

New innovative
product of pepsi



**ASSIGN
BUSTER**

The following Marketing plan is about to introduce the new innovative product by Pepsi which is named as Hot Ice Tea. This will be a convenient product which will be readily available to quench the thirst of our customers and will also give the nutritional benefits of Tea. The main characteristics of this product will be the hot and cool nature of the product i. e. it can be served as a hot drink as well as a hot drink; in both way it will give the same satisfaction to the customer and there will be no weather constraint for this product and it can be used through out the year. So the Hot Ice Tea will not be a seasonal drink and this will be the main source of success of the product. The product will be introduced to capture the 20% market share in the category of functional drinks market. The market is still unserved for this segment and company will be going to introduce a new a market trend as well as going to challenge its competitors. This product will lead the company in functional drink market and will carry the company on the top spot. The target market for the product will be the health conscious and energetic customers. Our product will broadly describe the main benefits of tea, Studies continue to show the beneficial properties of teas, with health benefits ranging from lower cholesterol levels to improve arterial health and decreasing chance of cancer. This positive press has definitely increased the demand for tea. In the first year of operation the Hot Ice Tea will be introduced in Pakistan because there are more potential and enthusiastic customers and we can get result more fastly about the success of product.

The Company will increase its market share through targeted advertising to increase the number customers who want convenience and are looking to

have a drink of unique nature which will give them taste, energy and the nutritional benefits of tea.

COMPANY DEESCRIPTION

PEPSI INTERNATIONAL

HISTORY

PepsiCo is a world leader in convenient foods and beverages, with revenues of about \$27 billion and over 143, 000 employees. The company consists of the snack businesses of Frito-Lay North America and Frito-Lay International; the beverage businesses of Pepsi-Cola North America, Gatorade/Tropicana North America and PepsiCo Beverages International; and Quaker Foods North America, manufacturer and marketer of ready-to-eat cereals and other food products. PepsiCo brands are available in nearly 200 countries and territories.

Many of PepsiCo's brand names are over 100-years-old, but the corporation is relatively young. PepsiCo was founded in 1965 through the merger of Pepsi-Cola and Frito-Lay. Tropicana was acquired in 1998 and PepsiCo merged with The Quaker Oats Company, including Gatorade, in 2001. would entertain the listener with the latest musical selections rendered by violin or piano or both. The new name, " Pepsi Cola", is derived from the two of the principle ingredients, Pepsin and Kola Nuts. It was first used on the August 28. At that time, Bradham's advertising praises his drink as " Exhilarating, invigorating, aids digestion".

In 1992 Pepsi-Cola formed a partnership with Thomas J. Lipton Co. Today Lipton is the biggest selling ready-to-drink tea brand in the United States. Outside the United States, Pepsi-Cola Company's soft drink operations include the business of Seven-Up International. Pepsi-Cola beverages are available in more than 190 countries and territories.

In Asia, they selected Lahore to make their regional office. This was done in 1970. This regional office is monitoring all the operations carried out in South West Asia. As in Pakistan, they only entered beverage industry. They have eleven bottlers covering whole Pakistan. The plant operating here is Riaz Bottlers (Pvt) LTD. This plant was established at Lahore in 1974. The total capacity of the plant is 30, 000 cases per day. They have four filling lines in the plant operating on the three shift bases. Each shift is of eight hours. They have permanent work force of 750 people and they employ approximately 1000 people more on temporary basis during summer season.

(Source [www. pepsico. com](http://www.pepsico.com))

Situation Analysis

Pakistani lifestyle and work habits have made convenience a necessity. As employers demand for productivity from their employees, consumers are more pressed for time. In addition, the shaky economy has made Pakistani fear for their jobs; thus, any product that can fill the consumers' need for convenience and speed are almost automatically embraced into the Pakistani life style. Hot Ice Tea offers a unique drinking experience to its consumers.

Market Summary

Industry Analysis In 2007, the tea industry reached the \$1. 7 billion category and it is expected to continue growing indefinitely (Mintel2007). Market analysts believe the tea industry will continue to boom and is not expected to reach saturation level in the near future. The favorable movement in the tea industry can be attributed to two major factors: a) consumers need for convenience and time-saving services; and b) the positive press given to tea.

Trends

For the last decade, the health benefits of tea have gained wide coverage in the media. Studies continue to show the beneficial properties of teas, with health benefits ranging from lower cholesterol levels to improve arterial health and decreasing chance of cancer. This positive press has definitely catapulted the demand for tea.

Both the need for convenience and positive press on tea have spurred an increase in sales of tea products, specifically ready-to-drink (RTD) teas sold in single-serve containers Recognizing this trend, various companies in the tea industry have come up with innovative products to take advantage of the booming market for ready-to-drink teas. Lipton tea, one of the global leaders in refreshment brands, launched new products to meet the growing the need for ready-to drink teas and introduced innovative product line to capture the health-conscious market.

Today, while the soft drink industry's value has increased , the volume sales of carbonated soft drinks has declined due to a large proportion of consumers who are opting for the trend towards healthier alternatives in the

functional drink segment (energy drinks, smoothies, milk & juice drinks, sports drinks) as well as bottled juices and water. Companies have been actively engaged in new product developments in order to counter the growing concerns about negative health impacts of high-fructose drinks, but also to increase the demand in a market where product offerings are quickly maturing. New flavor introductions and health-conscious formulations have been launched in an attempt to offset the decline in carbonated soft drink sales. The functional market is expected to show sustained growth and consumer interest in the future years as consumption shifts to trendier, healthier and more sophisticated product.

Profitability & future growth potential

In 1993, Concentrate Producers earned 29% pretax profits on their sales, while bottlers earned 9% profits on their sales, for a total industry profitability of 14%. While the functional drinks sector only accounts for 3.7% of the total soft drinks sales in 2004, estimates are forecasting a growth of 7.3% in sales and 11.0% in volume consumption by 2009. (Source wikipedia)

Competition

Pepsi's top competitors for the soft drinks industry are coca cola (43.6%) and Cadbury-Schweppes (15.8% of market), which combined, represent about 58% of the total market. Pepsi's share is 42.7% of the total soft drinks market. In the functional drinks sector, PepsiCo is the current market leader with 60.5% of the market shares in 2007. Coca-Cola Co is second with 32.8%. Hot Ice Tea will launch into a currently un served subset of that market (RTD " Ready-To-Drink" Hot Ice Tea), which is until now un existing. It is

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anticipated that the following brands could potentially compete with Hot Ice Tea in the functional drinks market: Brisk, Lipton Iced Tea, Sobe (owned by PepsiCo), as well as Snapple's and Hawaiian Punch (owned by Cadbury/Schweppes). Hot Ice Tea also creates a potential situation for cannibalism with Pepsi's very own brands of iced tea and other functional drinks.

Consumers firstly decide that they are going to have a soft drink. Then they compete brands with each other. Like they compete Coke with Pepsi and Sprite with 7up and team . So the major competitor of PEPSI is Coke.

When they motivate to any other brand or on PEPSI it's in instinct basically that based on messages derive certain feelings.

But PEPSI thinks in a different way, they believe that RC Cola, new coming AMRAT Cola, and all juices, even they take water and tea as their competitors.

DIRECT COMPETITOR

COCA COLA is the direct competitor of PEPSI and all other soft drinks in the market.

The Coca-Cola Company's core undertaking is to benefit and refresh everyone it reaches. Founded in 1886, we are the world's leading manufacturer, marketer, and distributor of non-alcoholic beverage concentrates and syrups, which are used to produce nearly 400 beverage brands that make up for our wide portfolio. Our corporate headquarters are established in Atlanta, and we are holding local operations in over 200

countries around the world. Our activities cover all sectors of the beverage industry. We are the second leading player in functional and Asian specialty drinks, while ranking number one in value for the ready-to-drink tea sector.

(Company source)

INDIRECT COMPETITOR

All the tea brands and water is in indirect competition with PEPSI.

Source: (PEPSI website)

TARGET MARKET

There are two major target markets for ready-to-drink Hot ice tea.

One group is the consumers on the go. These are the employees, students, and other consumers who lead a busy lifestyle. The hectic Pakistani lifestyle demands for optimize productivity with lesser time-consumption. Thus, there is a need for products that are accessible and readily available. Convenience has dominated the market, particularly the food and beverage industry.

The other group is made up of health conscious consumers, specifically the younger who demand anything healthy. The positive reviews as well as the studies on the benefits of tea drinking have stirred an interest in tea drinking.

Distribution

The current market for Hot Ice Tea is fragmented, since the distribution is restricted to local outlets and selling points such as counters and small Hot Ice Tea shops in scattered locations. However, direct competition from these local players is not anticipated, since the marketing roll-out will initially

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emphasize on product awareness and both sales channels do not reach or serve the same market (retailing vs. counter/restoration). A strong distribution system already exists with PEPSI, since partnerships and channels are already in place. This will facilitate the product's reach into its target market.

Retailing

Wholesaling

Positioning

“ Hot Ice Tea” will be a bottled beverage and will be positioned as the only ready-to-drink Hot Ice Tea product available on the market. The beverage will have a differential advantage that it can be drink as hot drink and can be taken as cold drink. It will bring an entirely unique drinking experience to its consumers. It will present itself as a funky and unusual alternative to traditional tea while providing the great taste of authentic fruit juice in an attractive and convenient packaging.

(www. pepsico. com)

Advertising

Informative Advertising

There will be Informative Advertising during market of Hot Ice Tea and that will help company:

Informing the market of a price

Describing available services

Correcting the false impression

Building a brand and company image

communicating customer value

Telling market about a new product

Explaining hoe the product works

Suggesting new uses for a product

Persuasive Advertising

It will help marketers to:

Building brand preferences

Encouraging switching to your brand

Changing customer's perception of product attribute

Persuading customers to purchase now

Convincing customers to tell others about product

SWOT Analysis (Source PEPSI web site)

STRENGTHS

WEAKNESSES

Pepsi has a broader product line and outstanding reputation.

Merger of Quaker Oats produced synergy across the board.

Record revenues and increasing market share.

Lack of capital constraints (availability of large free cash flow).

Great brands, strong distribution, innovative capabilities

Number one maker of snacks, such as corn chips and potato chips

PepsiCo sells three products through the same distribution channel.

- Pepsi hard to inspire vision and direction for large global company.
- Not all PepsiCo products bear the company name
- PepsiCo is far away from leader Coca-cola in the international market - demand is highly elastic.

OPPORTUNITIES

THREATS

Food division should expand internationally

Noncarbonated drinks are the fastest-growing part of the industry

There are increasing trend toward healthy foods

Focus on most important customer trend – “ Convenience”.

- F&B industry is mature
- Pepsi is blamed for pesticide residues in their products in one of their most promising emerging market e. g. in India

- Over 50 percent of the company's sales come from Frito-Lay; this is a threat if the market takes a downturn
- PepsiCo now competes with Cadbury Schweppes, Coca-Cola, and Kraft foods (because of broader product line) which are well-run and financially sound competitors.
- Size of company will demand a varied marketing program; Social, cultural, economic, political and governmental constrains.

SWOT Analysis of Pepsi Co.

Strength

- Pepsi has a broader product line and outstanding reputation.
- Merger of Quaker Oats produced synergy across the board.
- Record revenues and increasing market share.
- Lack of capital constraints (availability of large free cash flow).

Great brands, strong distribution, innovative capabilities

Number one maker of snacks, such as corn chips and potato chips

- PepsiCo sells three products through the same distribution channel.

For example, combining the production capabilities of Pepsi, Gatorade and Tropicana is a big opportunity to reduce costs, improve efficiency and smooth out the impact of seasonal fluctuations in demand for particular product.

Weakness

- Pepsi hard to inspire vision and direction for large global company.
- Not all PepsiCo products bear the company name
- PepsiCo is far away from leader Coca-cola in the international market – demand is highly elastic.

Opportunity

- Food division should expand internationally
- Noncarbonated drinks are the fastest-growing part of the industry
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- Focus on most important customer trend – “ Convenience”.

Threats

- F&B industry is mature
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Objectives and Goals

Company is centered on these objectives:

With the expected growth of the billion dollar ready-to-drink ice tea market, Hot Ice Tea is poised to capture a bigger share of the market with an aggressive marketing strategy: from packaging to advertising.

Short Term Goals:

Improve market presence by 20%

Short-Term Objectives

Aggressive Marketing Strategy PepsiCo can take advantage of the positive press on the health benefits of tea to boost the sales of its hot ice tea product line. The company can use recent studies on the health benefits of tea as the basis of its press releases and advertising campaigns.

Improve Packaging The Hot Ice Tea will be introduced in two sizes: the 250ml bottle and 1/2 liter bottle. PepsiCo can come up with other packaging sizes to ensure that consumers will have other choices and that Hot Ice Tea will be easily and readily available to consumers.

Improve Shelf Presence PepsiCo can make a deal with retailers ensure retail shelf space and prominent positioning for Hot Ice Tea.” Although an average shopper may not notice what brands are positioned in prominent places on shelves or how much room is allotted to each manufacturer, shelf space and positioning as make or break factors in introducing new products”

Long-Term Goals:

World Number One ready-to-drink ice tea

Long-Term Objectives:

Product Innovation PepsiCo must continue its innovative research and development strategy to come up with new flavors and products. PepsiCo has extensive research facilities on product improvement. The company can use its resources and professional expertise to come up with new flavors that will suit the continuous demand for healthy ready-to-drink hot ice tea. With aggressive marketing strategy and product positioning, Hot Ice Tea is ready to take the global lead in ready-to-drink tea industry.

MARKETING STRETEGY

SEGMENTATION

Segmentation variables for consumer market of Hot Ice Tea

TYPE

VARIABLES

PARTICULARS

Geographic

segmentation

World region or country

Nationwide (all provinces and territories) with emphasis on urban / metropolitan areas, and adapted strategies for all geographical groups

City or Metro size

5000-20, 000, upto 400, 000 and over

Density

Urban, suburban

Climate

Northern southern eastern western

Demographic

segmentation

Age

12-19, 20-34, 35-49, 50-64, 65+

Gender

Male , Female

Family size

1-2, 3-4, 5+

Family Life Cycle

Young , single married under 18 older

Income

Under 10, 000 and over 100, 000

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Occupation

Professional , proprietors, clerical sales persons

Education

Grade school or less high school , graduate and above

Race

All (Asian , Hispanic, black , white)

Generation

Generation y

Psychographic

segmentation

Social class

Working class, middle class, upper middle class, lower uppers , upper uppers

Life style

Achievers and strivers

Personality

Compulsive , authoritarian gregarious, ambitious

Occasions

Regular occasion and Special occasion

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Benefits

Quality, convenience, nutritional

Behavioural

segmentation User Status

Non-user, regular user, first time user

Usage rate

Light user , medium user , heavy user

Loyalty status

None , medium , strong

Readiness stage

Un aware , aware , interested , intended to buy

Attitude towards product

Positive, enthusiastic , indifferent

TARGETING

Segment identification:

RTD (Ready-to-drink) bottled Hot Ice Tea, to be established within the Functional Drinks sector.

Segment needs:

The product will have both physiological need (hydrating and nutritional value) and social needs (perception of a social, fun drink with a sense of belonging within peer consumer groups)

Segment trends:

The current trends include a shift away from junk foods and carbonated drinks, a growing interest for healthier / beneficial products for the “ mind and body” the trend towards the availability of on-the-go products for those with an active lifestyle, as well as the trend for personalization through customization (or for beverages, through variety-seeking in a wide introduction of flavours. (www. oppapers. com)

Segment growth potential:

Statistical reports anticipate a segment growth of 1. 72% over the next 9 years (2015) for the 10-29 years old subsets.

(www. oppapers. com)

POSITIONNING**Positioning strategy**

The only RTD bottled Hot Ice Tea available. Funky & eye-catching bottle, functional packaging, premium-priced, cool, new and unusual, unique drinking experience, aspects of play variety of flavors, sweet, refreshing, for hip & young people, healthier alternative to heavy-sugar drinks.

POSITIONING STATEMENT

To young active soft drink customers who have little time for sleep, Hot Ice Tea gives you the nutritional benefits of tea and keep you awaken. You can take it while on the go, now it's your choice that you can chill it and you can hot it. There is no boundary of season now because Hot Ice Tea can be taken from both aspects hot drink and cold drink.

PRODUCT

PRODUCT STRATEGY

The core

Hot Ice Tea beverage in a pre-bottled, ready-to-drink format.

The actual product

The Hot Ice Tea will be a convenience product.

Packaging and labeling:

Twist Cap

freshness seal

Easy to grab bottle

Flavor

logo of Hot Ice Tea

Slogan

Ingredients

PEPSI product

250 ml bottle

Nutritional Details

Sweetened or Diet

Branding:

Colorful, aspect of play, round shaped, prominent Hot Ice Tea logo written in modern font.

Trade name:

Hot Ice Tea [™], a PEPSI product

Brand personality:

Energy, funky, cool, functional, original, funny, healthy, etc.

Brand equity:

PEPSI provides a quality, consistent, innovative and accessible soft drink reputation.

Product life cycle:

Hot Ice Tea is a low-learning product. With a strong marketing campaign, “ sales [will] begin immediately and the benefits of the purchase are readily understood” Since Hot Ice Tea is prone to product imitation, Pepsi’s strategy is to broaden distribution quickly, which is currently feasible thanks to the company’s high manufacturing capacity.

Product class:

Food & beverage f Soft Drinks f Functional Drinks Hot Ice Tea follows the practice of product modification PEPSI is introducing an existing beverage (Hot Ice Tea) but redefines the drink with a new, more convenient package. Hot Ice Tea will now become a widely available drink in multiple retailing (distribution) channels.

Product Quality

Performance Quality

The performance quality of Hot Ice Tea will be that it will produce what it functions, and the main function of Hot Ice Tea is the hot and cool nature of product. Customer can take it as a hot drink by got hot by oven and can take it as cool drink by chilling it in deep freezer it is up to the customer.

Conformance Quality

The conformance quality of Hot Ice Tea will be that it will be free from any defects; it will deliver its targeted performance and quality

PRICE

PRICE STRATEGY

The price strategy that will be undertaken should consider the following aspects:

Consumer demand

The product lifecycle

Potential substitutes

Customer demand

Customer demand is a crucial factor which is driven by tastes, income and availability of others similar products at a different price. For a lot of consumers, value and price are highly related: ” the higher the price, the higher the value”. Consequently, Pepsi’s intention to position Hot Ice Tea as a unique, innovative and attractive product gives it a certain control over Hot Ice Tea price. To be able to implement higher pricing though, the minimization of the non-monetary costs to customers should also be include along with awareness of the product (notably by advertising) and value (benefits).

The product lifecycle

The company should take advantage also to the fact that the newer the product and the earlier in its lifecycle the higher the price can usually be. It ensures a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly and it also brings a certain prestige to the product. (Source netmba. com)

Product development

It begins when the company finds and develops a new product idea. During product development, sales are zero and the company’s investment costs mount.

Introduction

Is the period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction.

Growth

Is a period of rapid market acceptance and increasing profits .

Maturity

Is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition.

Decline

Is the period when sales fall off and profits drop. (Ref. from book)

Potential substitutes

PEPSI is constrained by the monopolistic market in which it competes. The main characteristic however is product differentiation.

Pricing strategy

The point here is that PEPSI can not set a price that is too high because competitors will be attracted by potential profits and will follow by a lower price. After having taken all the important factors into consideration, there are five price-level fixing approaches seem appropriate.

Cost Based Pricing

One of the central objectives of this project being to become the market leader in functional drinks, PEPSI is willing to stay among the top competitors, if not becoming the greater, by achieving a certain target profit. This could be obtained by establish a price that will largely cover variable and fixed costs while bringing tremendous profits.

Value Added Pricing

Competitors and potential substitute's prices can also be part of the strategy. Having a higher price could make customers aware of the additional benefits and the higher quality of Hot Ice Tea.

Value based Pricing

The company sets its target price based on customer perceptions of the product value. The targeted value and price then drive decisions about product design and what cost can be incurred. As a result pricing begins with analyzing consumer needs and value perceptions, and price is set to match consumer's perceived value.

4. Market Penetration Pricing

The company can set a low price for a new product in order to attract a large number of buyers and a large market share.

5. Break-even pricing

The company has to make some strategies for break-even prices, setting prices to break even on the costs of making and marketing a product; or setting prices to make a target profit.

PROMOTION

PROMOTION STRATEGY

Objectives:

To initiate strong awareness about the launch of Hot Ice Tea throughout Generation Y (10-29 years old) consumers as well as their parents.

To win market shares over our top functional drinks competitor, PepsiCo.

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The promotional activities will convey the clear message that “ Hot Ice Tea is a healthy drink for sporty and young people who simply enjoy taking care of their body and life.”

Concepts:

“ Think outside the bubble”: Be Bold, Be Original, Be Different, Be Yourself.

“ A good spirit in a good body.”

“ For the out-of-the-ordinary individuals who like to challenge themselves.

Media selection:

Before choosing the appropriate Medias, it is important to note that Generation Y consumers only give partial attention to media. However, they can be reached through integrated programs. They are typically using more than one communication media at a time; a behaviour that is often called “ multitasking”. This group of consumers doesn’t give its full attention to one single message, but rather uses continuous partial attention to scan the media. Marketers can still communicate with Generation Y by using a variety of targeted promotional tools. Another important tactic to reach our target market is through “ Hot Ice Tea” marketing, which PEPSI will heavily use in this campaign (campus, contests).

Advertising:

Output

Examples

Television

GEO TV. ANYONE DIGITAL. AAG TV

Radio

FM100, FM103, FM106

Magazines

TIME MAGAZINE , akhbar e jahan , family

Internet

Banners on selected websites (gaming, sports, Google, yahoo etc.)

Outdoors

Billboards and prints in select areas including:

Campuses, transportation (bus, metro, stations)

Tourist areas in high seasonal periods

Personal selling

Direct contact with retailers, sales kit strategies to be explained later in the text.

Public relations

Stands or special displays and events in schools, malls, sports events (i. e. IPL SEASON 2), sponsorship activities

Publicity

Conferences, press releases (print and online), marketing through TV coverage

Justifications for advertising selections

-TV:

Most viewed channel for now a days are geo , Ary one world and Aag tv and specially etc and MTV are the most viewed channels by teen age groups.

TV communicates with sight, sound and motion, which is needed for HOT ICE TEA. It is the only media that can reach 99% of the homes at once. PEPSI has the budget to cover the high costs of this media.

-Radio:

FM 100 , FM 103 , FM 106. 2 AND FM 101 are the most popular fm radio stations which are equally listened by every age group.

Radio is an already segmented medium. There are many radio stations in Pakistan. The average University or college student is a surprisingly heavy radio listener and spends more time during the day listening to radio than watching network television we could also use of “ Interactive radio” as Pepsi has already done in the past.

-Magazines:

We should take advantage of the fact that magazines have become a very specialized medium. There are many consumers’ magazines in Pakistan. Good color production is also an advantage that creates strong images which is the purpose of PEPSI with its HOT I