

Frito lay inc. case study

Business



The biggest problem facing Frito Lay in the late 1980s was how they can perfect the multivitamin chip in every aspect, along with testing the market properly, along with nailing every aspect of the marketing plan. This included product strategy, pricing strategy, advertising and merchandising strategy, distribution and sales strategy, along with other considerations to be taken into account. Following off of this, deciding whether to launch the Sun Chips product line, or let the line continue to say in the test-market stage to gain more insight on the product and the market is another factor the company is faced with.

Significant Factors One of the most prominent factors influencing Frito Lays push to figure out the perfect combination of a multivitamin chip was that no one had pursued this side of the chip industry yet. To be able to be the first in market with an everyday multivitamin chip would be a great step for the company.

Being able to capture all sides of the chip market by adding a healthier alternative to a regular potato chip is significant for Frito Lay's growth and ability to continue grasping the market.

Reasonable Alternatives The first option Frito Lay can pursue is the full production and launch of Sun Chips. Here they will need to start producing the two flavors of Sun Chips, Original and French Onion, in all three sized bags. Along with the production, they need to fully start pushing out their campaign for print, television, along with coupons in newspapers to intrigue customers to try the new product. Here Frito Lay will need to use a portion of their allocated funds for advertising.

Pushing out the Sun Chips line earlier than later will have the upper hand on competition because they will be the first in market to produce a multivitamin, healthier alternative to the classic chip or pretzel. Breaking into this portion of the market is something no other company has previously done, and with Frito Lay being extremely close to Sun Chips being launched they are the closest to do so. The issue with this is they are launching the product premature when they have not had time to continue test-marketing and figuring out the perfect product and pricing strategy.

The other alternative Frito Lay can consider is leaving Sun Chips in the test-market phase allowing the product line to continue developing and forming to the best potential product line possible. By leaving Sun Chips in the test-market phase, they are able to determine what products are best to launch at what time, which to launch together, and what specific sizes should be available in stores.

These factors are extremely important to the success of the product line because figuring out what the customers are demanding for is what will produce revenue.

By delaying the launch process and keeping the Sun Chips in the test-market phase this allows you to figure out how to produce the product in a mass quantity, in the mild cheddar flavor, along with producing a larger, 15-ounce bag. When the company starts to produce Sun Chips at such a large volume, they will need to figure out how to handle and store all of the products. By producing a new flavor you increase the number of SKUs held by Sun Chips.

This provides for new difficulties that can be handled seamlessly if the products are kept in the test-market phase.

Once launched the products become a viable product on the market allowing for less time and resources to figure out how to solve the issues of space and new products. The major issue with waiting to fully launch this product is other companies will catch onto the test-marketing and want to create similar products in order to be in the running for the healthier chip alternative category.

Recommendations and Rationale My recommendation for Sun Chips would be to pursue the option of fully launching the product line. With this recommendation there are some conditions. I would first have the company keep the two flavor options of original and French onion. I would only stick with these two instead of trying to add the mild cheddar as well because these two flavors are capable of being mass produced and they have a fair share of research done on these two.

I would hold off on the mild cheddar flavor for now until you can see that Sun Chips are successfully launched in stores and there is positive response from consumer's nationwide. While the first two flavors are being launched, Frito Lay should work on the perfection of the mild cheddar flavor along with the sizing options. To launch both additional sizes and a new flavor to the reduce line would double the amount of current SKU which is too much to take on all at once.

Deciding which is more important, a new flavor or a bigger sized bag should be researched while the original products are already launched. Personally I

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say for Frito Lay to introduce the new mild cheddar flavor before they worry about providing the customers with larger bags of chips.

Allowing for customers to choose their favorite flavor out of the three, original, French onion, and mild cheddar, will allow Frito Lay to understand which products are the most imperative to the Sun Chip reduce line.

By launching the product earlier with only two flavors and three sizes Frito Lay is still getting their foot in the door and making a huge statement by becoming the first company to produce an everyday multivitamin, healthier chip. By forcing the product into the market it is forcing Frito Lay to take a huge leap with the product, but the leap will be for the best. Frito Lay will be setting the standards for the rest of the market to follow them while they can continue to research the best options for the prop cut line to mourns.