

June 10, 2002

Mr. David Jacobson  
Let's Dance, Inc.  
41 Methyl Street  
Providence, RI 02906

Dear David:

I am delighted that you were able to participate in the online demo of our Virtual Focus Facility. As you saw, this methodology is especially effective for testing message statements, concepts, and brand image and positioning. Online groups provide valuable learning and insights and thereby avoid costly errors. The data that are gathered are rich, in-depth and actionable.

## Objectives

The first step in conducting online groups is to define the goals and objectives of the research. Objectives may range from identifying what specific messages resonate with the target audience to understanding the client's image in the marketplace. For example, Let's Dance has two primary issues to resolve. The first is its relationship with its retailers. Its decision to open its own stores has generated misinformation, rumors and hostility. Management was taken by surprise, in part because typically the feedback they get is from reply cards. When a major shift in business strategy is contemplated, talking directly to the source, in this case retailers, is critical. Had the research taken place prior to the announcement, one objective of the research would have been to determine how the retailers would react to such a decision. Assuming that the retailers now know about the Let's Dance stores, we recommend conducting research to learn what information they will need in order to gain a comfort level with this decision, and how that information should be conveyed. The messages tested would include some that Let's Dance may already have formulated and those formulated by its PR firm.

The other issue that Let's Dance needs to address is the power and value of its image in the marketplace. The study objectives would be to determine what the target consumers (customers and potential customers) think about the brand and to what extent it is synonymous with quality, high prices, value, improved performance, etc. Another objective would be to learn to what types of brand extensions would be acceptable. Ultimately, a more comprehensive, quantitative branding study would be needed, but qualitative data will aid in defining the parameters to be considered.

## Target Audience

The second step when planning qualitative research is to define the target audience. In the case of the retailers, this is fairly straightforward, since the client knows who these people are. However, since not all retailers fit the same profile, groups should be segmented into meaningful categories, which might include sales volume, years in business, population served, as well as initial reactions to Let's

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Dance's new strategic plan. The last is important to ensure that not everyone in every group is opposed to the new strategic plan. It is not necessary to talk to every retailer, only that we ensure that a cross section of this group will be represented in the research.

With regard to consumers, we would need to know the profile of those who buy their products. These groups might be segmented by purchase volume, by the age of child(ren) for whom the purchases are made (e.g., 8-12, 13-17, 18+), by frequency of purchase, etc. We might also want to consider segmenting by whether the child dances or not, again depending on what makes sense in terms of both the existing and potential target markets.

In all cases we recommend two groups per segment to confirm the validity of the findings from group-to-group.

### **Recruiting**

Participants would be recruited by email invitation, if email addresses are available, or by phone and screened for qualifications. Those who qualify and agree to participate will be invited to dial into the InsideHeads Virtual Focus Facility (VFF), at a pre-determined time for a 90-minute discussion.

After the recruit, we will send information to each respondent on how to access our VFF and invite them to log on once before the group, to ensure that they can get there and to assist them in advance with any technical issues. We also will call them on the day of the group to remind them to come. We have found that repeated contact with respondents ensures a high participation rate.

### **The Online Groups**

Our tech-savvy market research professionals work with you to refine your objectives, implement all aspects of the research (recruiting, tech support, moderation and transcripts), and provide a thorough written analysis of the results. Each group is led by an experienced online Moderator whose sole task is to direct the discussion, and a Group Administrator who handles questions from participants, makes sure everyone is responding, and relays client requests to the moderator. This dual-staff approach ensures the highest quality online groups.

Groups are password protected, so that only recruited respondents can participate in their assigned group. The entire group sees participant comments, while private messages can be sent to the Group Administrator by client-observers – instantly and unobtrusively. Thus, you and your clients have direct access to our staff throughout the group.

Utilizing a split-screen technology, we are able to show message statements, concepts, or other visuals on the top half of the screen while the discussion takes place at the bottom. We can also send visuals in a full size daughter window for participant viewing.

Recently, for example, we conducted online focus groups to test message statements among a group of patients and physicians. The objective of this research was to find a winning concept that would direct the development of creative pieces for a drug company. We tested 4 messages across six online groups. We pushed the message statements to the participants' screens and obtained feedback from them. Ultimately, our clients were able to select the best message around which to design the most effective campaign.

Advantages of online groups include timeliness, geographic dispersion, and candid and uninhibited discussion, since only the staff of InsideHeads (IH) knows who the participants are. Other advantages are more active participation because those attending the groups do not have to wait their turn to "talk," and a transcript is available as soon as the each evening's groups are over. Another key advantage is the ability of an unlimited number of people to observe the groups. This affords you and your clients the opportunity to learn first-hand what your target groups are thinking. We have found that the immediacy of online groups aids in getting the decision-makers to buy into and accept the research findings.

### **Deliverables**

The deliverables for this study will be transcripts of each group as well as an analysis of the data and a full report. The report will include an Executive Summary with Recommendations, Respondent Profiles, and Detailed Findings with quotations. It also will include the screening questionnaire, the discussion guide, and the visuals that are shown.

### **Project Management**

For this study, IH will:

- Design the screening questionnaire;
- Recruit 25 participants per group to get 8-14 per group;
- Send to all respondents instructions for logging onto the Virtual Focus Facility;
- Maintain regular contact with respondents to ensure high participation rates;
- Develop the Discussion Guide with input from the client;
- Moderate 2-4 groups;
- Distribute respondent fees;
- Deliver a raw transcript for each group;
- Write a report of the findings; and
- Fulfill the incentives.

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## Pricing

The costs for conducting groups among retailers are shown below. They are based on the assumptions that we will be able to identify that Let's Dance is the sponsor of this study, the client will provide us with a list of contact names and numbers, that the list accuracy will 90%, and that at least 30% of those who qualify will be willing to participate. The costs are:

<b>Participants</b>	<b>2 Groups</b>	<b>4 Groups</b>
Retailers	\$8,500	\$15,000

Incentives are additional, and we recommend paying each participant \$100. There is a per-check processing fee of \$5.00.

For the consumer groups, we are providing costs for four scenarios. The costs for mothers of daughters 8-18 are based on the assumptions that we will be able to purchase a phone list with a list accuracy of 60%, and that one-third of those who qualify will agree to participate. The costs for mothers with daughters 8-18 who dance are based on the same assumptions, and also the assumption that only 20% of girls in these age groups take dance lessons. If this percentage is too low, or if the client can provide us with some lists of people to contact, the prices for these groups would be reduced.

<b>Participants</b>	<b>2 Groups</b>	<b>4 Groups</b>
Mothers w/ daughters 8-18/Do not Dance	\$8,800	\$15,600
Mothers w/ daughters 8-18/Dance	\$14,525	\$26,100

Incentives are additional, and we recommend paying \$50 to each participant. There is a per-check processing fee of \$5.00.

Let's talk again after you have a chance to review this proposal. I look forward to the opportunity of working with you.

Sincerely yours,

Jennifer E. Dale  
President