

Model Answer

Discuss the importance of developing new products in allowing a company like Pepsi to increase competitiveness.

Pepsi is in a competitive market which means there are many similar businesses like Coca Cola.

It is important that they introduce new products so they are able to gain more customers. This is because new customers may try the new drinks and loyal customers will continue to buy Pepsi as they are already happy with the original products. This is known as brand loyalty. This will help Pepsi to remain competitive over rivals such as Coca Cola. It is also better for Pepsi to launch a new product before Coca Cola do. This will lead to them gaining more customers and therefore higher profits. For example developing a new flavour of cola.

However to develop new products will cost Pepsi a lot of money in research and development. This could lower their profit levels as the product would still be a problem child. There is also the risk that the new product may fail, this could lead to the money being spent on r & d being wasted and Pepsi could gain a poor reputation, which would benefit Coca Cola.

I don't think that developing new products is the most important factor in increasing competitiveness. I think other factors such as good promotion of the product will help to raise customer awareness. Also by using the correct pricing it will help Pepsi to remain competitive in the soft drinks market. Pepsi need to make sure that they have the correct mix of the 4P's if they are to be successful in the market.