

Case study lipton ice tea marketing essay



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Lipton Iced Tea is a beverage launched by Lipton in collaboration with Pepsico. Lipton is an established brand in the tea market while Pepsico has a prominent presence in the soft drink industry. Ever since the popularity of tea started to grow in the West, particularly in the United States of America, the tea market has evolved through various stages. In order to dominate the market, major tea producers like Lipton, Tetley and Nestea have kept on coming up with innovative varieties of tea. Lipton, which has the reputation of being the most innovative brand in terms of variety launched cold beverage, Lipton Iced Tea, thus adding a new dimension to the tea market. Lipton Iced Tea enjoys even more popularity after the recent researches stated the healthy benefits of consuming tea. Moreover, the iced tea was a good way of targeting those consumers who do not enjoy hotter beverages. Lipton faces a major competition from Nestle Nestea and Snapple. However, Lipton Iced Tea successfully managed to lead the market. Considering the threat from new and existing rivals, Lipton has kept its marketing strategy quite strong and aggressive. Besides positioning its product as the healthiest and the most refreshing drink available in the market, Lipton's intelligent packaging and pricing strategy has significantly contributed to its success. Its low prices make Lipton more affordable as compared to its competitors and its packaging makes it instant and easy to use.

While Lipton Iced Tea has an overall strong position in the market, however, its synthetic taste remains its weakness. Therefore, Lipton can further strengthen its position by enhancing the taste.

On a macro level, Lipton enjoys a positive press, not only because of its efficient quality management system, but also due to its sustainable and environmental friendly production practices.

Introduction

Tea is a household icon in most parts around the world. Almost in every country that has tea consumers, when you think tea, the first name that hits our minds is Lipton. Lipton tea originates from the house of Lipton, currently a major subsidiary brand of Unilever.

Lipton was founded by Thomas J. Lipton, an Irish man, who came to United States of America in the late eighteen hundreds. He started by a small grocery store and expanded it into a chain of stores around America. By the end of the nineteenth century, when demand of tea boomed in the Europe, the British tea brokers pressed Lipton to stock their tea in his stores. This gave Lipton an idea of coming up with his own brand of tea, and thus, Lipton Tea was born. Tea at that time was expensive and was considered a rich man's drink. Thomas Lipton's idea was to come up with a more affordable brand so that even consumers from less strong economical background can enjoy tea.

Lipton has continued to grow since then, which led it to go public in the early twentieth century. By late twentieth century, Lipton started operating as a subsidiary company of one of the world biggest corporate house, Unilever.

Since its birth, Lipton has been on a road to continuous growth and expansion. This growth was not just in terms of exploring new markets, but

also in terms of introducing a wide range of products. Today Lipton holds major market share both, in the United States of America and around the world.

Ever since Lipton has stepped into the tea industry, tea has gone much beyond than a conventional household beverage. From time to time, Lipton is known to introduce new additions in the tea industry and one of the most innovative and popular addition is the Lipton Iced Tea. This product came into being after Lipton collaborated with PepsiCo., which is primarily a soft drink company.

The Market

As a tea brand, Lipton is the market leader both, in the United States of America and around the world. With a wide range of tea variety, Lipton serves people from all classes, social backgrounds, and regions. From students to grandparents, from China to the United States of America, Lipton is the key tea brand that serves almost all market segments.

Focusing on Lipton Iced Tea in particular, Lipton has segmented its consumers according to lifestyle. In general, Lipton Iced Tea has two major targeted groups of consumers. The first group covers those people who lead a busy life style and are hunting for “ something instant.” This group mainly includes, students, employees, working women and other similar consumers who live a hectic and busy life and are in need of an instant product to refresh them. Lipton’s idea of selling tea in ready to dip tea bags and instant sachets has been very successful among this segment. Tea in this kind of packaging proved not only affordable but also easy and quick to use.

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The second group of people comprises of the health conscious segment. Consumers from this particular segment may not necessarily lead as busy life as the first group, however, they are potential consumers because of the healthy benefits offered by the product. Ever since the researches have stated the medical advantages of tea consumption, Lipton has played on these reports in order to position its product successfully as healthy, energizer with immense health benefits.

Since Lipton has always positioned its tea as a health beverage that provides antioxidants, its market share has continued to grow with the passage of time. Moreover, many people prefer Lipton to other brands due to its affordability, quality and user friendliness.

In order to further diversify its clientele, Lipton has introduced further varieties of Iced Tea that includes, Diet Iced Tea and Flavored Iced Tea in Mixed Berry, Lemon, Raspberry and Peach flavors. Since Iced Tea is essentially a cold beverage, the integration of flavors with the beverage has made it popular in the younger groups as well.

Since Lipton recognizes the fact that its potential consumers include people that are either health conscious or are have a busy routine or they opt for Lipton due to its affordability, it continues to develop products that are healthier, easier to use and are more inexpensive.

Size and Growth of the Market

In earlier days, coffee was a comparatively more popular beverage in the United States. However, in the recent past, the tea has gained much

popularity, thus resulting in a phenomenal growth in the American tea market.

The primary reason for this popularity, according to some survey reports, is the fact that tea is a healthier and more refreshing brew as compared to its counterparts such as coffee. Furthermore, the introduction of flavored tea and other tea varieties such as green tea and iced tea has broadened the consumer base. Another reason, besides the health factor, for the popularity of tea is the fact that it is instant and is readily available as a ready to drink brew.

While initially, tea was known to be a drink of colder regions, however, the innovative introduction of iced tea has made the beverage popular among the inhabitants of warmer temperatures as well. According to market surveys, 85 percent of the total tea market in the United States of America is made up of iced tea. It is also said that iced tea sales has seen an average annual increment of 145 percent.

Although the iced tea market is dominated by various top tier brands, however, Lipton holds the greatest market share of 32.6 percent, followed by Snapple with 26.5 percent share and Nestea with 10.8 percent share. Lipton leads the market not only in America, but also around the globe.

Environmental Impact

Lipton is known to have understood its Corporate Social Responsibility well. As an organization, it adheres to the concept of sustainability. The biggest evidence for this is the fact that Lipton grows its tea plantations in the

Rainforest Alliance Certified estates. These estates are certified by the Rainforest Alliance organization, which is a non-profit entity, aiming to conserve the environment, managing farms efficiently and protecting the rights and welfare of the workers and their families associated with those farms.

Moreover, Lipton has also switched to bottles that use 20 percent less plastic. This is another step towards an environmental friendly business activity.

Competition

The American tea industry is mainly dominated by Lipton, Snapple and Nestle. Focusing on the Lipton Iced Tea, in particular its major competitors remain Snapple and Nestea, a product of Nestle. While Lipton teamed up with PepsiCo to launch its iced tea, Nestle joined Coca Cola to get into competition. Just like Lipton and Nestle, PepsiCo and Coca Cola are into direct aggressive competition with each other. Therefore, the objective behind Nestlé's teaming with Coca Cola was to compete with the Lipton-PepsiCo partnership and to ensure a strong global distribution system. However, Nestea focused on a more packaging based marketing strategy and unlike Lipton, it failed to offer a variety of flavors to cater various tastes. Lipton, on the other hand, not only focused on offering variety, but also marketed its product and positioned it as an ideal healthy and ready to drink beverage. As a result, it did not only create brand loyalty for Lipton among conventional tea drinkers, but also succeeded in capturing the consumers

from the soda drinker's segment as well. This kept Lipton much ahead of Nestea as far as completion is concerned.

The competition gap between Nestea and Lipton Iced Tea is filled in by Snapple iced tea, which is the second most popular brand after Lipton. Unlike Nestea, Snapple has an edge of offering a wide variety of flavors and initially, it did come up as a strong competitor for Lipton. However, the relatively smaller size of Snapple and its failure to position itself properly in the market resulted in the loss of major market share to Lipton. Although the weaknesses of its competitors have always kept Lipton ahead of them, however, the threat is always there and in order to maintain its position in the market, Lipton has to ensure constant innovation and improvement of its product.

The Marketing Mix

As mentioned earlier, despite of being a market leader, Lipton ice tea faces a constant competition from other dominant brands in the tea market. This prompts Lipton to maintain an aggressive marketing strategy to create brand loyalty and to ensure its leadership in the tea market. Lipton's marketing mix is designed as follows:

Product

As a product, Lipton ice tea has a lot to offer as a unique selling point as compared to its rivals. The biggest edge that Lipton has is the recent research reports stating the medical benefits of consuming tea. Lipton has

been successful in creating an image that Lipton Ice Tea is the healthiest beverage currently available on shelves.

Apart from that, Lipton ensures constant and continuous innovation in the product and it keeps on coming up with newer and more improved flavors. To further increase its consumer base, Lipton introduced the diet and unsweetened range of ice tea, so that diabetic patients, who generally avoid tea, can also enjoy the beverage.

Promotion

Lipton Iced Tea is aggressively promoted using both, above the line and below the line promotional strategies. It generally uses print media and television for the promotion of its product. Lipton's main promotional strategy is to position its product as the most refreshing, energizing and healthy beverage available in the market.

Besides conventional advertising, Lipton also keeps on coming up with parallel promotional schemes. Its latest scheme involves buying two Lipton Ice Tea products and getting a chance to win a Convertible car.

Placement

In order to ensure a strong, efficient, massive, broad and uninterrupted distribution system, Lipton teamed up with PepsiCo, which already has a well-established distribution system around the globe for its soft drinks. Therefore, Lipton Iced Tea is distributed through PepsiCo's distribution channels.

Lipton Ice Tea is readily available in the market. It can be easily found in all retail outlets ranging from a small grocery store to a large hypermarket. Besides conventional retailing, it is sold via vending machines. Lipton has also maintained an online presence and its products can be ordered and purchases through the internet.

Pricing

Lipton believes in catering to mass market without ignoring the consumer segments with lesser purchasing power. For this reason, Lipton Iced Tea is available in a wide range of prices that starts as low as 41 cents. This makes Lipton the most affordable brand in the market and forces a large number of consumers to opt for Lipton. It also offers larger economy packs at a price of about US\$ 34. This aggressive pricing strategy has a major contribution in keeping Lipton's competitors at a lower position.

Packaging

Lipton has effectively and successfully used the color ' Yellow' as Lipton's personal color. It is as if thinking ' Yellow' means thinking ' Lipton'. Furthermore, Lipton's packaging is an integral part of its marketing strategy. Lipton Iced Tea is available not only in cartons and in boxes, but it is also available in ready to drink bottles, ready to use tea bags as well as pocket sachets. This does not only make the product easy to use, but also instant and easy to carry. This instantaneousness and user friendliness makes the product popular in consumer segments of all age and social backgrounds, especially among the students and the employees. With time, Lipton keeps

on bringing about changes in its packaging, thus improving the product's quality and making it easier for consumers to use.

SWOT Analysis

Strengths

Lipton is beyond doubt, the strongest tea brand in the market. Its biggest strength is its partnership with PepsiCo and its incorporation with Unilever. This makes Lipton a strong brand as association with both these firms ensures efficient distribution system as compared to its competitors.

Another strong point that Lipton has is that press has always been in Lipton's favor. This is due to recent researches portraying tea as a beverage with medical benefits combined with Lipton's successful marketing strategy of projecting its product as medically fit for consumption.

Other strong points on Lipton's side include its affordable price, the user friendliness of the product and the variety of innovative flavors offered by the company.

Weaknesses

Although, a variety of flavors is available, some survey reports claim that Lipton Ice Tea needs to work on taste enhancement. Some consumers complain that they find it too synthetic and the taste, and in some cases, the after taste of the ice tea is awkward. A few consumers also complain that although they find the drink cool and refreshing, however, they find it tasteless at the same time.

Opportunities

Having a strong brand image combined with cost efficient production system, Lipton has the opportunity to weaken its competitors without getting into any price wars. By working a bit more on taste enhancement, it can take away the remaining market share that is held by its rivals.

Threats

Although so far Lipton had successfully fought back the competition, however, in order to maintain its position in the market it will have to make sure that it remains in the process of continuous innovation.

Recommendations/ Conclusion

Lipton Ice Tea is at present, one of the strongest brands in the brew market. However, it can further strengthen its position by improving its shelf presence and increasing its shelf life. Although some companies tend to ignore the importance of where their product is placed in a super market, however, in practicality, the way a product is displayed in a store has a great, and at times a direct impact on its revenues.

Increasing shelf life would mean that the product would last for a longer time, which will result in consumers to prefer Lipton to its competitor's products.

As mentioned earlier, that some consumers have reported the weak taste of Lipton Ice Tea, it will have to work with its taste experts in order to develop

the taste to suit consumer requirements. Failure to do so, might lead to a loss of potential market share to existing or new competitors.

The fact that press has been constantly praising Lipton's quality and researchers are seconding Lipton's claim of offering a healthy beverage, can be utilized to increase its consumer base by pursuing informative advertising campaigns.

Lastly, it has to ensure that it keeps on coming up with both new flavors and improved packaging so that it appeals more to the consumer and is able to maintain its image as an essential household product. It can have kids as its potential consumers by coming up with flavors that suit their taste such as chocolate and strawberry.

Appendix

Based on figures from online sources.