

Sun chips case



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0817 General Assessment of Sunchips' test market results. Pros A pro would be that Frito-Lay knows where the majority of their sales are happening. Due to about 90 percent of them being in supermarkets and convenience stores. It is also a pro that they have determined what percentage of each size package and flavor they are selling. In addition they have also determined the percentage of cannibalization that will happen. Another pro is that the cumulative repeat percentage steadily rose every week. Cons A con to these test market results would be that they have only been run for ten months.

The results could be ballooned considering that they are introducing a new product. Another con would be that only about 1 in 5 households (less than 20%) have tried the product. And out of that 20 percent only 41.8 percent had repeat purchases. Continue test market for another six months Pros A pro for continuing test marketing for six additional months would be that they would get even more accurate test market results. In addition, they will have the advantage of seeing how much word of mouth can raise their cumulative trial and repeat percentages. Cons

The con to continuing test marketing for six more months would be that if they don't go ahead and launch nationally a competitor might launch a similar product nationally and upstage Frito-Lay. Therefore, the opportunity to be first-to-market would be lost. Another con could be that if their data is accurate they are losing significant profit for the next six months. Introduce Sunchips nationally with the same introductory strategy. Pros A con to this strategy would be that if the test market results are accurate, then Frito-Lay would profit from their new product and know all the necessary details of cannibalization.

Yet, if the test market results are accurate then Frito-Lay should definitely introduce Sunchips nationally. Frito-Lay's revenue goal for Sunchips 100 million if introduced nationally. Revenue in the M-St. Paul Minneapolis from triers and repeaters was about 512, 000 and 620, 000 respectively. The M-St. Paul Minneapolis area accounts for 2. 2 percent of the 90 million snack ship user households in the U. S. By extrapolating the results from M-St. Paul Minneapolis to the U. S. , Frito-Lay can expect revenue to exceed 110 million.

Cons

A con would be the possibility of the ten month test market results to be inaccurate. In this case Frito-Lay would have launched nationally too soon. In addition, Frito-Lay will be giving up the opportunity to test out different strategies. Introduce Sunchips with some strategy modification (more advertising, larger package sizes, another flavor) Pros More advertising would lead to more brand awareness and possibly more sales. Larger package sizes would be good if sold at the same price per ounce. They would give customers another option.

Adding another flavor would increase sales and possibly gain new customers.

Cons The con to more advertising would be more spending, which takes away from profits. The problem with larger package sizes is that they would have to produce and distribute a whole new package. The con to adding another flavor is that it would increase cannibalization from 30 to 35 percent. There is also a con to the combination of adding a larger package and a new flavor. By adding these two, stock-keeping units would double from six to twelve, therefore going from two flavors and three sizes (6) to three flavors and four sizes (12).