Case

Frito-Lay, Inc.

Sun Chips Multigrain Snacks

In mid-1990, Dr. Dwight R. Riskey, vice president of marketing research and new business at Frito-Lay, Inc., assembled the product management team responsible for Sun Chips Multigrain Snacks. The purpose of the all-day meeting was to prepare a presentation to senior Frito-Lay executives on future action pertaining to the brand.

Sun Chips Multigrain Snacks is a crispy, textured snack chip consisting of a special blend of whole wheat, corn, rice, and oat flours with a lightly salty multigrain taste and a slightly sweet aftertaste. The product contains less sodium than most snack chips and is made with canola or sunflower oil. The chip is approximately 50 percent lower in saturated fats than chips made with other cooking oils and is cholesterol-free. According to a Frito-Lay executive, it is "a thoughtful, upscale classy chip."

The product had been in test market for 10 months in the Minneapolis–St. Paul, Minnesota, metropolitan area. Even though it appeared consumer response was extremely favorable, Riskey and his associates knew their presentation to senior Frito-Lay executives would have to be persuasive. In addition to presenting a thorough assessment of test-market data, Riskey added:

> We will have to do heavy-duty selling [to top executives] because Sun Chips Multigrain Snacks required a new manufacturing process, carried a new brand name, and pioneered a new snack chip category. There is a huge capital investment and a huge marketing investment that could be financially justified only with a product that could be sustainable for an extended time period.

FRITO-LAY, INC.

Frito-Lay, Inc. is a division of PepsiCo, Inc., a New York–based diversified consumer goods and services firm. Other PepsiCo, Inc. divisions include Pizza Hut, Inc., Taco Bell Corporation, Pepsi-Cola Company, Kentucky Fried Chicken, and

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The cooperation of Frito-Lay, Inc. in the preparation of this case is gratefully acknowledged. This case was prepared by Professor Roger A. Kerin, of the Edwin L. Cox School of Business, Southern Methodist University, and Kenneth R. Lukaska, Product Manager, Frito-Lay, Inc., as a basis for class discussion and is not designed to illustrate effective or ineffective handling of an administrative situation. Certain company information is disguised and not useful for research purposes.

PepsiCo Foods International. PepsiCo, Inc. recorded net income of $1.077 billion on net sales of $17.8 billion in 1990.

Company Background

Frito-Lay, Inc. is a worldwide leader in the manufacturing and marketing of snack chips. Well-known brands include Lay's brand and Ruffles brand potato chips, Fritos brand corn chips, Doritos brand, Tostitos brand, and Santitas brand tortilla chips, Cheetos brand cheese-flavored snacks, and Rold Gold brand pretzels. The company's major brands are shown in Exhibit 1 along with estimated worldwide retail sales. Other well-known Frito-Lay products include Baken-Ets brand fried pork skins, Munchos brand potato crisps, and Funyuns brand onion-flavored snacks. In addition, the company markets a line of dips, nuts, peanut butter crackers, processed beef sticks, Smartfood brand ready-to-eat popcorn, and Grandma's brand cookies.

Frito-Lay, Inc. accounts for 13 percent of sales in the United States snack-food industry, which includes candy, cookies, crackers, nuts, snack chips, and assorted other items. The company is the leading manufacturer of snack chips in the United States, capturing nearly one-half of the retail sales in this category. Eight of Frito-Lay's snack chips are among the top-10 best-selling snack

Major Brands