

The brita products company essay sample

[Business](#), [Company](#)



Executive Summary

The Brita Products Company (Brita) operates in high dynamic environment which requires continuous optimization of a product mix and new ways to attract customers. Price competition, backed by improved efficiency, is the main feature of this home water filtration industry today. Pitcher and faucet systems retailers fight for survival in markets faced with over-capacity. Brita obtains a strong brand image in the home water filtration industry proposing high quality products. Nevertheless, the main weakness is strong competition and a new product, faucet filter system, promoted by its competitor PUR. The current company's situation is marked by continuous growth, although the survey results suggest that Brita loses its brand image and consumers grade its products lower than PUR's filters. To increase its market share Brita has to choose between alternatives and find the most appropriate strategy to pursue short-term and long-term goals. When product life cycles are short (or consumers demands are changed) technological improvement becomes an essential requirement of company's strategy. The implementation of new strategy will require additional spending, but they are essential for the company, because without these facilities Brita will not be able to compete on the market and increase its sales rate.

Introduction

Economic growth has been a driving force in the expansion of the international economy and the growth of global marketing for Brita. First, economic growth has created market opportunities for Brita that provide a

major incentive for companies to expand globally. Brita is a Germany-based company that aimed to achieve competitive advantage and sustainable competitive creating value for their customers. The goals of Brita are to deliver high quality products to its customers. Three of the most important factors of Brita are innovation, quality and inventory reduction. The aim of the report is to analyze and evaluate current product level, identify growth opportunities and develop recommendation for further growth.

Current Market Situation

In general, the home water filtration industry consists of two broad segments: bottled water producers like Coca Cola and manufacturers of water purifier systems like PUR and Brita. In its turn, this industry is divided into pitchers and faucet systems marketers. This industry adopts high standards of water purity that involves the use special technologies and innovative purification process in order to meet state standards. To satisfy needs of wider target audience Brita creates a special proposition, Ultra, for department stores. Also, it markets the standards pitchers in supermarket chains, drug and grocery stores. Strong competition and new products development suggest decline in revenue which affected company in 2004 (Appendix A, Table 1).

“ The intensity of rivalry” (Porter 2004) between competitors is fierce because there are a lot of small firms operating on the same market. PUR is the main competitor of Brita with double market share. Minor competitors of Brita’s water purifier systems include: Kenwood, Sunbeam, Corning, Rubbermaid, Teledyne, etc. Degree of product differentiation is not large.

Brita represents a market where competitors cannot differentiate their products and that is why have more rivalry. Brita market is very fragmented in terms of supply, with a large number of smaller operators being characteristic.

Brita operates on the market where barriers are high so there is no great “*threat to an entry*” (Porter 2004). The size of the investment required by a business wishing to enter this industry is also an important determinant of the extent new entrants. It is important to note that the costs of research and development facilities are high, so product development requires higher investments. Existing competitors resist strongly, and it will make it difficult for new organizations to enter the industry. For example, existing businesses are obtaining economies of scale, and it will be possible for them to undercut the prices of new entrants because of their cost advantage.

“*A threat of substitute products*” (Porter 2004) for Brita is high, because bottled water and faucet mounted filter systems can benefit potential consumers more than Brita’s products. Close substitutes whose performance is comparable to the industry’s service and whose price is similar will be a serious threat to the industry. The more indirect the substitute, the less likely will the price and performance be comparable. Buyers will be more willing to change suppliers from one industry if switching costs are low or if a competitor in another industry of bottled water offers a product with a lower price and improved performance. Researchers state that “Whether bottled water is better than tap water, and justifies its expense, remains under debate. Bottled water is produced and regulated exclusively for human

consumption. Some people in their municipal markets have the luxury of good water. Others do not” (Bullers, 2002, p. 14).

For Brita “ *supplier power*” (Porter 2004) is the converse of buyer power. Suppliers have enough leverage over industry firms, so they can raise prices high enough to significantly influence the profitability of their organizational customers. Suppliers’ ability to gain leverage over industry firms is determined by several factors. Suppliers also enjoy bargaining power as their business is not threatened by alternative products within this very segment. Brita bought pitchers from contract manufacturers at comparatively low price which benefit the company and allow it to reduce prices for end-consumers.

“ *The bargaining power of buyers*” (Porter 2004) is strong because the fewer the buyers and the larger the volume of their purchases, the greater will be their bargaining power. The degree of concentration has the effect that a few suppliers will tend to reduce the bargaining power of buyers as choice and the ability to ‘shop around’ is reduced.

“ Segmentation involves dividing the market of potential customers into homogeneous subgroups. These subgroups may be distinguished in terms of their behavior patterns, attitudes, demographic characteristics, psychographic profile, and the like” (Iacobucci, 2001, p. 3). The main buyers groups involve middle income and high income segment, young adults, marriage couple and families with children. As a special group an urban segment can be identifies. “ Equally important as stylish looks, the BRITA On Tap Faucet Filter in Chrome water filtration system makes it easy

to stay hydrated, a key to good health” (A Cool Drink of Water, 2003). Also, Brita use behavior and benefit segmentation. It provides an opportunity for the company to pursue one or more segments on a global scale, involving consumers with different socioeconomic backgrounds. Another type of market segmentation is based on usability and compatibility of Brita’s products which influence consumers choice. These types of market segmentation are not typical for the company life Brita, but they help it to compete on the market, create a strong brand image and sustain market development.

Marketing Mix

Marketing mix is based on on-line and offline advertising and promotion. Development of informative web site was the top priority for Brita. On the one hand, it helps to sustain brand of image of Brita and deliver better services to customers ([http://www. brita. com/](http://www.brita.com/)). Advertising messages are designed to communicate with potential consumers in a different countries and market areas. Advertising campaigns can be described as messages whose art, copy, headlines, photographs, tag lines, and other elements have been developed expressly for their worldwide suitability. For instance, the main slogan of the company is “ health: why water is so important” ([http://www. brita. com/](http://www.brita.com/)).

As Brita operates in a progressively fiercer market place for a larger wallet share of an increasingly discerning and diverse customer base, they become ever more communication-dependent. This is very important because consumers are becoming increasingly demanding and sophisticated in their

service requirements and expectations, and able to defend their bargaining stance/purchase position (Recovery Engineering, 1999).

On-line promotion involves banner ads and on-line community, current information about new products and new services, and as the most important support activities ([http://www. brita. com/](http://www.brita.com/)). Many customers do not have time to read press or listen to the radio, so in-store demonstration is the main tool to attract new customers. The aim of the message is to appeal to consumers' mind with unique selling proposition. It is possible to say that the armory of communication techniques at the organization's disposal, which is used singly or in combination, are blended together into an effective and persuasive communications mix (Iacobucci, 2001). Brita bases its pricing decisions on product features and manufacturing expenditures. Brita uses parity pricing or going rate strategy. This is a very effective strategy which helps the company to attract new buyers and create a core of loyal brand support. Channels of distribution include: stores and agents, and Internet store. In sum, Brita creates an environment which encourages the creativity and motivates potential buyers to try Brita's products and encourage existing buyers to be brand loyal ([http://www. brita. com/](http://www.brita.com/)).

SWOT

Threats

Within the industry competition is the major *threat* for Brita. The threat is local competition and potential synergies. The situation suggested that PUR can increase competition which can cause the decrease in prices.

Competitive rivalry among competitors is strong which, on the one hand create barriers to entry, but on the other hand, create fierce competition in the industry. Another problem is a strong competition and a possible deal for control of Pur. This merger can threat Brita and substantially decrease its sales and profitability. PUR has better indicators than Brita and control of the largest consumer products company P &G will open to Pur new distributions channels and investment facilities. “ PUR, which was developed jointly by Procter & Gamble and the U. S. Center for Disease Control and Prevention, “ represents a good example of public- private collaboration and also demonstrates how the government can work side by side with private companies in order to offer greater benefits to society”(P&G and PSI Announce, 2006).

Opportunities

The *opportunities* include high potential to growth through continuous optimization and innovations. “[Poor water] affects the hygienic quality, as well as the taste, odour and clarity of the water you drink and use in food and beverage preparation” ([http://www. brita. com/](http://www.brita.com/)). The environmental situation market suggests the growth of demand on the water purifiers in near future. Another opportunity includes new production of faucet mount system. Implications for strategy development include market growth and increase demand for Brita’s products, and filters in particular.

Strengths

The main *strength* of Brita is brand recognition. Brita creates a complex bundle of images and experiences in the customer's mind. It represents a promise about a high quality children clothes and the latest fashion designs. Brita recognition helps it to differentiate the company's offering from all others. For instance " BRITA On Tap Faucet Filter in Chrome is easily installed on most kitchen faucets and requires no tools. An electronic filter change indicator reminds you when to change the filter. The system's suggested retail price is \$34. 99. Replacement filters are \$19. 99 for one and \$34. 99 for a two pack " (A Cool Drink of Water, 2003). Brand equity represents the added value that accrues to a product as a result of Brita's prior investments in the marketing of the brand. Brand equity is thought of as an asset representing the value created by the relationship between the brand and customers over time. Technological

Innovations are also the strength of the company. The remarkable feature of Brita is that it has a steady share in the range of 65%-75%.

Weaknesses

The *weakness* is narrow target market, product range, and limited distribution channels. The weakness of Brita is lack of promotion campaigns aimed to attract new customers, and absence of competitive advantage. The implications for strategy development involve urgent need to sustain a strong market position and create a core of loyal supporters.

Critical Evaluation of the Situation

Be in one of the most highly rated industries Brita offers high quality products to everyone who wants an excellent taste of water. A net return of sales, after advertising and promotion campaign is about 24%. Taking into account marketing mix variables it is evident that Brita found a unique mixture of advertising tools that have supported its marketing strategy. Its MAP strategy (minimum advertising price) policy helped to attract customers and sustain strong brand image. Lack of promotion campaigns reduces marketing efforts to attract new customers worldwide.

Brita's current strategy is effective because helps the company to compete with its main competitor PUR and bottled water products. This strength is explained by the fact that Brita can meet the requirement of wide audience. The high quality advertising is the main criterion for Brita. Brita's unique brand image helps it to create a personalized message to potential consumers. Also, the strength of the current strategy is that it is aimed to create a strong brand image at the lowest possible cost of advertising. The weakness is that Brita's distribution channels are still limited and it prevents the company to sell variety of products on diverse geographical markets.

Also, this situation can prevent Brita from rapid growth in future and limit its new product sales potential. The implications for strategy development include urgent need to attract wider target audience, involve new channels of distribution and find new ways for introducing future new products without worsen quality of the products. (<http://www.brita.com/>).

The major problem of Brita is to choose a new strategy aiming to address new market and environmental changes. Taking into account current situation, it is possible to say that Brita has come to a standstill.

Growth Opportunities

New strategies for Brita should be based on brand recognition and embracement of “ product culture”. These strategies will globalize “ pure water” culture and healthy style of life increasing popularity of Brita’s brands. It is pity to say, but the main opportunity of Brita is environmental pollution and poor water quality worldwide. For instance, “ America’s drinking water is often exposed to chemical additives, sewage, pesticides, herbicides and sometimes toxic waste, leaving many consumers distrustful of the agencies that regulate it” (Durso, 2004, p. 44).

To ensure long-term success and short-term goals the most favorable for Brita is to promote two product lines: pitchers and faucet filter systems. Taking into account previous selling history, it is evident that some consumers prefer to use “ old” pitchers in favor of newly developed faucet filters. “ According to Brita, its high-end faucet filter system provides water for 18 cents a gallon, a considerable saving from \$1 or more typically charged for an 8- to 12-ounce bottle of water” (Bullers, 2002, p. 14). Using current market strategy Brita will be able to keep old customers and keep filters sales, and develop a new strategy aiming to attract a new target group who are apt to use faucet filters only. If Brita does not support its old users of pitchers it can lose as revenue so potential customers. Also, new strategy will help to cover wider target market of pitcher- and faucet-filter

users and help to compete with PUR. “ When we conceived of the PUR faucet mount water filter with the monitor gauge, we understood that the largest source of consumer dissatisfaction with water filters was not knowing when to change the filter,” said Brian F. Sullivan, Chairman and CEO. “ We were first in bringing this technology to the retail consumer, and our market share speaks for itself. We have been very careful to protect our inventions through a variety of means, including the patent system” (Recovery Engineering sues the Brita Products Company, 1999).

In some years (from 3 to 5 years), the Faucet Filter line can replace an old one and this very strategic direction will help Brita to compete with PUR. The benefit of this alternative is that Brita sustains strong brand position, although it can have a negative impact on filters’ sales and decrease revenue from this business. The cost of this alternative is also high, because Brita will need to spend additional costs on faucet filter development, promotion and aggressive advertising in order to compete with its direct competitor PUR on this market.

Recommendations

Taking into account the present day situation, the best strategy to ensure long-term success should be based on brand loyalty, non-price competition and high-income market segment. Because the market has moved on, there can be a gap between the skills required to compete in the market and those possessed by the firms. Examining what customers appreciate and what they want to receive which helps to attract wide target audience.

Following M. Porter, “ Competitive strategy is the search for a favorable competitive position in an industry” (Porter, 1999, p. 1). To sustain strong market position, Brita has to develop an aggressive marketing campaign in order to attract new customers and deliver customer satisfaction gaining customers loyalty. UK can be the best country to expend operations and increase target audience. This country has a stable economic growth and high income per capita (Budget for Advertising Campaign in UK, Appendix B).

Using differentiation strategy (Porter, 1999, p. 150) Brita can achieved unique product attributes and effective marketing communications. Product differentiation and brand loyalty are the main criteria for this strategic alternative. The benefit of this alternative is brand loyalty that helps to increase the costs for customers of switching the products of new competitors. Recognition of the significant link between customer retention and profitability will lead to new and better strategies for strengthening customer satisfaction. The cost of this alternative is high, because it will need to double advertising budget in order to create a strong image of the Brita brand in consumers’ minds adding psychological value to the brand.

The company can launch new campaign: “ Healthy life with Brita” to increase market share. This campaign should be based on 4 elements (advertising, personal settings, sales promotion and PR) in order to reach wide target audience. This program will be effective, because the quality of drinking water becomes the most essential thing for many people and the main concern of those who want to be healthy. Brita should allow its customer to decide what type of product he/she needs taking into account benefits and

disadvantages of both, and providing the customer with the best price and quality of pitcher and faucet filters. This strategy will help to double the amount of customers.

Also, Brita can use different distribution channels based on customers' preferences. Primarily, it will include agents. An agent will negotiate transactions between Brita and customers. The agents will be responsible for attracting new customers and communication with existing customers. The advertisement used must be informative enough to enable existing customers to make a decision to purchase. Alternatively the advert may invite the potential customer to write in or phone for a catalogue or leaflet listing the full range of services. The use of demographic descriptors will be helpful in identifying commonalities. In order to improve situation, Brita should accept a new marketing tactic taking into account: benefits, consumption patterns of a particular target group, demographics (including income and size of local population), and psychographics (values, attitudes, and lifestyles).

Conclusion

It is possible to conclude that new marketing strategy and philosophy should include the determination of the basic long-term goals concerns the conceptualization of coherent and attainable strategic objectives. Without objectives, nothing else can happen. Non-price competition should take the form of branding, advertising, promotion, and additional services to customers and product innovation. In order to compete, Brita should base its strategy on short-term and long-term goals based on new marketing

strategy: pitcher and faucet systems. The implications for strategy development include potential to growth and favorable economic environment. A growing market of home filtration products means possibility for growth. General health conscious policy towards healthy nations is the main implication for Brita to implement new strategic campaign. The main objective for marketing strategy is to market high-quality products. If Brita does not respond effectively to this situation, it can lose strong brand image and sales volume, and face strong competition from PUR and other companies.

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