

Snacks Business Environment Development Study Analysis

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Abstract: The competitive situation and business environment faced by the development of the snack industry are changing at any time, which has led to the market segmentation and industrial structure adjustment of the potato chip industry at present. This paper uses PEST analysis theory to investigate Peerless's potato chip industry chain and product operation, and makes a detailed analysis of Peerless's current product revenue decline, customer base loss and potential market loss. The conclusion is that Peerless should first clarify its accurate market positioning and subdivide its product trajectory to catch up with the current market trend. In addition, in terms of the company's operation strategy, Peerless's main goal is to develop the correct company development strategy based on professional marketing information.

Keywords: Accurate Positioning; Market Segment; Market Trends; PEST Analysis.

Introduction

Changes in the global economic situation are also affecting the potato chip industry in the United States. In the past few decades, the decline of population growth rate and the economic downturn have led to the reduction of people's disposable income, which also indirectly led to people's more cautious consumption attitude. This essay shows how a successful company should change and improve its product efficiency to achieve sustainable development in a more severe market competition environment when the consumer group changes and the market trend changes.

1. P.E.S.T Analysis

1.1 Economic Impact

The changing global economic situation affects the development of the whole industry of potato chips. Since the "baby boom" occurs in the 1940's the United States provided adequate labour resources from 7 million to 12 million to the 1960s. This change made the output expanding faster as well as increased the whole national economic process develop rapidly (Andersen, 1963).^[1] The potato chips industry also expand speedily to become the snacks giant in the U.S. Then, it had remained a stable growing level at 0.83% between 1999 and 2003, the U.S. market occupied 35.0% in the global potato chips industry in 2003 (Figure 1). With more competitors entry, the potato chips market has reached market saturation, meanwhile, the global financial crisis freeze the whole economic process in 2008 that cause 20% to 25% of income segments of disposable income to decrease during the 2005-2014 period (Dobbs, 2016).^[2] The downturn of the economy cause the consumption to decrease that lead to the potato chips industry lost the drive, the U.S. market share from 35.0% fall to 30.7% between 2003 and 2008 that decreased by 4.3%. Besides, the giant of industry occupied majority part of market also made other midst or small companies difficult to expand the business, apart from that majority of midsize companies experienced the continually decreased of profits and sales over the past 50 years. According to Figure 2, the growth rate declined, especially in the period from 2010 to 2019, there are 47% of midsize companies experienced declines in annual profits (Govindarajan et al., 2021).^[3] For instance, the giant of Frito-lay make up 60% of the U.S. potato chips market, other midsize or small

companies are difficult to make more profits (Statista, 2023).^[4] The U.S. interest rate experienced a decrease from 2010 to 2020 to 0.25% (Figure 3). The U.S. unemployment rate is 5.2% higher than pre-crisis before (Figure 4). The above factors made the consumption and the investing of the United States sharply decreased that caused the potato chips industry to experience a downturn economic process especially for midsize and small enterprises.

1.2 Social Impact

Diverse consumer group determined various preference of the consumer, that directly caused how successful of the sales of goods to certain extend. Wansink, Cheney, and Chans (2003) argued that the snack taste is affected by gender and age differences.^[5] For instance, females compare with males more prefer snack-related foods, the younger group tend to choose more flavored-saturated snacks like potato chips than older ones that commonly focus on meal-related snacks. The change is a new challenge for the potato chips sellers means they need to put in more funds and resources to create new products to meet new market demand. Meanwhile, the decrease of population growth and the changing of the gender in the labour market lead the whole consumption market of potato chips changed. To illustrates, population growth decreased from 0.83% to 0.35% over the last decades (Figure 5), which means the decrease of labour in the market and the decrease of consumption in the whole market. It is a dilemma for the whole industry that caused problems of the increase of labour and the sales declined. Besides, the improvement of customer's healthy awareness also made the potato chips transfer to more organic and natural (Frito-Lay North America, Inc. SWOT Analysis, 2021).^[6] Although people consume snacks for relaxation and indulgence, the healthy mind also becomes more popular. In fact, the sales of snacks related health are a faster increase in the United State, from 2013 to 2017 increased by 30%. The new tendency as well as caused more potato chips enterprise to focus on health products to attract more potentiation customers who prefer organic and natural goods (Nutraceuticals World, 2017).^[7] Higher quality represents higher cost whatever on the material and the tastes, if brands want to maintain their reputation they should put more funds to guarantee a higher quality level and pay more on the new market trend research that commonly is a burden to midsize and small companies (MarketLine, 2019).^[8] Beyond that, more younger customers also affected the selling habits of potato chips because that the development of online trading. Seller also needs to put more resources to develop their online channel (MarketLine, 2019).^[9] The changed in consumption's trends and the increase in cost made the potato chips industry facing a transformation period.

1.3 Technology Impact

New technology not only improves the efficiency of productivity also brings more challenges and changes to producers. Millennial lifestyle and snacking habits were influenced by social media and online interactions. Since customers become more familiar with various online apps and various e-pay methods, companies need to manipulate various marketing skills that can ensure as more possible as potential customers know more detailed information about goods.

According to a survey, online retailing in the US would group with the annual rate of 11.5%, from 2018 to 2023 by \$267.6 billion (Frito-Lay North America, Inc. SWOT Analysis, 2021).^[10] If the sellers of potato chips want to catch up with a new trend they must develop a mature marketing system via online channels. Besides, new various demand promotes more technologies updates that could decrease products cost and operating costs in the long term but also can cause more cheap copies, and new technologies with new equipment also can sharply increase the cost in the short term (IRENA, 2013).^[11]

1.3.1 Problem Statement

According to PEST Analysis and Case, Peerless Potato Chips faced the biggest problem is that they lack a professional and stable management team to provide correct guidance for development strategies. As a result, Peerless Potato Chips do not have a clear development position in the fierce market and lack competitiveness, which ultimately leads to the continuous decline of profits in recent years.

1.3.2 Problem Analysis

At starting, the speedy development of the economy enable the GDP of the Us to sharply increased which made people's consumption ability improved. This situation also made the potato chips industry faster expanded that caused more fierce competition as well as created giants occupied large market rapidly, but the midsize and small companies had to face the dilemma of small market share and higher cost. Peerless also need to struggle in problems of shortage of investing, limited operation funds, and fewer cash flows. In the 21st century, the speed of global economic development slow down, US financial market recession leads to consumption and investment levels decreased. The whole potato chips industry located a reduced investment, long cash flow operation cycle situation. In this situation, the abilities of the Peerless of creation and competition were impaired. Especially, the company is unable to build a professional management system when lacking funds that cause it cannot make a reasonable market prediction and decision-making guidance to help reverse its defects.

In addition, the decrease of fertility rate of the US and the tendency of the aging population made the customer's preference changed also made the labour cost expensive. Since the aging demand and taste are different from the younger people that requires market segmentation and more new goods. The Peerless also had taken the risk of higher cost and some certain taste unpopular. For Peerless, simply reduced the number of tastes cannot make more profits, the root measure is to research new tastes to diverse customer groups. Meanwhile, the new consumption preference is healthy that represent more organic and natural material, producers put more funds to create more healthy goods if they want to occupy a new market share. In the industry competition, the peerless face both the lack of research and development funds and the increase of production costs. In order to enhance competitiveness, it is necessary to have a detailed understanding of the consumption trend and preferences of the whole market. However, the lack of professional human resources hindered the Peerless controls market information. The Peerless needed an effective and professional management team to improve the information.

The development of network technique provides more convenience to the goods of marketing, the new e-pay method also attracts more younger people and expand the overseas market. Meanwhile, continuous update of the skills and equipment forces the whole industry development faster, but advantage technologies improve the quality also brings more imitation. The Peerless needs a professional and experienced team to establish and improve the entire information system and research and development system if it wants not to be defeated in the market transformation. However, the lack of human resources in innovative technology research and development and brand image building makes the peerless at a disadvantage in the competition in the whole industry. Therefore, the peerless needs a professional and efficient team to build new innovative technologies to improve its public image.

2. Identification of Solution to the Problem

2.1 Solution One : utilize new platform of social media put mass advertising

Considering the development of network changed the marketing way which is irreversible, so take full advantage of social media to put advertising to promote that is a direct way to increase the sales as well as a simple of a low-cost way to shape and manage the Peerless's public image.

2.2 Solution Two : market segment, focusing on diversity customer groups to

create new tastes

The changing of customer's structure also altered the consumption preference, Peerless needs to create new products to target various customer types such as the aging groups, younger groups. Besides, with the health mind popular, Peerless as well as needs to aim at a natural and organic market to expand its market share.

2.3 Solution Three : Cost management, upgrade and optimize equipment to reduce costs

Since the increased cost is inevitable in the running of the long term, Peerless could decrease the lost result from bad cost management by optimizing equipment.

3. Evaluation of solution to the Problem

For solution one, Peerless using social media could target more potential customers also can make more customers and investors learn goods information more convenient than before that could increase sales and expand the new market. For instance, Fenty Beauty promotes their goods on the website that increases more sales, about 79% of customers believe that their decisions were influenced by this online advertising (Smashballoon, 2021).^[12] However, the shortage is Peerless needs to pay more cautions to the public image that means Peerless needs to put funds to remain and manage their public image whether it will cause the crisis of image. For instance, DiGiorno (a frozen pizza brand) has experienced an image crisis when they try to promote goods on an unsuitable opportunity that made them paid the expensive cost, beyond that they had to apologize wildly (NRDB, 2020).^[13]

For solution two, the market segment could improve the Peerless' ability of competition, also could accurately target customers to increase seals via right way rather than targeting the entire audience that can help improve efficient activities and enhance the return on investment (ROI). The giant of PepsiCo is an excellent model for utilizing market segments that conduct Multi-segment positions to provide different services or products to their multiple segments of customers at the same time. As for disadvantages, segment markets commonly with limited production because specific customers are limited. Besides, it also causes an expensive cost of production. Peerless, as a family-owned company, is already suffering from capital shortfalls, high production costs of segment market will make it difficult.

For solution three, with the increase of labour cost, Peerless could reduce their production costs and improve their competitiveness by upgrade equipment in the long run. Although new equipment and techniques need more time to make workers use them effectively advanced equipment and techniques can benefits enterprises by enhancing productivity. However, the disadvantage of changing equipment and technique is the cost, especially for midsize and small companies, the higher cost could become a burden to affected they operating (Hamel, 2021).^[14] Peerless as a family firm also had to face the difficulty of funds.

3.1 Recommended Course of Action

The first solution is the best solution, considering the marketing way of Peerless is simple and the customer groups are fixed, we can conclude that solution is the faster measure to increase the sales and reduce lost at maximum. Besides, it is an effective way to improve the managing ability of Peerless' online operating and offset the shortage of lacking professional teams. The second solution that upgrades new techniques and equipment is a reasonable way to reduce the labour cost but it also requires adequate funds to support. The last recommendation is solution three, it also can reduce lost by accurate targeting customers but its outcome is uncertain and also requires lots of costs.

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