1990's? Also, are Popcorn's implications about these trends effective for companies? Based on evidence that we have gathered, the answer is no. In particular, five of Popcorn's ten trends are totally wrong. They are Small Indulgences, Staying Alive, The Vigilant Consumer, 99 Lives, and S.O.S.

Small Indulgences

According to Faith Popcorn, people are pursuing small indulgences for all goods and services instead of big indulgences in the 1990's. However, she did not explicitly define what small or big indulgences are. Although Popcorn defines Small Indulgence as "an indulgence of senses... without the stress of worrying about the cost" (Popcorn 1992, p.

40), she does not clarify what levels or sizes are included in Small Indulgences. For instance, let's consider the watch industry. Can we say that if a person buys a Rolex, the person pursues a big indulgence? Or if another person buys a Seiko watch, does the person seek a small indulgence? The answer is unclear because it depends on each person's normal consuming behavior. If a person usually spends 5,000 dollars to buy a watch, purchasing a Rolex may not be a big indulgence. The hotel industry is another example. Does staying at the Ritz Carlton constitute a big or small indulgence? As each person has own unique consuming behavior, we cannot say what Small Indulgences are. And without knowing that, what good is the prediction?

Also, if the implication of Popcorn is right, owners of expensive and big cars have to be less satisfied than owners of cars that are relatively low priced and small However, according to *USA Today*, "owners of big, expensive sports- utility vehicles [that are the best-selling vehicles in the 90's] love their trucks more than owners of most other vehicles do. Moreover, owners of smaller sports utilities are less satisfied with their theirs, and aspire to bigger, more luxurious SUVs" (Healey 1998, p. B1). People want to purchase big and expensive cars more than cars that are relatively small and low priced. Therefore, Small Indulgence is not only meaningless but also wrong.

Staying Alive

According to Faith Popcorn, there will be a hyperquest for health in the 1990's. Therefore, it would suggest that people do not want to eat foods that are bad for their health. However, reality says otherwise. According to *Dow Jones Interactive,* the steakhouse industry has rapidly grown in the 90's. The revenues of Outback Steak-house, leader of steakhouse industry, increased 155% from 1994 to 1997, and its net income also increased 82% from 1994 to 1996. In 1997, although the ratio of Revenue/Assets of the restaurant industry was 98%, the ratio of Outback Steakhouse was 216% (Dow Jones Interactive 1998). Also, another major contender of the steakhouse Industry, Ryans Family Steakhouse, recorded 34% increase of revenues and 19% increase of net income during 1994 and 1997 (Dow Jones Interactive 1998). According to *Technomic,* a market research firm in Chicago, "it is true that, just as Prohibition caused a boom in speakeasies during the 1920's, the 1990's taboo against red meat has helped boost revenues at mid- and high-priced steak houses 27 percent annually since 1991 to 1997" (Emert 1997, p. B1).

The growth of the Fast Food industry, another popular junk food, is strong, too. McDonalds, the world leader of burger shops, recorded revenue increases of 37% and the net income increased 25.5% from 1994 to 1997 (Dow Jones Interactive 1998). Also, the net income of Kentucky Fried Chicken increased 10%, and its same store sales grew 9% in 1995 (http://www.career/mosaic.com/cm/kfc/kfc1.html). Domino's Pizza recorded a 65% increase in pre-tax profits during 1995 and 1997 and built 300 new stores alone in 1996. Moreover, Domino's Pizza's same store sales growth was nearly 15% during 1996 and 1997 (http://www.dominos.com/info/1997.html).

Popcorn indicated that the 90's would see consumers in a hyper-quest for health. However, the organic foods that are the representatives of healthy foods because they are grown and proceeded without pesticides, synthetic fertilizers, or hormones, have not been popular. It is estimated that only 1 percent of national food sales is for organic foods (Coorsh 1998). Although people have been interested in the organic foods, the organic food industry has not achieved rapid growth in the 90's because of the problem of high price (Steyer 1997). According to *American Demographics,* "high costs and weak market demand are holding organic foods to less than 1 percent of U.S. agricultural output," and "It's a problem of consumer demand" (Fost 1992, p 17). For instance, the Organic Café was ready to take a city in New Jersey in the beginning of the 1990's. However, one year later, the Organic Café changed its name to Café Metro, abandoned its all organic policy, and lowered prices because of the poor reputation of consumers. Moreover, there is still no national standard definition for the term "organic" (Sugarman 1997).

Moreover, if Popcorn were correct, the number of health clubs should have continually increased since the beginning of the 1990's. However, according to *Marketing News,* "the number of [health] clubs fell from 13,845 in 1990 to 11,544 in 1993, [and] membership was flat from 1989 to 1992 at around 16.5 million" (Rubell 1995). It is no wonder, then, that in a recent survey reported by *USA Today*, (June 9, 1998) 76% of American adults felt they were overweight in 1998, compared with) ust 56% in 1984.

The Vigilante Consumer

According to Popcorn, the power of the consumer is very high, and companies have to be accountable to consumers. Therefore, she implied that "new" no longer would be a compelling selling point in the 90's. Moreover, "new improved" will not do much for consumers either. How true is this?

In the beginning of 1998, PepsiCo dropped its red-white-and-blue packaging and adopted a new blue-background design (Wall Street Journal 1997, p. B4). Coca-Cola announced a new labeling plan (Kirk 1997). New models of cars are tempting people to wander the showrooms of car dealers in the 90's (Lienert 1998). Like this, adopting new design and new labeling are still important strategies for gaining customers' attentions. Particularly, the number of the appearance of new labels has been too large, and as a result, the government established new labeling laws in order to protect consumers from improper labels in the middle of the 90's. In 1997, marketers spent $20 million , to $50 million to launch a new product successfully, and 25,000 new items appeared. The number of new products in 1997 was almost twice as many as in 1989 (Lukas 1998).

Moreover, Popcorn implied that return policies of retailers will be eased. However, during the 1990's, retailers have restricted their return policies more and more. *The Wall Street Journal* reported in 1996 that stores were pulling back their return policies because of too-frequent abuses of customers (Lee 1996). For instance, Best Buy has cut 30-day return periods to five days, and some stores of its stores are attempting to verify defects before refunding customers' money once the return period has expired (Longo 1995). Circuit City is charging a fee to consumers seeking refunds or exchanges on the items

(Gilgoff 1998). Wal-Mart has abandoned its open-ended return offer and set a 90-day limit for most items, and L.L. Bean has started to be more restrictive about returns. (Five Star Lift 1996). Popcorn made forecasts about The Vigilante Consumer. However, her crystal ball failed her.

99 Lives

Time is of the essence and people require speed in all things. From this idea, Popcorn forecasted that all-in-one service shops that sell different goods and services in one location would achieve the rapid growth in the 90's. The most typical representative of the all-in-one shops is the shopping mall. Because there are a lot of shops in a shopping mall, people can do one-stop-shopping in a shopping mall and save time. Have shopping malls rapidly grown since the start of the 1990's? The actual growth of shopping malls was only 2 percent in 1997 (Barron 1998). ERE Yarmouth that manages 85 malls announced that there is not going to be real fundamental growth for shopping malls (Barron 1998). A 1994 Roper Starch Worldwide survey says, "only 10 percent of Americans say that they [buy goods and services] at malls very often, down from 16 percent in 1987. And twice as many people in 1994 than eight years earlier say they did not go at all, at 24 percent" (Cavanaugh 1996, p 14). In a 1994 survey by Maritz Marketing Research, one-third of US adults said they shopped at enclosed malls less frequently than they used to, and the percent of adults who were heavy mall shoppers decreased from 17 percent in 1990 to 14 percent in 1994 (Cavanaugh 1994). According to a 1996 survey by American Express and Coopers & Lybrand, 53 percent of consumers felt that shopping malls are not as safe as they used to be, and only 37 percent of consumers prefer one- stop-shopping (Lucas 1996). These surveys indicate that shopping malls have not achieved rapid growth, and consumers are going away from shopping malls.

If Popcorn is correct, category killers, offering big selections in a particular category at discount price, would not experience the growth. They are the opposite to all-in-one shops because if you go to a category killer, you find only one kind of good. However, category killers are rapidly growing in the 90's. *Forbes* magazine said "category killers have brightened an otherwise dreary retailing since in the 1990's" and "generated about $550 billion in sales in 1995, a third of total retail sales nationwide" (Morgenson 1996, p 114). Bennet L. Rudolph, chair of the marketing department at Grand Valley State University Seidman School of Business mentioned, "the big trend for the last four or five years at least - has been ... the category-killers, and that's still the biggest trend" (Karen 1996, p. B I). According to a survey of Price Waterhouse, "consumers in fact are getting more and more accustomed to shopping category killers. They're outstripping non-category killers in profit growth" (Strope 1995, p. 21). For instance, sales at Home Depot has grown 36 percent annually over the past decade, to $ 15.5 billion last year. And its earnings have risen 57 percent per year and the number of its stores has more than doubled since 1990 (Morgenson 1996). Also, according to a 1994 annual report of Toys 'R' Us net sales of the company increased 98.7 percent, and the net earnings were up 80.2 percent since 1989 to 1994 (1995, p.1).

Popcorn's implication that all-in-one shops achieve the rapid growth in the 90's is wrong. On the contrary, category killers, "one-in-one" shops are making success in this decade.

S.O.S. (Save Our Society)

In the trend of S.O.S., people and companies make efforts to contribute to social responsibility and to protect the environment. Since 1990, the sales of trucks are booming, and average annual growth rate of truck sales was up 9.8 percent during 1991 and 1996. Particularly, the sales amount of the Sports Utility Vehicles (SUVs) is rapidly increasing, and in 1996, the sales of SUVs were up 15 percent (Takahashi 1997). In 1993, General Motors reported record second quarter profits as a result of strong truck sales (Marray: 1994). Meanwhile, Ford's total truck sales were up 10.2 percent in April in 1994, the seventh straight monthly sales record for trucks (Gleason: 1994). Since then, Ford's F-series trucks have been the best-selling vehicles in America. Similarly, Chrysler's current success results from the large amount of sales of trucks. Although GM gets 45 percent of sales from trucks, and Ford gets 55 percent of them, Chrysler's 65 percent of its sales come from trucks (Taylor 1996). According to *Orange County Register,* the percentage of new trucks equipped with diesel engines nearly doubled during 1989 and 1993 (1994, p. a3). Although truck engines and diesel engines are the causes of air pollution, the sales amounts of trucks and cars equipping diesel engines are increasing. People have not avoided buying cars that cause air pollution. Indeed, they are buying more!

Another implication of this trend would be that charitable donations from companies and people for saving society should have rapidly increased in the 90's. Let's look at the facts. United Way is one of the largest companies that raise donations. Donations to many United Ways fell from 1991 to 1996. All 1,300 local United Ways reported raising $3.25 billion in 1996, but this was 11 percent less than in 1991 (Johnson 1998). In Maryland, one of the states where the state government has increased donations, the donations of households had decreased since 1991 to 1996. In 1996, only 69 percent of households reported giving to charities, and this was the lowest percentage since the survey group began issuing reports in 1988 (Kendall 1996). The amount of donations has not increased in the 90's, and the second implication of this trend is not correct. Among the *Fortune's* top 10 "most admired" companies in 1998, only Johnson & Johnson use the word "social responsibility" in their missions or objectives or letters to shareholders. This means that 90 percent of these reputable companies are not giving social responsibility the kind of importance that Popcorn predicted.

CONCLUSION

Faith Popcorn forecasted 10 trends in the 90's on *The Popcorn Report,* but according to this research, implications of five trends of ten have significant problems. In the real business world, a 50 percent error rate is unacceptable, Would you as a manager invest in a project that has a 50 percent failure rate? Would you as an individual buy a car that will fail to run 50 percent of the time? Would you as an employee work for a company that has a 50 percent chance of going bankrupt tomorrow? What is the problem of the

Popcorn's forecast about trends in 90's? The answer is that her forecast is too broad, and people can infer too much from the forecast. The purpose of this paper is not to attack Popcorn's forecast, since some implications of trends she forecasted are very useful. However, trusting someone s forecast too much is very dangerous in the business world. In conclusion, business people have to remember that fortune telling is not a science and should be used with care.

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