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Business and Marketing Plan for Frito-Lay
The Introduction of ‘Cracker Jackie’

Frito-Lay Business Definition

Frito-Lay provides branded tasty and fun snack foods in an assortment of flavors and types. Frito-Lay products are of the highest quality and value and this ensures our production of the most delicious and satisfying snacks. Frito-Lay provides snacks for any and all people looking for tasty, affordable, and convenient snacks to munch on. Within Frito-Lay’s many snack brands, different lines have been developed targeting smaller and more specific groups of people with their own specific needs and wants. Not only has Frito-Lay created snack food lines ranging in all textures, shapes, flavors, and types of food, but we have also recently undergone development to deliver lighter, healthier snacks to those health conscious consumers. As a result of our hard work and dedication to pleasing our consumers, we have become the largest snack selling company in the United States and a leader in the world of premier snack foods. We intend on preserving our place within the snack industry by continuing to increase the quality of our brands and products to ultimately become the world’s premier consumer snack foods company. We truly are in the business to produce “good food just for the fun of it”.

Frito-Lay Mission Statement

Our company is fully dedicated to providing our diverse and valued consumers with the finest quality snack foods. Frito-Lay is a friendly and respectable name that our consumers can trust, so naturally we work hard to ensure this. We honor our consumers, our employees, our investors, and our business partners, and therefore we strive to provide a kind, efficient, profitable, and healthy environment which allows everyone to benefit and succeed. Our commitment is rooted in our principles of personal accountability, honesty, fairness, and integrity.

Frito-Lay Situation Analysis

Frito-Lay is in an interesting position. After less than 50 years of business, they have become the country's largest and most profitable snack food company, owning more than fifteen \$100 million brands, and they have no intention of slowing down any time soon. Now, with this current interest in growth, it is important to consider not only the standing of Frito-Lay, but also of the overall snack industry.

BCG

Frito-Lay is a star category company, meaning not only the company, but the industry as well, is thriving. This category is the ideal place to be in and the only focus from here out should be growth of sales, share, and profit. Due to recent consumer needs including taste, convenience, and nutrition, the Snack Industry has been on the rise. Frito-Lay must work hard to continue to meet these needs in order to maintain its spot as a star.

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While Frito-Lay is older than many of its consumers, it is without question still in its growth stage of the Product Life Cycle. Established companies such as Frito-Lay are constantly faced with the challenge of remaining the best, and therefore must continually evolve to remain new and exciting. Frito-Lay has carried its historic reputation of excellence throughout its new products, and now is called again to do the same. For fear of entering maturity, Frito-Lay must create something fresh, exciting, and clever which will recapture innovators and to draw new users to Frito-Lay.

SWOT for Frito-Lay

Frito-Lay is at a pivotal point in their existence. There are strengths, weaknesses, opportunities, and threats that they face that are only relevant to them at this exact point in time. Due to decisions they have made as a company, as well as the current environment and sentiments of our society, Frito-Lay is presented with a specific situation in which they must examine and evaluate in order to determine their future course of action.

Strengths

- Frito-Lay has a strong and innovative R&D department as well as an abundance of assets to fuel it. They have the capability of developing a product with a high chance of success.
- Frito-Lay has been developing its Brand for nearly 50 years. It has become a household name and has an equally known reputation for providing excellent snacks. The strength of Frito-Lay's brand directly relates to its strong equity.
- As a brand, Frito-Lay has successful products. As an organization, they are recognized and respected. Their personality is appreciated because of their commitment to providing peoples' needs. And as a symbol, nothing could be happier or friendlier than its bright red ribbon and sun.

- Frito-Lay's wide array of snacks provides all kinds of snackers with their exact need. This means they serve an exceptionally wide range of consumer taste types.

Weakness

- Historically, snacks have been non nutritional. In order to catch up to the recent health needs, snack companies are now scrambling to introduce healthier versions of their existing snacks.
- In an attempt to provide the demanded healthier snacks, Frito-Lay began using Olestra and Olean. These chemicals have been proven to cause side effects, and consequently, the media popularized this fact. This raises questions of Frito-Lay's loyalty to and concern for their consumers.

Opportunities

- The snack industry faces many new trends, especially regarding the nutrition of snacks. This provides snack companies with the basis for a new product.
- Another trend in the snack industry is ethnic foods and flavors. Especially considering Frito-Lay's commitment to diversity, this may be an area in which to consider.
- Introduction of new product will rejuvenate Frito-Lay and keep them in their ongoing growth stage.
- Despite Frito-Lay's variety and assortment of flavors, one popular flavor that is surprisingly missing is chocolate. Perhaps the inclusion of chocolate in existing products could bring an element of 'sweetness' to Frito-Lay's snacks that it is noticeably missing.
- Frito-Lay could expand its snack production to include a wider range of snacks, candies and crackers for example, in order to increase its share in the overall snack market

Threats

- Competition from other snack companies, such as Herr's or Utz, always needs to be a concern.
- Health and nutrition concerns may cause people to steer away from Frito-Lay products because of its reputation as 'junk food'.
- As a result of Frito-Lay's continued product expansion (both regarding flavors and lines) they currently possess over 191 different products. At some point, one needs to assess the risk of cannibalization¹.

¹ http://www.taquitos.net/snacks.php?page_code=124

SWOT for Cracker Jacks

Strengths

- Cracker Jack is one of the longest running Frito Lay brands and overall snack foods.
- Because of Cracker Jack's longevity, they are considered classic; everyone likes and knows them.
- Cracker Jacks have become a part of pop culture and history in a way unlike any other snack food brand. Early editions have become valuable collectables.
- As a brand itself, it is designed to target fun seeking youths. The surprise toy is as much a part of the brand as is the actual food.
- Cracker Jacks has a beloved, recognizable, and collected mascot, Jack, and overall look.
- Cracker Jacks have a strong association with sporting events and fairs.

Weaknesses

- Despite its longevity, it also has not really changed since its 1896 creation- it is greatly in need of a fresh hip makeover.
- The Cracker Jack brand has extremely limited flavors - original, low fat original, and butter toffee - unlike the majority of other Frito-Lay brand.
- While many youths know of Cracker Jacks, they know of them because their parents ate them, not because they themselves do.
- Because of the baseball association, sailor character, and overall blue look of the brand, Cracker Jacks appeal more to boys rather than girls².
- Cracker Jacks has a stigma for being special to eat at baseball games rather than as an everyday, common snack.

Opportunities

- Because Cracker Jacks are a very simple and limited brand, it lends itself well to change and modification
- The brand's strong association to sports games, specifically baseball, lends itself to a sports promotional or endorsement opportunity
- Cracker Jacks has remained 'under the radar' in terms of promotion. Its advertising is extremely limited- purchases rely mostly on brand loyalty. This means it is capable of a big and powerful comeback which could even attract media attention.
- In terms of extending the brand, the name is already incredibly recognizable. Little work and money would need to be invested in explaining or crediting the brand.

² www.crackerjacks.com

Threats

- Other ready-to-eat popcorn brands always must be considered a threat
- Because Cracker Jacks is so incredibly established, people may be resistant to change
- Tampering with Cracker Jack's 100 year old reputation may do more harm than good.
- The popcorn and peanut combination is a specific one. People may not like other versions of this.
- Varying Cracker Jacks flavor may create conflict between it and Frito Lay's other popcorn brands, like Smartfood, and thus create cannibalism.

Frito-Lay Objective

Frito-Lay wants to increase its share of the total popcorn snack category by 2 share points by the end of 2007. The ready-to-eat popcorn industry is a \$1.99 billion a year category, therefore sales must be increased by \$39.9 million to increase the overall category by 2 share points³.

Frito-Lay Growth Strategies

Frito-Lay wants to see major growth, and the best way to obtain that is by taking major action. Diversification is the appropriate growth strategy to meet Frito-Lay's objective. Frito-Lay has the monetary resources to introduce a new product as an extension to one of their brands. A new product not only has potential to increase sales among existing Frito-Lay's customers, but targeting a new market adds the extra potential of bringing in new money from an untapped market.

Tweens are a new, booming, yet overlooked market. Named such because they are at an age between children and teenagers (9-14), tweens are in a unique transition period and have distinct personalities with specific wants and needs. With a foot in each door, tweens are eager to grow up, but still act like kids. Tweens are major snack consumers, they have enormous spending power and unique spending habits, and their specific behavior makes them an ideal potential market. Tweens feel more like teenagers; they want to have special items just for them and they want to make their own decisions. Cracker Jacks is the ideal brand to be extended in order to meet these Tween's likes and desires. A sub division will be created under the Cracker Jack brand that is specifically and specially crafted to appeal to Tweens. The packaging shape and design, the sailor mascot, the flavor, the name, and the overall product association will all be redesigned in order to appeal to today's hip tween.

Cracker Jacks has long been in the growth stage, however without any attempt to modernize it, it is slowly reaching its plateau. The children of America who once loved

³ http://www.people.cornell.edu/pages/acm44/documents/the_snack_food_industry.pdf

Cracker Jacks are today's parents. Yet Cracker Jack has done nothing to update its product or advertising since those children. Today's children are an entirely different market, and changes must now be made in order to communicate and re-establish Cracker Jack's appeal. Reviving the brand by adding a fresh and hip extension will prolong its entrance into maturity. While the R&D, marketing, and failure risks are high, the potential success of the line can produce worthy and incremental returns. This line extension will rejuvenate the overall brand because it allows Cracker Jacks to refresh its mark on today's youth, an audience which Cracker Jack has failed to address. Extending this brand to address today's tweens will modernize Cracker Jacks and shed its dated facade. If the extension is done correctly, with optimal appeal to tweens, tremendous success will follow. It will ensure Cracker Jack's remain in the growth stage as well as secure its place as a trademark snack.

Frito-Lay Target Definition

Primary Target

This hip, fresh Cracker Jack line targets trendy, 'cool-seeking' female tweens looking to claim their independence and begin to establish their own, unique personality. These girls are extremely interested in fashion, music, Hollywood, and trends. They are opinionated, expressive, aspirational, social, girly, involved, on the move, multi-taskers, technologically connected and sophisticated, and they use all this to make their purchase decisions. These girls work odd jobs like chores but mostly baby-sitting and also receive allowance. They are just being to earn, save, and spend their own money, and they actually have quite a bit of it. However their unrealistic and naive sense of money results in them frequently and frivolously purchasing.

In a search for independence, they spend more time away from their family than ever before. They constantly hang out in groups at local sporting events, at malls, theme-parks, the beach, movie theaters, arcades, and other places where they can be dropped off by their parents and be left safely alone for a few hours⁴.

At these hang-out places, these tweens don't sit and order food, they purchase and eat snacks convenient to them. They also snack at home, after school, and during school and camp lunches. They snack on junk food all the time, and respond well to food that is packaged in their portions and foods they can take on the go. They also enjoy fun food additions like games, colorful packaging, fun bite size shapes, and promotions⁵.

These girls are extremely connected. Spending hours on the computer, they interact with their own specially designed tween websites and chat rooms, but they mostly download and listen to music. They watch Nickelodeon and Disney, specifically shows like 'High School Musical', and 'Degrassi'.

These girls want products that are fun for them to enjoy, make them feel empowered and mature, but also want products which will help define them as 'cool' in this fast-moving

⁴ http://www.media-awareness.ca/english/parents/marketing/issues_teens_marketing.cfm

⁵ http://www.media-awareness.ca/english/parents/marketing/issues_teens_marketing.cfm

world of popular culture.

Secondary Target

Moms of targeted girls who respect their daughters' choice in picking their own snack foods. Real moms who pack lunches and snacks for their daughters daily.

Positioning

This premium quality deliciously sweet popcorn snack is the only one which appeals specifically to tween girls because its taste, packaging, prizes, and overall product gives them the fun, exciting, cool, and unique opportunity to have a snack food entirely customized and dedicated to them.

Strategies - Product, Price, Place, Promotion

Product

Introduce a distinct product segment to capitalize on the newly identified need to convince today's tween girls that Cracker Jacks deserves a place among their coolest and tastiest snacks. Create a line extension with different products each offering a unique taste and flavor options. The power of selection will allow tweens to feel empowered. Additionally to a variety of flavors, a variety of bag sizes will be available for different snacking needs. Response must be developed to compete with other popcorn brands. Innovative packaging must be developed in order to address convenience and other tween likings. Gain attention and recognition of new girl mascot, integrate her using media outlets. Establish and maintain partnerships with non-food but popular and trendy companies in order to obtain their cooperation as new prize providers. Refresh line extension by keeping prizes varied and updated with social environment, as well as possible flavor expansions.

Price

Price product to be featured at a retail price just above the standard popcorn snack. Price will reflect additional ingredients, but more accurately will reflect additional social value of product. Wholesale price the line to retailers to allow marginally greater profit vs. competitive products in order to encourage heightened retailers promotional support and create a presence as the 'cool to eat' snack. A price value which indicates superiority yet is still affordable for these tweens should be established.

Place

Merchandise the new product as a subset of the brand's overall family of products. Sourcing, manufacturing, and shipping locations can all be determined by lowest cost

option, however all products must eventually be distributed throughout the U.S in a timely manor. Initially, design a way to distinguish snack extension from previous snack food, perhaps an innovative and interesting display. After the introduction of the line, offer merchandizing incentive to encourage prime retail placement. Secure distribution at all middle to high quality end grocery stores, as well as at convenience stores, and appropriate snack food purchasing kiosks. As the line succeeds and expands, secure placement in overseas markets.

Promotion

Build an environment of anticipation and excitement around the upcoming product release in June 2007. Achieve maximum reach and frequency among the primary target to stimulate early interest and demand. Promote the product with multi-media support, timed to coincide with the beginning of the scholastic summer break. Promote the product among the trade and consumer as the tastiest and trendiest snack. Reaffirm Cracker Jack brand recognition while also creating the distinction of this line. Educate the target on the point of difference of this product, and create the logical desired response. Communicate both physical food aspects as well as the value and equity from social implications. During the introductory period, focus very intensely on celebrity promotion, product placement, and an integration of the product into the tween world. If tweens can be assured their icons and idols approve and endorse the line, they'll want to have a part in it too.

Tactics - Product, Price, Place, promotion

Product

This line extension of Cracker Jacks contains the classic and recognizable aspects of the original brand - the name, the sailor motif, Jack the mascot, the color scheme, and the mystery toy inside - however each aspect has been tweaked in order to better meet the need of the targeted new audience of female tweens. The line extension is entitled 'S.O.S Cracker Jackies' and has been specifically created and designed for young, trendy girls looking to eat an awesome, fashionable, and tasty snack. The 'S.O.S' stands for 'Sweet Or Salty' and this new taste concept has been developed in order to increase flavor variety as well as to give tweens power in their purchasing decisions. "Cracker Jackies" will still be a combination of popcorn and nuts, however extra ingredients will now be added in order to give the snack a bonus element of sweet or salty, or both! The introductory flavors will include: Carmel covered popcorn with chocolate covered peanuts, Salty popcorn with peanut-butter covered peanuts, and Chocolate covered popcorn with salted peanuts. Additional flavor combinations may be added later.

Jack the sailor will now become replaced by Jackie the sailor. An animated female character will be devised who features a sailor skirt and blouse, two long pigtail braids, and tiny sandals (Bingo the do will remain as he was). The color scheme of the box will change. The red, white, and blue motif, will become light pink, white, and blue, however the iconic bold stripes will remain untouched.

The mystery toy will be the most drastic modification from the original brand, but it will

also the most effective. Instead of tattoos, odd facts, stickers, and games, "Cracker Jackies" will now feature hip prizes pertaining to these tweens actual and practical lives. Prizes may be one free iTunes download and dollar discounts off movie tickets or new DVD releases. The odd facts will be replaced by hot Hollywood action like behind the scene secrets on recent movie sets, or interesting facts about favorite celebrities, musicians, or TV shows. "Cracker Jackie" prizes will also be used as a means of free promotion for other female tween related products. Free make up or perfume samples may be distributed directly through the snack box.

"S.O.S Cracker Jackies" will be a line extension exclusively targeting young, trendy girls, so naturally everything about the line is going to be designed to serve and better them. The snack provides fuel for their interests as well as scrumptious sweet and salty fuel for their stomachs.

"Cracker Jackies" respond to competition be emphasizing their unique and exclusive aspects of coolness- tweens just don't eat this snack, they *want* to eat this snack.

"Cracker Jackies" will be produced in varying sizes and quantity packs. There will be the single 7oz. bags, three pack 7 oz bags, and the 13.5 oz bag for the primary target and a 24 packs of 7 oz bags for the secondary target in order to buy in bulk.

Price

The price reflects the value of the brand, both in taste and equity. The single 7oz bag will be set at a target wholesale price of \$0.92 and retail for \$1.69 vs. the competitor price of \$0.99. The larger sized bags, as well as the multi-packs, will sell at a comparable priced based proportionally by quantity.

Place

"Cracker Jackies" will be distributed in multi-packs at locations where the secondary target regularly food shops, grocery and whole-sale stores. The individual and mini group packs will be sold at high tween populated and trafficking areas such as malls, movie theaters, arcades, and theme-parks. Store locations such as Target and Wal-Mart will carry both the individual and the lunch snack pack sizes. Within these separate stores, primal display space must be obtained; both at eye level and surrounded by other, less worthy products. The sourcing needs not be geographically specific, and again, should be determined by the lowest cost location. Additional and special action must be taken in order to ensure tween placement targeting. Movable, creative, attractive, and interesting displays will be created so the products can move around large areas like malls and movie theaters and follow the tweens to their most popular locations. Also, "Cracker Jackies" will invade the middle school setting by going into cafeterias and vending machines. The product must be constantly seen in order to remind tweens of product and convince them of its popularity.

Promotion

Because the Cracker Jack brand has been static for so long, tweens don't think twice about them, however an enormous, flashy, advertising campaign will undoubtedly grab

their attention. Young girls need to be excited and wanting this line before it even comes out. To accomplish this, "Cracker Jackies" must infiltrate their world. The product must be seen placed on their TV shows, and in the hands of their favorite movie and music stars. It needs to be advertised on their websites, and be talked about in their chat rooms and on AIM. "Cracker Jackies" is an outstanding tasting brand, but it is more important these tweens first see it than taste it.

Standard advertising like print ads, product sampling, and 30 second TV and radio commercials can all be designed, but it needs to be very specifically placed in a slot, location, and time that is guaranteed to be seen by tweens. Promotion needs to communicate a specific mix of cool 'Cracker Jackies' style with the fun and excitement of the mystery prize, along with the snack bonus of the delicious popcorn with a Sweet Or Salty option. Show the primary target the point of difference- the trendy and popular allure of the line, and educate them to value its social standing and to aspire to be part of it. Assure the secondary target they can still trust the wholesome and classic appeal that the brand has always maintained.

Work with Tween Television Networks and other related companies to take advantage of the product's summer release time. Incorporate the ending of school, the beginning and freedom of summer, the release of new Lizzie McGuire-like female tween TV show, and the launch of "Cracker Jackies" all into one big tween "Summer Blast Off" campaign. Hold and televise the campaign from an actual beach location and have tweens and their families be the audiences. Have "Cracker Jackie" dressed women handing out free samples. Let tweens request the TV shows that are aired and surprise them with their favorite musical guests. The monumental occasion is sure to get tweens to tune in as well as cause positive and immediate attention. It will plant the seed for "Cracker Jackies" association of fame, freshness, fashion and trendy fun.