

Core competency
and sustainable
competitive
advantage marketing
essay



Critically investigate Strategic marketing management techniques and how it helps organizations in implementing strategic directions

Critically explore in detail marketing performance management and role of business balance scorecard

The Research consist on following points:

Examination of data and facts to uncover and understand cause-effect relationships, thus providing basis for Strategic marketing management including Core Competency and Sustainable Competitive Advantage

Examinants strengths and weakness of Facebook as well as identifying opportunities and threats of an organization.

Identifying Positioning and product life cycle strategy of Mountain dew as well as discussing the marketing mix techniques

On the basis of these marketing strategies techniques , we may find out the marketing performance and business scorecard of Pepsi co.

Company Description

PepsiCo, Inc. is among the most successful consumer products companies in the world, with 1999 revenues of over \$20 billion and 116, 000 employees.

The company consists of: Frito-Lay Company, the largest manufacturer and distributor of snack chips; Pepsi-Cola Company, the second largest soft drink business and Tropicana Products, the largest marketer and producer of branded juice. PepsiCo brands are among the best known and most

respected in the world and are available in about 190 countries and

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territories. Some of PepsiCo's brand names are 100 years old, but the corporation is relatively young. PepsiCo, Inc. was founded in 1965 through the merger of Pepsi-Cola and Frito-Lay. Tropicana was acquired in 1998.

PepsiCo's success is the result of superior products, high standards of performance, distinctive competitive strategies and the high integrity of their people.

Core Competency and Sustainable Competitive Advantage

In terms of core competency, PepsiCo seeks to achieve a unique ability to:

- (1) Provide a distinctive, high-quality one-calorie soft drink and to provide a high-quality citrus soft drink using Pepsi Company's distinct ingredients to appeal and to excite contemporary tastes for these products and
- (2) Deliver these soft drinks to the customer using effective manufacturing and distribution systems that maintain PepsiCo's quality standards.

To translate these core competencies into a sustainable competitive advantage, Pepsi Co. works closely with key suppliers and distributors to build the relationships and alliances necessary to satisfy the high taste standards of our customers.

Mountain Dew

Mountain dew enjoyed the status of the only citrus carbonated soft drink in the beverage market until sprite 3g entered the market. The total market share of citrus CSD's is 14% out of which 95% is held by mountain dew and the rest 5% by others. Mountain dew is the fastest growing carbonated soft

drink in worldwide and it is also the fastest growing brand of Pepsi cola worldwide. As of 2007, Mountain Dew was the fourth-best-selling carbonated soft drink in the United States, behind only Coca-Cola Classic, Pepsi-Cola, and Diet Coke. Diet Mountain Dew ranked ninth in sales in the same year. In October 2008, it was announced that Pepsi would be redesigning their logo and re-branding many of their products. The name Mountain Dew was first trademarked by two brothers, Barney and Ally Hartman, who ran a bottling plant in Knoxville, Tennessee.

Ingredients

Mountain Dew lists its ingredients as:

Carbonated water

Sugar

Citric acid

Sodium benzoate (preserves freshness)

Caffeine (55 mg per 12 oz. [approx 330ml])

Sodium citrate

Emulsifiers

Natural Flavours

Ascorbic Acid

Colour (Tartrazine)

Slogan of the brand is

DO THE DEW

Target Market

For mountain dew every individual with a middle class status can be considered a potential consumer. Though, in order to target specific markets, mountain dew divides the target market into the following market segments:

Mountain Dew's Target Market

Mountain Dew targets male consumers within the age range of 16-18 years of age. This is when mountain dew is marketing to teenagers, which they call as Bull's Eye Target Audience. These potential customers still live at home with parents. They rely heavily on parents to purchase the product for them. These are the key consumers for mountain dew because they are ready to embrace excitement, adventure, fun, energy and enthusiasm. In this segment, mountain dew is trying to capture brand awareness.

Communication target

The communication target is broad in nature as compared to the target market. Here, mountain dew targets the people within the age range of 16-24 or even 16-35. Communication target defines the target audience for which the company is going to advertise, people who will watch the ads.

Consumption target

Consumption target will be as broad as possible, because it involves all the people who will actually consume the product. Here, no age limit is defined because whoever is consuming the product is their target in this section. It could be teenagers, families, etc.

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Market Needs

Mountain Dew captured its market by smartly meeting their needs, like:

1. Quality Product

Mountain Dew is providing the quality citrus soft drink. They are strictly meeting the updated ISO standards, hence meeting the quality needs properly. Apart from this, they have hired specially trained quality employees who are always involved in the quality checking of the product through out the manufacturing process.

2. Product Attributes

Secondly, the product attributes like shape of the bottle, colour of the drink, labelling and packing are uniquely designed which actually shows the quality of Mountain Dew. The product attributes were so attractive that it really helped Mountain Dew strongly entering into the existing CSD market of Pakistan.

Competitors

Please refer to the following table:

Segment

PepsiCo Products

Competing Products

Cola

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Pepsi

Coca Cola

Citrus

Mountain Dew

Sprite 3G

Lemon Line

7up

Sprite

Orange

Mirinda

Fanta

Positioning Strategy:

The positioning strategy is the heart of the brand strategy. Positioning statement typically identify the set of associations (benefits, quality, user imagery) that the brand should own, the support for claiming these associations, and perhaps the tone or personality by which the brand should speak to its prospects about these concepts. Positioning statements are the arguments for the brand relative to the other brands in the category and are based on abstracted associations. For example, the positioning statement of Mountain Dew used by PepsiCo is as follows:

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“ To 16-18 year old males, who embrace excitement, adventure and fun, Mountain Dew is the great tasting carbonated soft drink that exhilarates like no other because it is energizing, thirst quenching, and has a one of a kind citrus flavour.”

This statement defines the target in terms of age and psychographics and then directs the creative to communicate a laundry list of benefits: it's exhilarating and energizing effects, its thirst quenching ability and its distinctive citrus flavour.

Positioning Against Competitor

Who's the biggest game in town? We can learn a lot about ourselves, the market, and our market share by analyzing our competition. A lot can be achieved by asking some probing questions.

- Who is doing what we're doing?
 - Who are their customers?
 - Are they the same people we're trying to attract?
 - How does our product or service compare in terms of price and quality?
- ... and so forth.

By properly answering the above mentioned questions, we can better understand our competition and can formulate better positioning strategy against our key competitors. In the current scenario, Mountain Dew has positioned itself against its key competitors on the basis of product

attributes. For example, they introduced the unique beer bottle design, then the usage of colored bottle and drink, and finally they have strongly positioned them based on the amount of caffeine used. Since, caffeine gives energy, hence their positioning strategy strongly focuses the words like, males, who embrace excitement, adventure and fun, great tasting carbonated soft drink that exhilarates like no other because it is energizing.

“ A 12 ounce can of Mountain Dew contain 55 milligrams of caffeine. What surprises many people is the level of caffeine in Mountain Dew – at 55mg it is significantly higher than any other existing CSD.”

The strength of Mountain Dew’s positioning strategy is that they very smartly and aggressively deliver the positioning strategy in their ads as well. The ads are very much attractive for the target audience as they are able to see what they are actually willing to see. The ads are full of excitement, adventure, fun, energy and enthusiasm.

PepsiCo divides its CSD’s into 4 main segments:

- 1) Cola’s : Pepsi
- 2) Citrus : Mountain Dew
- 3) Lemon-lime : 7-up
- 4) Orange : Miranda

Mountain Dew falls into the citrus segment of PepsiCo’s CSD product mix. Its major competitor is Sprite 3G.

SWOT ANALYSIS

Strength

Since the mother brand is so strong, it helped mountain dew a lot in creating its name in beverage market. It also increased the creditability of the mother product. The primary and key strength of mountain dew is that it is the brand of one of the strongest and globally recognized company that is Pepsi. Since, the mother brand is so strong, it helped mountain dew a lot in creating its name in the beverage industry.

Weakness

The increasing inflation rate in globally may result in an upcoming weakness for Mountain Dew. Secondly, fragmentation in the beverage industry of UK is another weakness. Thirdly, and most importantly, Mountain Dew's fame can hurt the credibility of the mother brand, Pepsi. Brand extension is not there.

Opportunity

One of the best opportunity for mountain dew is that the people are now fed up of ordinary cola's and other existing CSD's, hence strongly moving their interest towards the citrus segment like mountain dew.

Threats

The biggest threat for mountain dew is form its competitors Sprite 3G and other energy drinks like red bull etc. Before Sprite 3G, Mountain Dew enjoyed the monopoly in the citrus segment of CSD's industry. Now, the competition is very high between the two brands. Secondly, from the Pepsi's perspective, Mountain Dew can be a threat for the mother brand.

Product Life Cycle

Product Life Cycle Management is the succession of strategies used by management as a product goes through its product life cycle. The conditions in which a product is sold changes over time and must be managed as it moves through its succession of stages.

A product's life cycle (PLC) can be divided into several stages characterized by the revenue generated by the product. The life cycle concept may apply to a brand or to a category of product. Its duration may be as short as a few months for a fad item or a century or more for product categories such as the gasoline-powered automobile.

Introduction Stage

Is the product is the result of NPD or copy competitors? Which pricing strategy to adopt penetration or skimming? Spending a lot on advertising and sales promotion to induce trial purchase, sales promotion. Build channels of distribution, selective distribution. Any USP, stress on it. Educate the market about the product benefits and features. The product for the time being is a loss maker.

Growth Stage

Sales rises if the new product gain acceptance, production rises, unit costs fall. Here, the product starts to yield profits and competitors are attracted. Firms must put more emphasis on the brand name of the product since consumers are now aware of the product's benefits. Distribution should become more intensive-enter new distribution channels. Pricing may be reviewed if a skimming pricing strategy was adopted. Companies should

lower the prices to attract the next layer of price sensitive buyers and finally a firm must attempt to maximize market share.

Maturity Stage

This is the stage of fierce competition. Sales growth slowdown. Most products spend most of their time in the maturity stage of the PLC. Profits are good. Improve product quality and add new product features and improved styling. Add new models and flanker products (i. e. provide products of different sizes, flavours and so forth that protect the main product). Enter new market segments and defend market share. Win competitor's customers-For example, Pepsi Cola is constantly tempting Coca-Cola users to switch to Pepsi Cola, throwing out one challenge after another. Secure more support and display in the exiting outlets. Re-positioning of the product in the mind of customers may be a valid alternative as well.

Decline Stage

In the declining stage, sales may fall rapidly. Firms should maintain the sales of the product so far it is contributing to profits or enhances the effectiveness of the product mix. Re-positioning may be conducted to extend life cycle. Marketing mix must be adjusted accordingly. Harvesting-gradually reducing a product or business cost while trying to maintain sales-reduce sales force size, R&D costs, plant and investment costs, advertising expenditures and slowly pulling out of the business. Rejuvenate a product by adding value to the original declining product-Yamaha Pianos.

“ Mountain Dew falls in between the introductory & growth stage of the Product Life Cycle. Since, Mountain Dew is a New Product Category, hence it

is moving toward the growth stage. If it gains acceptance, the sales will increase more which will result in the increasing production process and finally the unit cost will be decreased. This thing may lead to the threat of more competitors in the future. They may emphasize largely on the brand name because the consumers will be aware of the product's benefit and they may need to focus more intensive distribution."

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Marketing MIX

Product

The product includes the liquid inside and the packaging also. Soft drink satisfies the need of thirst (core benefit). However, people are always different; some want more some want less. Therefore mountain dew has made allowances for that by providing many sizes.

Mountain dew like its mother company Pepsi, seeks the image by focusing on individuals and also introversive people. Mountain dew targets male teenagers those who are ready to embrace excitement, adventure, fun, energy and enthusiasm. As the caffeine ratio is very high in mountain dew as compare to other CSD's it caters the need of those who like to sleep less. It has gone through a design renaissance in the year 2008 . The appearance of the product is eye catching with bright yellow green color and semi opaque . As the product is associated with sports it is slightly larger, unlike its competitors, to offer more to the consumer.

The quality of the soft drinks is needed to be regularly high. mountain dew strictly meets the I. S. O standards and these standards set by Pepsi cola
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international . It has also been given monthly award held by “ H. S. E” . Apart from this the company have hired specially trained employees who are always involved in the quality checking of the product throughout the Manufacturing process. The product is convenient i. e. just purchase it and consume it. The bottles are light, with flexible packaging, so they won't crack of leak, and are not too heavy to causally walk around. The canes are also light and safe. The brand is not going through extension in Pakistan because it is growing stage and the economic conditions are not very favourable.

Promotion

All the factors mentioned before are part of the product from the drink to the image. Through promotion mountain dew aims to create attractiveness for this. Brand uses both ATL (media) and BTL (consumer related) activities for promotion.

At the time of its re -launched mountain dew conducted massive sampling to create brand awareness in the year 2003, as per their rough estimation, they reached approximately 2 million in UK with their different samples of green bags, green T-shirts, key chains, caps etc. As per their statement people still remember their massive sampling techniques to set their roots strongly in CSD market in Pakistan.

Mountain dew uses “ PULL STRATEGY “ in their promotion. For example they pay “ slotting allowances” in the super store. Mountain dew is strongly involved in the sponsorship of programs that exactly match the theme and concepts of their products and which their consumers love to watch. For example mountain dew's sponsoring “ living on the edge” on the Musik

channel featuring DJ Waqar who is an icon for teenager and is himself an aggressive enthusiastic entertainer.

Previously they were sponsoring “ survivor series” they also conduct events like rock concerts in which teenagers participate with full energy, patience and enjoy with there full potential.

Half of the total cost is promotional cost.

Place

Mountain dew is using “ direct distribution” method. Mountain dew floods all possible retail stores with their product. They use 1.5 formulas i. e. if there is a need of 10 bottles in a shop they provide 15 bottle to that shop. The “ numeric availability” is 87%.

The brand has also developed “ marketing relationship”. It gives its big customer calendars and certificates. There is a complaint cell and feedback from customer is regularly taken. Company uses its own fleet of vehicles & warehouses. The cost of logistic is high but it is compensated in off season by merging of routes . In order to avoid channel conflicts exclusivity funds are given to the customer . The distribution cost is 8-9% of the total cost including the salaries of sales department.

Prize

Pricing strategy is the last area of marketing mix. The brand uses “ value based pricing”. It means that when consumer is buying mountain dew they are not just buying the beverage but also the image which goes with it.

Prices usually don't fluctuate but they may suffer sometimes due to the prices of competitors or increase in the prices of raw material.

Trade offers like price off and free products are given to the retailers. Final consumers are also given discount on special occasion like Eid, Easter new year charismas etc. UTC (under the crown) schemes are usually launches on these events; e. g final consumers are given discounts.

Performance Management and Business Scorecard

Indra Nooyi, CEO of the drink-and-snack giant, says a long-term focus on the well-being of customers worldwide is bringing healthy profits in lean times.

The US economy showed the fastest expansion for six years with growth of 5.7pc in the fourth quarter. For Ms Nooyi, the chief executive of PepsiCo, the \$43bn (£27bn) food and beverage conglomerate with 198,000 employees, it looks like things are looking better for the consumer.

Where Pepsi need to see recovery, and they hopeful, is in the US and Mexico, and Western and Eastern Europe. That four-area block is where we need to see progress."

Food staples are often somewhat immune to the macro-economic cycle, people will eat crisps (PepsiCo owns Walkers and Doritos) and drink Pepsi and Mountain Dew whatever the state of the GDP figures. In fact, the more people stay at home to save money, the more the food conglomerates that provide the larder mainstays can count on sales.

Ms Nooyi wants to outline a whole new strategy for PepsiCo, one that might come as a bit of a shock to those who dismiss the US company as a maker of salty snacks and sugary fizzy drinks.

“ In the Western world there is concern about lifestyle issues – sedentary lifestyles which have led to obesity leading to cardio-vascular issues and diabetes. People want to manage their health better.

“ We are also a lifestyle business so we have to capitalise on this opportunity and do what’s right for the consumer.”

At present, PepsiCo gains \$10bn of its revenues from what it describes as good-for-you products such as Quaker Oats and fresh fruit juices such as Naked Juice and Tropicana. That is compared to more than \$30bn on fun-for-you products that include Pepsi itself, Walkers crisps and, in the US, Frito Lay chips.

Ms Nooyi wants that \$10bn figure to rise to \$30bn in the next decade, a three-fold increase. For a company that has faced some analyst criticism for conservative growth trajectories on its staple products, it seems an ambitious target.

“ The \$10bn to \$30bn is a goal, it’s bold, but I think it is a goal that is do-able with some creativity,”

Ms Nooyi said. In the UK, revenue from the good-for-you ranges, according to Nielsen figures, was approximately £300m, with total UK sales of in excess of £1bn. If the same Nooyi formula was applied to the UK market, that would see an increase to £900m in good-for-you revenue alone.

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“ We’re not going to do it under Pepsi’s name, we’re going to do it under Quaker and Tropicana. You will see a lot of new products under those brands.”

PepsiCo can point to a long record of making their “ treat” items healthier. In the UK, salt levels in Walkers snacks and crisps have been reduced by between 25 and 55pc and saturated fats by 70 to 80pc. Since 2006, the company has spent all of their soft-drink advertising budget promoting zero calorie products. More than 61pc of PepsiCo soft drink sales in the UK are of the non-sugar varieties and Tropicana sales have increased from £95m in 2005 to £270m in 2008.

“ A bag of crisps in the UK has less salt than a slice of white bread,” Ms Nooyi’s says proudly.

Ms Nooyi suggests that the balanced score card, with longer term measures measuring long term returns and social impact, could be added to quarterly earnings but, in a world that demands transparency, it would to difficult to move away from regular reporting.

Transparency comes in many guises and PepsiCo, like many other companies, is gingerly feeling its way in a new digital world. Throughout the interview, Ms Nooyi’s BlackBerry intermittently vibrates, a constant reminder that in the world outside her small suite at the Belvedere Hotel, someone, somewhere, probably wants something.

“ Most established companies are run by a generation who didn’t grow up with that technology,” Ms Nooyi said, talking of a whole gamut of digital platforms.

“ Many leaders today are looking at digital warily, the cost of failure is very high, if you make a mistake the whole world knows it in an instant. Social networking is going to change our business in profound ways, I think we can use it much more interactively than we are today, we can use it as a test market, we can get consumers to tell us what to create.”

Conclusion

In the I like to say that Pepsi have to be very, careful to match brands with product. Putting oatmeal under Pepsi is not suitable, it is not appropriate for the Pepsi customer who is going to be put off and it is not appropriate for the oatmeal consumer who is going to be confused.