Frito-Lay's, Inc., a division of PepsiCo, Inc., manufactures, markets and sells a variety of salty snack foods, like potato chips, corn chips, tortilla chips, cheese puffs, and pretzels, as well as dips to complement them. Frito-Lay introduced the first shelf-stable, sour cream-based French onion dip that was packaged in a metal can and required no refrigeration. Executives faced with two alternatives concerning where and how Frito-Lay's Dips could be further developed (Kerin): (1) Promote the dip line more aggressively in the present “chip dip” market segment, or (2) actively pursue the “vegetable dip” category to reach a new audience.

**Strengths**

**Dip business**
- Maker of Mexican-style Frito-Lay's Jalapeno Bean Dip and Enchilada Bean Dip, Picante sauce dip, Mild Cheddar, Cheddar and Herb, Cheddar and Jalapeno, and Cheddar and Bacon cheese-based dips

**Shelf-stable innovation**
- Frito-Lay introduced the first sour cream-based, shelf-stable dip (1986)
- French onion flavor coupled with potato chips and used as a vegetable dip

**Distribution and sales effort**
- 350,000 outlets nationwide to supermarkets, convenience stores, non-food outlets, small grocery stores, liquor stores, service stations
- “Front-door store delivery system” one employee performs sales and delivery

**Dip Marketing**
- Consumer trial promotions via sampling, couponing and television and radio
- Pull strategy promotes dips using shelf placement and next to Frito-Lay snacks

**Halo-effect**
- Frito-Lay's Dips had success promoted jointly with chip line in the past
- New sour cream-based dip can be recognized with cheese-based dip

**Weaknesses**

**Lost consumers**
- Frito-Lay dropped the Enchilada Bean dip from the Mexican dip line after falling sales
- Novelty of shelf-stable cheese dips has passed and competitive activity increased
- Decreased Frito-Lay’s Dip volume growth
- Discontinuance of Enchilada Bean Dip had customers leave product line altogether

**Supermarket produce distribution**
- Distribution system not accepted by supermarkets who preferred vegetable dips handled by their warehouse managers
- Front-door delivery system put Frito-Lay’s in uncharted territory
- Estimated that selling expenses would rise due to increased training of how drivers and salespeople conduct practices in the produce sections

**Opportunity**

**Chip dip growth**
- 97 percent of all U.S. households eat salty snacks with dips
- Average number of households purchasing shelf-stable dips was four
- On-pack coupon offers encouraged repeat sales
- Increased competitive activity introduced 40 new Mexican-style cheese dips taking space
- Frito-Lay's had not previously promoted chip dips.
- Advertising budget had been more than double expenditures and available

**Vegetable dip penetration**
- Vegetable dip category more fragmented and less difficult to enter with no major competitors
- 33 percent of dip sales were linked to vegetables,
- Majority came from dip mixes, not refrigerated dips
- Sour cream-based dips were more popular than cheese dips in the vegetable market
- Nutritional value and salt content of snack was becoming more of a concern for consumers
- No major competitor in sour cream-based, shelf-stable dip in the vegetable market
- Frito-Lay’s could pioneer the produce market like the chip dip market
- Cost analysis showed sour cream dip’s gross margin was 45 percent and unaffected

**Threats**

**Dip substitutes**
- 20 percent of all dip in the U.S. is homemade and many consumers use refrigerated dips

**Competitive activity**
- Campbell Soup and Lipton pursue the dip market with cheese and vegetable dip, and dip mixes
- Aggressive position in dip category and the expense to re-penetrate the market could be costly

**Cannibalization**
- Sales growth in cheese-based dips show line extensions may not produce continued growth
- Potential for cannibalization of existing cheese dips and addition profits from it would not exist.

**Missed market**
- Promoting sour cream-based, shelf-stable French onion dip primarily as a chip dip
- Most sour cream dips complemented vegetables

**Vegetable dip differentiation**
- New shelf-stable dip would be displayed along-side refrigerated dips with little to no differentiation
- Vegetable dips have to “go-it-alone” unlike previous jointly promoted chips and dip campaigns
- Frito-Lay’s halo effect would not carry to vegetable dips
- More than one, single flavor dip required to take a place in the market
- Product line extensions are costly in unfamiliar territory due to research, development and promotion
## Frito-Lay’s Dips SWOT Analysis

### IMC 610 Introduction to IMC

**Dip market**
The popularity of dip as an appetizer, snack and complement to a meal has risen due to its convenience, various uses, and “grazing” trends in the U.S. It can be served with chips, crackers or vegetables, but most frequently with salty snacks.

Eighty percent of dip sales come from supermarkets, where two-thirds represented prepared dips, and the remaining third represented dip mixes for at-home preparation.

Nearly 55 percent of prepared dips sold required refrigeration, but 45 percent of prepared dips were “shelf-stable” and could be displayed anywhere, though were typically located adjacent to snack foods.

Of the $620 million in sales made from dips in supermarkets, there was no evidence of growth in the dip market due to an increase in inflation; however, it was suggested that cheese-based dips captured overall market share growth from other flavors from 1984 to 1985.

### Target market

**Demographic segment**
- Primarily women ages 20 to 45 purchase the product
- Children and teens consume the product
- Middle to high annual income
- Lives with at least one other person
- Mexican heritage dip would open up the ethnic market

**Psychographic segment**
- Enjoys salty snacks with a complementing dip
- Likes throwing parties for family
- Not interested in using a healthy alternative to chips with dip (e.g. vegetables)
- Does not necessarily lead an active, healthy lifestyle

**Behavior segment**
- Light users with low-involvement buying for special occasions
- Easy purchasing decision
- Repeat buyers interested in trying new sour cream-based, shelf dip
- New consumers like convenient packaging and stay for quality flavor
- Convenience factor because product does not need to be refrigerated

**Relationship segment**
- Frito-Lay and its consumers like and support their products
- Frito-Lay’s Web site illustrates the company commitment to the environment
- Product expansion into the dip line suggest good relationships with consumers

**Adopter segment**
- Consumers interested in innovation behind sour cream-based, shelf-stable dip
- Some may be skeptical of its contents without refrigeration
- Brand switchers who have been purchasing refrigerated dips for years

### Recommendation

After reviewing the Frito-Lay Dips case and weighing the advantages and disadvantages of both suggestions, the company’s most beneficial option is to more aggressively pursue the current “chip dip” market with the new, innovative sour cream-based, shelf stable dip using an advertising and marketing campaign that specifically targets an audience most profitable to Frito-Lay’s, as opposed to pursing the “vegetable dip” market.

Over the years, Frito-Lay’s, Inc., has developed a brand that is first and foremost recognized by its salty snack products. Neglecting that market to pursue vegetables would not only be more costly, but develop insufficient benefits in the long run.

Frito-Lay’s has no ties to produce, but does to the loyal chip, pretzel, cheese puff, and tortilla eating consumers who would be happy to know there was a sour cream-based dip that does not need to be refrigerated. The Frito-Lay’s company is advised to stick with what they know and re-evaluate their target audience.

### References
