

# Mountain dew's marketing strategy and plan marketing essay



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This report explains the product strategy used by Mountain Dew and the product classification it falls in. The pricing objective and strategy used by Mountain Dew. Two perceptual maps compare Mountain Dew with its competitors. Promotional strategy used by Mountain Dew and the mediums used by it for the same have been explained. The advantages of each medium have also been given. There's a recommendation section that gives alternative strategy approaches for the above mentioned factors.

The report ends with a conclusion section and some recommendations.

Please feel free to ask me in case of any doubts or questions.

Yours Sincerely

Name

## **Executive Summary**

The aim of this report is to identify and understand the various strategies used by PepsiCo for basic Mountain Dew. It is expected to do alter or modify these strategies and come up with better strategies in market mix . The information about the product, company etc are already listed in public domain.

First the report gives a brief introduction about the company and than about the product i. e Mountain Dew. It also tells about the birth of the product and its key ingredients. The segmentation of target market and expected target market have also been captured.

The product strategy section explains the product strategy followed, product levels and product classification for Mountain Dew. It also explains the various elements of promotional strategy. It also covers advantages of these promotional elements.

The pricing strategy section explains the pricing objectives followed by PepsiCo for Mountain Dew and the used to meet its objective. Two perceptual maps compare Mountain Dew with its competitors. 4P's in the market mix section suggest alternate strategies for achieving better results in terms of sales and increased customer base.

Finally, some recommendations and conclusion section after the market mix section summarise the report.

## **Table of Content**

### **Introduction**

This report is aimed to identify various strategies used by PepsiCo to market Mountain Dew. It explains different strategy subject areas such as price, product, promotion to understand what tools and techniques are used by PepsiCo and their advantages. It also suggests alternative techniques under market mix section that can give better output for these subject areas.

### **Authorisation**

This report has been authorised by < > for the purpose of understanding Mountain Dew's marketing strategies.

## **Limitations**

This is not an extensive report on Mountain Dew's strategy. This is an attempt to highlight at high level what all is being done to market Mountain Dew.

## **Scope of the report**

The scope of this report is to explain the product, target market, product strategy, pricing strategy, and promotion strategy used by Mountain Dew. It also recommends alternative strategies that can improve the overall marketing plan's results.

## **Product**

### **Company Background**

In 1925 William H. (Bill) started investing in Tip Corp. of America. He introduced lemon flavored carbonated drink before Pepsi Cola in 1940. Later Pepsi came with its own lemon flavored drink. Bill made changes to the formula and reintroduced it in market in 1961. The number of bottles sold were in millions. In 1964 Mountain Dew was acquired by Pepsi Cola and became its second favorite brand. In 1965 Pepsi Cola merged with Frito-Lay, Inc to become PepsiCo . In 1985 it became the largest beverage industry. In 1990 it signed trade agreement with Soviet Union and its profits reached 1Billion \$ mark. In 1995 PepsiCo goes online. In 2005 Mountain Dew sponsored ESPN Games. In 2010 PepsiCo sets Nanchang plant in China. They are also known for Tropicana product and good quality products.

## **Product Description**

Mountain Dew is a carbonated soft drink with no alcohol and has the following key ingredient- carbonated water, fructose, orange juice, added flavours, caffeine and yellow 5.

It comes in various flavours, variants and colours.

It comes in different sized bottles to fit in customer's budget. For example the various plastic sized bottles are 250mL, 500mL, 1L, 1.25L, 2L etc (Holt 2004, p. 63).

It is an exhilarating drink.

It competes with products like Sprite, Canada Dry extra.

It has higher amount of caffeine as compared to other soft drinks of this category.

It has high sugar amount as compared to its competitors.

High sugar and caffeine make it an ideal sport drink for adventure loving people.

## **Target Market**

Mountain is a product intended for a niche market. This group has grown liking of adrenaline pumping adventure sports and that is where this product is given most visibility (Peter & Olson 2005, p. 192).

Market Segmentation: Mountain Dew divides the market in 2 main segments:

## 1. Demographic:

Mountain Dew focuses on youth and teenagers in the age group of 16 to 25. This segment is young and have liking of daring and challenging sports. That makes it the best customer segment for Mountain Dew as that's what the brand image of Mountain Dew is. Besides this segment prefers carbonated drinks for the energy dose they provide.

## 2. Psychographic

By nature most of the youth like adventure sports and that's what Mountain Dew promotes. That's why it is so popular among this age group. To compliment it Mountain Dew is associated with an array of daring and adventure sports. For teenagers that adds to the appeal of the product. In most of these games and events, youth see Mountain Dew branding and it leaves brand image impact on their psyche. They tend to associate the brand with bravery, spirit, and courage.

## **Market Segmentation Category & Variables**

Segmentation Category

Segmentation Variables

Demographic age

Age

16-25

Lifestyle

People who love extreme sporting

Psychographic liking for Adventure sports

liking for Adventure sports

People who appreciate with bravery, spirit, and courage.

Target Market: Mountain Dew main target market is youth and teenagers.

Within this group they focus on segments which like adventures' sports.

Mountain Dew over the years has formed a brand image for itself. This image is associated with challenging and daring sports. It uses this image to appeal to youth and teenagers. Its strong presence during championships and events of these sports provides it more visibility and reach to its target market. This target market is not limited to youth who participate in these sports but also those who aspire to participate. It appeals to this segment via inspirational promotional campaigns. All in all, it caters to a very specific target market.

## **Product Strategy**

Product Strategy: The basic strategy of Pepsi co. for Mountain Dew is continuous improvement and customization. Mountain Dew is improved as a result of extensive R&D and is customized as per market or customers expectation. For instance, one of the key ingredients in Mountain Dew is caffeine. After customizing the formula of basic Mountain Dew they removed caffeine and thus formed the improved formula of diet Mountain Dew. They even customize the product keeping in mind the region in which they are selling the product. For example, in Canada sucrose is used as sweetener in mountain Dew where in US fructose corn syrup is used as sweetener.

Another important product strategy that they follow is they improve the existing formula, come up with new improved or customized version and release it in market for short spans of 8-10 weeks. Based on customer's response and feedback, they continue/discontinue the mass production of this new formula. Hence whole production set up is not needed until the trial is successful. This saves a lot of money and helps in building excitement in market about the product.

It follows improvement and customization strategy because

It understands that the customers expectation vary from region to region

People's lifestyle and tastes change from time to time.

A lot of other soft drinks are available and improved software is need of hour.

Carbonated flavoured soft drink

Product Levels: The three product levels of Mountain Dew are:

Designer packaging, appealing labelling, use by date, packaging date, location, nutritional information, Ingredients

Actual

Serving size, bar code, toll free number, contact details, health warnings, bottle disposal guidelines

Core

Augmented productProduct classification: iPhone5 qualifies as speciality product because

It has unique brand identification

Mountain Dew's product level classification is that of convenience good as it is readily available and has very strong branding.

Packaging and Labelling: Mountain Dew is packed in nice green, easy to carry bottles. Packaging is so important for this brand that the company brings limited edition designer bottles which are very popular. It has an air tight lid that helps to retain carbonated effect. The bottles come in various sizes like 500mL, 1Litre, 1.25L, 2L bottles etc so that it can fit in various budget sizes. The labelling on the bottles mentions about its ingredients, Mountain Dew logo and other statutory details.

## **Promotion Strategy**

Mountain Dew is an important product for Pepsi Co. They spend a lot of money on its promotion. Its promotion strategy is driven by the image of the product. It is strongly associated with adventure and adrenaline pumping sports. Its brand ambassadors are people from various daring sports such as racing car drivers, skaters, mountain bikers. Pepsi uses a various promotion channels to market this product. The various elements of promotional strategies are direct marketing, sales promotion, advertisements, public relations etc (Arens 2006, p. 198).

Direct Marketing

Internet is the most prominent medium used for promoting it. There are lot of ads, competitions on internet to create product awareness and increase customer base for this product. It uses Facebook and Twitter to connect to its target customer base. Its own website runs a host of games and challenges to reward its customers. Many freebies such as clothing accessories, product packages, and games etc are given by Mountain dew via various competitions to promote the brand. The main advantage of this approach is that since most of their target customers are young and they remain online for most of the time it is easy to reach them.

### Advertisements

Broadcast Media: There are many ads shown on television that contain extreme stunts and fearless actions. These are typically created to focus on the target market of young adventurers. The key advantage of this medium is to reach wider customer base easily.

### Public Relations

Public relations are taken seriously by Mountain Dew. They are involved in a series of social initiatives which are helping in improving the brand visibility and acceptance. Some of them are:

Sponsorship: It sponsors a number of programs like Living on the Edge and Survivors Series and sports personnel. As the product targets young people, this sponsorship fits their image and helps to form brand image as brand for fearless, daring and enthusiastic people.

Special Events: It organizes special events like road shows, mountain riding and bike racing etc. This helps them increase brand visibility, influence potential customers, promote new products and get feedback on existing products.

## **Pricing Strategy**

Pricing strategy of a product is defined by Market segmentation, competitor's pricing and positioning of the product. Analysing consumer behaviour is important factor in deciding the base price of a product and consumers have certain behaviour on buying a product on the basis of its price (Kotler, Keller, Koshy, & Jha, 2009). The various steps in pricing strategy and what Mountain Dew does in each area is:

Establish a goal for pricing: Mountain Dew's goal is to increase its market share and as well as to survive against its competitors.

Estimate Demand and other costs: Mountain Dew understands that their target market is loyal to the brand. The best thing to do is to retain this and create new demand. That's why they keep on bringing new flavours while retaining popular products. It also considers all the costs, such as procuring, production, packaging etc, involved in making the final product in order to decide upon a base price.

Set the basic pricing strategy for deciding the price: The pricing objective of Mountain Dew is Sales oriented. In order to achieve this it needs to capture maximum market share. Hence it uses competitive pricing to achieve the expected market size. It keeps its prices in close proximity of sprite which is its main competitor.

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In the highly competitive soft drinks market the key is to have the widest market share. Mountain dew is also vying for this. Their pricing objective is sales oriented and they maintain competitive pricing strategy to keep ahead of the competition. Besides its target market is either youngsters or teenagers and they don't have a lot of money to spend. So Mountain dew keeps pricing at low profit margin as compared to competition.

### Mountain Dew Price vs. Quality Map

Above perceptual map depicts a comparison of Mountain Dew with its primary competitors on the scales of price and quality. The Mountain Dew's in comparison to its competition is widely sold and has maximum loyalty and is a reputed brand. Its closest competitor Sprite is from Coca Cola group. Though Sprite is higher in price its quality proposition isn't higher than Mountain Dew. Besides it also doesn't have many variations like Mountain Dew. Canada Dry (Ginger ale) a product of Dr Pepper group. It is sold at a price way higher than its competition and is not as widely available. Quality wise its composition is better than Mountain dew or Sprite but it doesn't enjoy that sort of brand loyalty.

### Mountain Dew Price/Attribute Map

In the above map Mountain Dew is compared with its competitors on the price-attribute basis. The attribute is caffeine content present. Mountain Dew is cheapest and has maximum caffeine content. Closely tied is Yello Mello. It is a close competitor of Mountain Dew in some geographical areas. Per 12 oz. Mountain Dew has 54 mg caffeine while Yello Mello has 53 mg. Canada

Dry ginger ale has least caffeine in these three. Per 12 oz. It has only 9 mg of it.

## **Recommendations for Strategies**

Mountain Dew is not a product for masses. It caters a very niche market. The recommendations for alternative approaches in strategies have been made with respect to the target market.

## **Recommendations for Product**

As this product targets young generation it can come up with stylish packaging, shape and design of bottles. Since most of the adventure sports that the company endorse happen in natural surroundings, so it might be worth to make the product composition more natural. This will further add to its appeal to sports people.

## **Recommendations for Pricing**

The pricing objective of Mountain dew is to increase sales and to increase its markets share it even competes with intra company offerings e. g. 7 UP. But in doing so, it is already selling mountain dew at a price equivalent to or lower than its competitors price. One approach it can take to further make the pricing attractive is to follow the product bundling approach. That way it can sell more units while reducing the production costs. It can also offer discounts on special occasions to promote sales.

## **Recommendations for Place**

Pepsi Bottling Group (PBG) manages all the distribution of Pepsi co. in US. This can be applied on various countries to increase distribution. Besides

there could be number of third party distribution channels (Producer-Distributor-Retailer-Consumer (P-D-R-C)) so that product can reach rural areas and hence help to increase customer base.

## **Recommendations for Promotion**

Till now Mountain Dew is using various promotional ads highlighting adventures acts, spine thrilling stunts etc. This is good for the target niche market it focuses on and shouldn't dither from this path. The product marketing team can hire celebrities who work in areas of action, adventure to promote it further. This way their fan following will also take interest in this product. Besides some inspirational ads can be made, using this product, to invigorate adventure spirit in people. This will help people relate to it better.

## **Conclusion**

Mountain Dew is a product meant for a niche market. It focuses on youth and teenagers and the product is promoted to them using adventure sports as a medium. This adds to the appeal of the product. The product strategy followed by Pepsi is continuous improvement and customization. It relies on customer feedback to reinvent the product. The product is priced very competitively to gain market share. It is promoted using internet, public relations, and electronic media as most of its target customers use these mediums. To conclude, Mountain Dew exists in a very competitive market place where margins are thin and to survive you need to have some speciality and a loyal customer base.

## **Recommendations**

Following are some recommendations for Mountain Dew:

It might be better to make the composition of Mountain Dew more natural.

Product bundling will help in reducing production costs and sales price.

Third party distribution channels will help reach wider geographical area.

Inspirational ads to stimulate adventure spirit of people will help it connect to people in a better way.