**Assignment 10**

MKT 441-75 | Due: 11-27-2017

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\*All group members contributed equally to this assignment\*

# Marketing Research

# Assignment #10

# 20 Points

**For this assignment, please turn in your draft RECOMMENDATION section of the report. Your recommendation section should address the following issues, at a minimum:**

1. Based on your analysis of the problem(s) confronting Powerade, what is your recommended new marketing activity for the company to conduct to help increase sales.

**After analysis of the problems confronting Powerade, our research team recommends Powerade implements a brand ambassador program. This type of program has been seen to be successful with the energy drink company, Redbull.**

1. Your recommendation from above should take into account the unique strengths and weaknesses of Powerade (based on your analysis of the survey data and the secondary data). Please explain your logic for how this new marketing activity is derived from your data analysis.

**In our data analysis we concluded that Powerade’s success drivers were the consumer’s perception of its taste and their regular use of the product. This was analyzed from an independent sample t-test, comparing the means of the triers and non-triers of Powerade. The p-values were less than .01 and revealed that there was a significant difference between the means of the triers and non-triers. The solution we recommend is to introduce a brand ambassador program will optimize these success drivers.**

**Implementing an ambassador program will increase awareness of the brand and provide better feedback of consumers’ perception of the brand, taste of the product, and future use of the product. All while getting consumers involved with the marketing of the brand.**

**With this recommendation, like Redbull, Powerade can target select group of individuals from key communities in the market. The selected individuals are responsible for spreading awareness and receiving consumer feedback. Free sample bottles will be distributed to the community via brand ambassadors.**

**In our group’s experience with Redbull’s Wings Team, they are a high-energy group with a passion for the brand they promote. This is exactly what Powerade needs to get it sales on par with Gatorade.**

**We believe this marketing plan will be a better initiative for Powerade than for Gatorade or any other sports drink product, because Gatorade uses bigger names to market its product. Powerade finds it hard compete on Gatorade’s level of sponsorships. However, it is still a well-known brand, so a brand ambassador will find it easier to distribute and acquire feedback for the established brand.**

**Aside from the need for Powerade to increase spending on advertising and increase their presence on social media, the “Power Hour Team,” is what will set Powerade apart and make the final push to increase sales and competitiveness with Gatorade.**

1. What is the cost for this new marketing activity?

500 ambassadors → 10 Brand Ambassadors in each of the 50 Major US cities

Compensated $12/hr

Yearly program ran at 52 weeks per year

Avg 12 hrs a week \* 52 week/year

**= 624 hrs per year per ambassador**

500 ambassadors \* 624 hrs per year per each ambassador

**= 312,000 total hours / per year**

312,000 total hours \* $12 cost per hour

**= $3.74M = $4.0M total cost for ambassadors per year**

Distributing 1,000,000 bottles of Powerade per year

Assume COGS = $1 dollar per bottle

**= $1.0M total cost for handing out 1 mil bottles per year**

$4.0M (total cost for ambassadors per year) + $1.0M (total cost bottles)

**= $5.0M new marketing costs**

1. If Powerade follows your recommendation, by how much will sales increase (from the current base level you provided in a prior assignment/question)? This will, of course, involve assumptions, but you must provide logical support for your assumptions. This will also be good practice for MKT 460.

Assuming Powerade spends $20M per year on advertising:

25M (new cost of adv) / 20M (old cost of adv)

**= 25% adv increase**

.10 (AED) \* .25 (adv increase)

**= 2.5% increase in revenue**

Original revenue = $1.3B per year(found in previous data)

New revenue = $1.3B \* 2.5% inc

**= $0.033B increase in sales (33M)**

**= $0.033B inc + $1.3B**

**= $1.333B per year**

1. What is the ROI of your recommended marketing activity for Powerade?

Gross margin = 50% (previously calculated)

Incremental gross margin = 33M \* 50% = 16.5M

ROI = (incr gross margin - incr cost) / incr cost

= (16.5M – 5M) / 5M = 2.3

**= 230% ROI**

1. What is the Breakeven timing of your recommended marketing activity for Powerade?

$1.333B yearly in sales / 12 months

**= $111M / month in sales**

5M = 1 year cost of campaign

Incremental sale increase = ($111M \* .5 [margin]) = 55.5M

5M / 55.5M = .09 of a year

.09 \* 365

**= approx. 33 days, so a little over a month**

1. Show how your recommendations fit logically into an overall theoretical framework of the 4 P’s. That is does your recommendation impact (or improve) perceptions for the price, product, place, or promotion (or some combination of the 4 Ps)

**Price: The implementation of the Power Hour team would not affect the price of Powerade in any way. While the cost of distributing sample bottles is included in the cost of the program, this will not increase the cost of Powerade for either consumers or producers. There will simply be more bottles produced to provide for the Power Hour events.**

**Product: The goal of our recommended program is to improve the percepted product quality in the eyes of consumers. By making Powerade a more hip, millennial favored brand, our program will make the product more desirable to consumers and, ideally, more desirable than Gatorade. This program will also allow for immediate consumer feedback, which will help in future product development.**

**Place: Our program will make Powerade more widely available to high school and college students, therefore making them the preferred brand for these individuals, their friends, and, for high schoolers, their parents. While the Power Hours will indeed create another place to consumer Powerade, our program does not change the number/types of retailers that carry the brand. The reason for this is the wide availability of Powerade as is.**

**Promotion: The main aspect of our recommended program is for promotion’s sake. The Power Hour events will offer extreme promotion to large masses of people in the hopes of changing the quality stigma surrounding Powerade at the moment.**