ISM 50 - Business Information Systems

Lecture 5

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Frito Lay

- **Market: Salty Snacks**
  - Who owns Frito Lay?

- **Competitors:**
  - P & G (Pringles)
  - Anheuser Busch (Eagle Snacks)
  - Borden (Wise Chips)
  - Small Regionals

- **Sales Force**
  - 10000 people
  - Drive around in trucks; sell and deliver snacks
Frito Lay

- **Growth**
  - In the 70s, “double digit”
  - Mid 80s - slowed to single digit.
  - Foreign Expansion?
    - Not for Frito-Lay division, because PepsiCo has a separate international snacks div.

- **Good:**
  - Several top brands

- **Bad**
  - Monolithic national approach
Frito-Lay

- **Segmentation**
  - Supermarkets
  - “up/down street”

- **Regionalized Micro-Marketing**
  - Targeted smaller brands to regional customers

- **Hand Held Computer**
  - Small computer for each salesperson to carry around
  - Log sale transaction data.
Frito-Lay

- 3 stated objectives
  - Replace optical scanner system used now
    - IBM will stop supporting it soon
  - $\frac{1}{2}$ hour per day per driver paper-work reduction
  - Marketing effectiveness
    - Detailed sales data
      - will help make regional marketing decisions
      - Negotiate with stores for more shelf space
Frito Lay

- HHC was a $40+ million project
- What were risks?
- How did they mitigate risks?
- Risk Mgmt
  - Pilot test of technology
  - 3 layer rollout
    - 1) essential systems
    - 2) sales compensation
    - 3) strategic uses of new data (fuzzy)
Action plan

- Region by region?
- All at once?
- Weakest or Strongest region first?
Frito Lay

- HHC deployed to LA area first, a region that won a sales award.
- By the end of the 80's
  - HHC deployment completed
  - Development of Information Systems to process HHC data to support operations.
- Early 90's re-org to decentralize decision making to different regions

- 1985
  - Revenue: $2847
  - Profit: $401

- 2004
  - Revenue: $9091
  - Profit: $2366

- Revenue growth ~ 6% per year on average