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)
Class Announcements

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
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
  - 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
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
Frito Lay

- HHC was a $50+ million project
- 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
Porter Competitive Model
(Identify the Industry and the Specific Market Being Evaluated)

- Potential New Entrants
- Bargaining Power of Suppliers
- Intra-Industry Rivalry
  Strategic Business Unit
- Bargaining Power of Buyers
- Substitute Products and Services
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
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 others technology may reduce **costs**
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.
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