ISM 50 - Business Information Systems
Lecture 6
Instructor: John Musacchio
UC Santa Cruz
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Class Announcements
- Reading for next time
  - Cisco Case
- Assignment 2 due Thursday
- Folio 1 due Thursday next week (10/23)
- Business Paper Proposal Due in 1 week!

Class Announcements
- Project proposals due in 7 days!
  - 1-2 pages
  - Give a plan what you will do
  - Cite some references, and show that you have started your research!
  - See website for more details.
- Speakers next class
  - Jason Liang (Cisco Case)
  - Aaron Harlan (News)
- Office Hours
  - Ning Bao
    - 2-4 pm Monday and Friday
    - nbao@ucsc.edu
  - John Musacchio
    - 2:15-3:15pm Wednesday
    - E2 557

Student Talks
Frito Lay (Review)
- 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 (Review)**

- **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

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**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.

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**HHC Project Good Idea?**

**Yes:**
- Replaced optical scanner system that IBM would stop supporting soon
- Saves sales force time: 2.5 hours per week per driver
- Detailed sales data supports:
  - Regionalized marketing
  - Negotiations for shelf space with supermarkets
  - Reduce errors

**No:**
- Expensive
  - (more than 50 million)
- Risky
  - Might not work technically
  - Sales force might not like it
  - Already upset about segmentation
  - Equipment vendor might not be reliable

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**Frito Lay**

- **HHC was a $50+ million project**
- **How did they mitigate risks?**
- **Risk Mgmt**
  - Pilot test of technology
  - 3 layer rollout
    - I) essential systems
    - 2) sales compensation
    - 3) strategic uses of new data (fuzzy)

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**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

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**Porter Competitive Model**

*Identify the Industry and the Specific Market Being Evaluated*

- Potential New Entrants
- Intra-Industry Rivalry
- Strategic Business Unit
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
- Substitute Products and Services

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**Porter Primary Strategies**

- Differentiation
  - Make products or services that are different
  - ...in a way that some customers actually value

- Cost Leadership
  - Be the lowest cost provider in a market

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**Porter Supporting Strategies**

- Innovation
  - Can reduce costs and or differentiate

- Growth
  - Help offset fixed costs
  - Establish reputable brand (differentiate)

- Alliances
  - Achieve more complete solution (differentiate)
  - Integration of each other's technology may reduce costs

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**Rules Regarding Strategies**

- Must pick **at least one** of the two primary strategies.

- Can pick any combination of supporting strategies.

Let's test the logic of this using Dell and Wal-Mart Stores.

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**Dell, Inc. Strategies**

**Primary Strategy:**
- Differentiation
- Least Cost

**Supporting Strategies:**
- Innovation
- Growth
- Alliances
Wal-Mart Strategies

Primary Strategy:
- Least Cost
- Differentiation

Supporting Strategies:
- Innovation
- Growth
- Alliances