

Example of marketing strategy essay

[Business](#), [Marketing](#)



Affiliated Institution:

1. Introduction

Carbonated drinks like Coke have been popular in the US market for a long time. Even so, this trend is slowly changing as many people are shifting to non-carbonated drinks for health reasons. Carbonated drinks have negative effects to the body as they cause diseases like diabetes, obesity, and cell damage. As such, the report on non-carbonated soft drinks is important as it hedges consumers from the diseases that arise from the intake of soft drinks. For purposes of this research, Lipton ice tea will be used to give a clear picture of the marketing strategy employed for non-carbonated drinks so they can reach a large number of consumers. Lipton has health benefits due to its ability to improve arterial health, has low cholesterol levels, and reduces the chances of cancer. The paper will address the various marketing strategies employed by Lipton as well as show the value added in the process. This will be followed by a SWOT analysis of the strategies used and the organizational theories like the BCG matrix and the Ansoff strategy used to enhance profitability and market share.

2. Part 1- Marketing Strategies and Value Creation

2. 1 Situational Analysis

Many consumers have shifted to purchasing tea, which they consider a healthier option to soda. In 2009, US tea market realized \$3. 9 billion worth of sales. Actually, RTD (Ready to Drink) tea has become very popular because it is very convenient to drink. The work habits and lifestyle of Americans has made convenience a major necessity. In order to reach a wide customer base the producers of Lipton focus more on a B2C marketing

strategy. This method deals with business-to-consumer marketing strategy thereby focusing more on the benefits the product is likely to give to the consumer. Therefore, the strategy employed by the manufacturers of Lipton ice tea is emotional.

2. 2 Brand Analysis and Positioning

The first type of marketing strategy is that of brand positioning. PepsiCo and the Anglo-Dutch Unilever Company are aware that consumers have different tastes and preferences. Consequently, the producers of Lipton tea have come up with different flavors of this product in order to attract a wide range of consumers. The available flavors of Lipton are:

- Iced tea unsweetened- this brand has no added flavors and lacks tea
- Iced tea Sweetened- this type has been lightly sweetened
- Iced tea that contains Raspberry- sweetened iced tea which is accompanied with raspberry flavor
- Iced tea that contains Diet Lemon- this type is lightly sweetened and has a touch of lemon
- Diet green tea with a mixture of berries- lightly flavored mellow tea that has been accompanied with berries.
- Iced tea along with peach- Ice tea that has been sweetened and accompanied with a peach flavor
- Half and Half- Ice tea that is half lemonade and half-sweetened
- Iced tea with Diet Sweet tea- Lightly sweetened ice tea with splendid and 100% calorie free
- Ice tea containing lemon- Sweetened tea with an accompaniment of citrus flavor

- Iced tea that is extra sweet- Extremely tasty ice branded as “ Southern Style” in certain areas

Through Unilever’s Research and Development department, the company has consistently been able to come up with new flavors. This is a very superior marketing strategy as it is flexible to the changing tastes of customers especially those who are adventurous. Furthermore, consumers have a wide range to choose from hence a marketing strategy that gives Lipton distributors a competitive edge.

2. 3 Placement

Lipton has strategically placed itself in the market in order to ensure that it maintains a massive, uninterrupted, strong, and a broad distribution system. In 2003, the Anglo-Dutch Unilever Company formed an alliance with the American PepsiCo. This joint venture allows PepsiCo to market or distribute Lipton tea products particularly Lipton Ice Tea. The Pepsi Lipton International venture is a partnership that is aimed at expanding sales in the North American market (Gaspar 2006, p. 296). Moreover, PepsiCo is a company that has a global distribution system, which is well established. Therefore, Lipton Iced Tea takes advantage of PepsiCo’s goodwill and distribution channels to market their products. Apart from the conventional retailing, Lipton has been able to market their products using vending machines. The online platform has also been a powerful tool because consumers have managed to order and purchase their goods online.

2. 4 Pricing

The use of competitive pricing is another serious marketing strategy employed by Lipton. Unilever seeks to cater for the needs of a mass market

hence the reason why their products cater for different consumer segments. Lipton iced tea is affordable even for those consumers with a low purchasing power as their products start from as low as 41 cents. Actually, this makes Lipton very affordable in comparison with other competing brands like Nestea iced tea. Additionally, Lipton has an option for a large economy pack at an affordable price of \$34. This kind of aggressive pricing strategy has seen Lipton outdo its competitors. This is evident from the fact that Lipton enjoys the largest market share followed by other non-carbonated soft drinks like Snapple at 26. 5% and Nestea at 10. 8% (Gaspar 2006, p. 296).

2. 5 Market Segmentation

Unilever, being the main producer of Lipton has adopted an effective marketing strategy that stems from segmenting the target consumers. Two main markets are targeted for Lipton Iced Tea. The first category is the consumers on the go. This group comprises of students, employees and consumers who have a busy lifestyle hence are in dire need for convenience. Therefore, apart from the boxes and cartons used in packaging Lipton iced tea, ready to drink bottles, pocket sachets and ready to use tea bags have been devised to suit the lifestyle of busy consumers. This marketing strategy is effective because consumers find them instantaneous, easy to use and carry thus suitable for customers of different social backgrounds and ages. The second category is made of consumers who are health conscious. The health benefits derived from drinking tea have increased the popularity of Lipton. Lipton iced tea has 150mg of natural antioxidants that are protective and is 100% natural hence attracting health conscious consumers with ease.

2. 6 Value Creation

Developing a strong marketing strategy plays a major role in adding value to a product. To begin with, positioning of a brand helps it to maintain a prominent position in order for the product to compete favorably with that of other competitors. Secondly, affordable pricing of the product increases its demand especially by the low-income earners. Consequently, the product will not end up becoming obsolete. Thirdly, preparing a brand with components that are health conscious and match consumer preferences enhances the popularity of a good such as that of Lipton ice tea. Many consumers are keen to avoid lifestyle diseases and making a product that matches this requirement increases its demand. Finally, the value creation of Lipton ice tea can be depicted from the partnership between Unilever and PepsiCo. Lipton ice tea is able to get a good brand image because this partnership makes available more resources for the production of high quality products. Furthermore, the partnership avails strong distribution systems for Lipton and the brand is able to benefit from the goodwill created by PepsiCo over the years.

3. Section B- SWOT Analysis of marketing strategy

3. 1 Strengths

There is no doubt that Lipton is the strongest non-carbonated tea brand especially in the US market. The greatest strength depicted from the marketing strategy of Lipton products stems from the incorporation of Unilever and the partnership with PepsiCo (Berkowitz 2003, p. 50). This association undoubtedly strengthens Lipton brands because the product can be distributed efficiently. The partnership with PepsiCo has provided Unilever with a strong and properly established distribution system thus Lipton Iced

has managed to tap new markets and reach many consumers. Another strength stems from the innovative flavors offered by the producers of Lipton. Producing Lipton tea with diverse flavors helps to cater for a wide market. There are consumers who like their tea with lemon while others prefer to have it plain without a touch of lemonade. There is also another group of consumers who like their tea sweetened while others prefer it without on sugar. Therefore, the various flavors of Lipton help to cater for the interests of several consumers.

The third strength of the marketing strategy used for Lipton iced tea is its ability to cater for the needs of different market segments. The segmentation of the target market has enabled Lipton to be marketed appropriately. The manufacturers were able to place so much emphasis on convenient packaging due to the realization that a large percentage of the target market comprised of busy people like students and employees (Berkowitz 2003, p. 50). The establishment of this fact has been a strong point because most consumers have shown preference for the small and convenient packaging thus increasing their sales volumes. Furthermore, the natural content of Lipton together with the antioxidants present in the soft drink has been instrumental in attracting the health conscious consumer segment. Lipton also has nutritional value as it is composed of Vitamin C, protein, Carbohydrates, iron, Calcium, Fiber and Sodium thus a plus for consumers. Finally, Lipton's marketing strategy is superior because it is price conscious. The distributors of Lipton ice tea are aware that expensive pricing can be a major hindrance for several consumers. For instance, some of Lipton's customers are students and low-income earners. Therefore,

affordable pricing of Lipton ice tea for as low as 41 cents is an aggressive competitive strategy which also assists manufacturers attract and retain the middle class groups and below as they form a significant percentage of Lipton's market share.

3. 2 Weaknesses

The first shortcoming has to do with the taste of Linton tea. Even though, Linton ice tea comes in numerous flavors research has shown that its taste is rather synthetic. This is a major blow for Lipton's marketing strategy. Some consumers find the taste of this soft drink too synthetic with some even maintaining that it's after taste is awkward (Berkowitz 2003, p. 51). This kind of feedback is worrying as consumers who have had experience with the product may discourage their counterparts from trying Lipton despite it having several other benefits. Even worse is that other consumers found it tasteless despite being cool and refreshing. Unilever does not invest much of its resources to advertise Lipton ice tea through the media. The use of the media like newspapers, social media, and television is an aggressive strategy that could see the sales of Lipton soars very quickly. Unfortunately, the producers of Lipton have shied away from this strategy and only use it occasionally yet its consistent use could yield very good results.

3. 3 Opportunities

Lipton has a strong brand image especially because it is a market leader when it comes to RTDs. As such, Lipton can take advantage of its position to outdo its competitors without necessarily engaging in price wars. Placing more emphasis on taste enhancement can enable the product scoop the remaining market share that is held by its competitors.

3. 4 Threats

Lipton continues to face competition from competitors who are also involved in the sale of non-carbonated soft drinks. Rivals like Arizona, Snapple and Nestea are continuously innovating so they can drive Lipton out of the market.

4. Recommendations

With the increasing expectation in the growth of the ready-to-drink market for ice tea, Lipton Ice Tea requires to focus more on a marketing share that will see it capture a bigger percentage of the billion-dollar market. In this regard, Unilever and other associated companies need to align its marketing strategy towards advertising. In fact, the company needs to shift most of its efforts from packaging to advertising. This is mainly because advertising campaigns helps to create the greatest degree of awareness and entice a high number of customers.

Secondly, there is need for Unilever and PepsiCo to take an initiative of improving the shelf presence of Lipton Ice Tea. The prominent positioning of Lipton products and shelf spacing contributes towards impressing consumers thereby luring them to make a purchase. As such, there is need for Unilever and PepsiCo to strike a deal with so they can place emphasis on proper shelf presence and spacing for Lipton Ice Tea as it is a crucial aspect that can be used to improve the market share. As part of its long-term marketing strategy Lipton can take part in research and development so that they can continuously take part in product innovation. This move will ensure that Lipton remains relevant to the changing needs, tastes, and preferences of its consumers.

5. Part 2

5. 1 BCG Growth-Share Matrix

The BCG (Boston Consulting Group) Matrix is one of the organizational theories that can be applied to increase market share thereby resulting in the improvement of a firm's profitability.

The BCG is mostly used for companies that are large and are divided into a number of strategic business units hence the dilemma of efficient resource allocation. The cash cow refers to a business unit with a large market share in a growing industry that is slow and mature. Usually, cash cows require minimal investment as they possess the ability to generate cash that can be invested in other areas of a business (Kozami 2005, p. 253). On the other hand, the star is a business unit that possesses a significant market share in an industry that is growing very fast. Stars have a high capability to generate cash but require huge investment to stay ahead in the fast-paced industry. If successful stars have a high likelihood of becoming cash cows when the industry eventually matures. The question mark is a business unit with a small market share in a market that is associated with high growth.

Resources are required to assist in the growth of the market share but it is uncertain as to whether the question mark or problem child may succeed to become stars. Finally, the dog is a business unit, which is characterized with a small market share in an industry that is already mature. A dog may not require so much capital but then it ties up cash that could otherwise be used elsewhere (Kozami 2005, p. 253). It is advisable to invest in dogs only when they have a strategic purpose otherwise any investments should be liquidated as there are little prospects that it will increase its market share.

The case study of Nestle will be used to clearly show how market share and profitability can be enhanced.

Nestle is a multinational company that deals in the production of beverages and food. As at 2012, the company was worth \$98, 484 million with regards to sales thereby ranking as the 69th organization with the highest revenue worldwide (Griffin 2012, p. 77). Nonetheless, Paul Baulk, Nestlé’s CEO was keen on divesting brands that are underperforming. As such, the BCG matrix was instrumental in identifying those brands that need to be sold off in a bid to enhance the company’s market share and profitability. Magi 2-minute Noodles falls under the category of question marks because it requires a significant level of investment in order for it to take advantage of the culinary segment, which is continuously growing. The problem is that these noodles may not give the highest return on the portfolio of Nestlé’s brand. The vast variety of Nestlé’s mineral water qualifies as a star because it has a combination of the emergence of new markets and healthier lifestyle trends. A lot of investment is required in order for Nestle to differentiate their brands of bottled water from that of other competitors present in the mature markets. Brands meant for the management of weight loss qualify as dogs particularly because they have not managed to expand their customer base beyond the US market. Consequently, Nestle has divested brands for weight loss management such as PowerBar. Finally, Nestle has maintained a brand like Nesquik because they enjoy a high market share of a market that has a low growth potential. Nestle made the decision to divest the brands that were considered dogs and question marks in order to increase their market share and profitability which is the PowerBar and Magi-2 Noodles

respectively. Similarly, Lipton can improve its market share and profitability by continually investing its resources in the products it regards as being cash cows and stars. For instance, Unilever and PepsiCo should continually invest in Lipton iced tea because its health benefits provide it with a high share in a market that is still continuously growing. Unfortunately, the BCG matrix has weaknesses such as being time consuming and not taking into consideration future trends hence may not be completely accurate.

5. 2 Ansoff Diversification Strategy

The Ansoff diversification strategy is another theory that can be applied to increase market share

The Ansoff matrix involves the incorporation of four different marketing strategies. The first strategy is that of market penetration, which involves selling products that are established into existing markets. Methods like price reductions, use of the online platform and increased promotion can be used to achieve this aim (Proctor 2014, p. 268). Secondly, product development propels distributors to increase their profitability by developing new services or products and selling the same in existing markets. The third strategy is that of market development, which inadvertently involves increasing a firm's market share given that existing products and services are usually taken to new markets. Finally, diversification deals with the increase of market share as well as profitability because it involves the development of new products and selling the same in new markets. This kind of strategy is highly risky but when the business emerges successful then a firm is likely to reap high profits.

The Portakabin case study will help to support the analysis of the Ansoff

strategy. Portakabin is a factory that is renowned for the manufacture of building materials. To increase sales and thereby increased profitability Portakabin decided to adopt the product development as its marketing strategy. The idea was to increase their profitability by providing consumers with a wide range of choices and pay more attention to their needs. This strategy enables the factory to conduct product innovation with medium risk (Proctor 2014, p. 268). This was possible through market research in which case Portakabin was able to receive direct feedback. Consequently, they discovered a market gap because the Disability Discrimination Act of 2005 had made provisions for the establishment of new buildings to improve the access of PWD (People with Disabilities). The company created EBS (Essential Business Solutions) so they could identify consumer needs with ease. Therefore, Portakabin created ramps, heating equipment, furniture, and appropriate electrics. Since the introduction of EBS, Portakabin has realized a steady growth in their earnings and market share. Approximately 50% of the factory's buildings were born from EBS and this has greatly enhanced Portakabin's image as 'total solutions' business.

6. Conclusion

A good marketing strategy is necessary for the success of a product in the market. The use of strategies like proper placement, competitive pricing strategy, market segmentation and the use of innovative flavors is largely responsible for the success of Lipton Ice Tea hence the reason why it has the largest market share. These key strategies also serve as the strengths of Lipton. Unfortunately, Lipton Ice Tea has the weakness of possessing a synthetic taste despite being refreshing. Unilever can deal with this problem

by advertising its positive attributes and encouraging retailers to maintain an attractive shelf presence. Even so, companies such as Unilever can use the Ansoff strategy and BCG matrix to improve their market share and profitability.

7. Bibliography

Berkowitz, E. N. (2003). Marketing. Toronto: McGraw-Hill Ryerson

Gaspar, J. E. (2006). Introduction to business. Boston, MA: Houghton Mifflin Co.

Griffin, R. W. (2012). Fundamentals of management. Mason, OH: South-Western Cengage Learning.

Kozami, A. (2005). Business policy and strategic management. New-Delhi: McGraw-Hill Published.

Proctor, T. (2014). Strategic Marketing: An Introduction. London: Routledge Publishers.