

# Frito lay case study

Education



## **Cost Leadership Strategy**

It is a low cost strategy focusing on broad mass market. Requires good scale facilities, tight cost and overhead controls and cost minimization in selected functional areas like manufacturing cost, marketing, r & d and advertising

Reasons for cost reduction: Learning experience Frito Lay's is a worldwide leading manufacturer of snack chips and has 8 to 10 top ten famous brand with brand loyalty customers. They have skills and thereby increase the productivity of the labour.

## **Specialisation and division labour**

Standardization of work may increase productivity by labour. Efficiency is the key factor with less training.

## **Economies of scale**

Mass production will reduce the cost. As per test market, Frito Lay's will be serving about 1.98 million households that are identified as users of snack chips at the area of Minneapolis - St. Paul Metropolitan. As such, - Control of expenses can charge lower price to customer - Low price strategy serves as a barrier of entry to competitors.

## **Differentiation Strategy**

It is pursued when the product can be differentiated. Sun Chips Multigrain Snack is a crispy consisting of blend whole wheat, rice, corn and oat flours with lightly salty multigrain taste and slightly sweet aftertaste. Brand loyalty able to create barriers to entry for new entrants Frito Lay's has good reputable brand name with their other well-known brand and it is difficult for competitors to entry for new entrants due to high cost of marketing. Frito

Lay could use their brand name as the key differentiating strategy in attracting new customer

## **Focus Strategy**

This strategy focuses on certain segments of the market in selling products

Frito Lay's target market segment is those who is taking snack but not everyday because of health conscious concerns - Able to focus efforts on specific target market segment more efficiently

### Develop A Plan for Implementing the Chosen Alternative Porter's Generic Business Strategy

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## **Reasons for cost reduction: Learning experience**

Frito Lay's is a worldwide leading manufacturer of snack chips and has 8 to 10 top ten famous brand with brand loyalty customers. They have skills and thereby increase the productivity of the labour. Specialisation and division labour Standardization of work may increase productivity by labour. Efficiency is the key factor with less training. - Economies of scale Mass production will reduce the cost. As per test market, Frito Lay's will be serving about 1.8 million households that are identified as users of snack chips at the area of Minneapolis - St. Paul Metropolitan. As such, - Control of expenses can charge lower price to customer - Low price strategy serves as a barrier of entry to competitors

### Differentiation Strategy

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