How Innovative Strategies Change the Industry
Nature: Case Study of Automobile and F&D Industries (Energy Drink)

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Abstract: This report analyses the value of innovation strategy. How multinational companies plan and implement the innovation strategic foresight into their daily operations and how it helps them to achieve a long-term and distinctive advantage over others. The Gatorade and Toyota Motors are multinational companies which are from two different backgrounds which include Food & Beverage and Automotive industries. How their innovation strategies are different from each other and how these innovation strategies help them to drive growth with profitability. In addition, this report will carry to understand how Gatorade & Toyota Motors are different from their competitors strategically or product wise with the help of real cases and events. How these companies make their superior value in the market and which one has successfully achieved that plan.

Keywords: Innovation Strategy, Growth, Profitability, Superior Value, Strategic Management

1. Introduction

In this era of building a successful company strategizing the firm and innovating with time is essential and hence this project which revolves around the innovating strategies applied by two multinationals. The MNCs are from different industries and background which makes the understanding of their strategies and the application even more challenging and diverse. One firm is from the food and beverage industry while the other is from an automobile industry. Although both of the companies are from different industries, they had to innovate with their strategies due to the decrease in their market share in 2009-2010. This gave this project a diverse take on the basis of understanding and applying strategies. The main aim of this project is to understand the strategies of two different companies from different backgrounds. Since both of the companies had a bad phase in between, it was necessary for them to come up with innovative strategies which led to their growth. Both had different strategies which are being discussed in this project. The main aim of this project is to understand how the two diverse companies profited from different strategies. This project also explores the aspects on which these companies stand out from their competitors. The company Gatorade utilizes the Third-way strategy while Toyota makes use of the Incremental strategy which is completely different and yet helps these companies to be successful in their respective fields.

2. Background

A. Sports drinks background

In this era, a sports drink is becoming a necessary part of our diet. We can find a soft drink all around the world. Sports drinks are a combination of carbohydrate, Electrolytes, other ingredients and flavors which are having a good proportion of nutrition helps in athlete’s performance (Sports Dietitians Australia, 2009). Gatorade, Red Bul, 100Plus, and Isostar are like some sports beverage companies which are famous worldwide (The TopTens, 2014). Health drinks also come under the soft drinks industry. Gatorade in one of the famous energy drinks. Gatorade came into existence in 1965 by University of Florida as Energy Soft Drink.

1) Gatorade background

Some football players of Florida University were losing energy & strength in the summer season which makes them tired. It was affecting the team performance and university came up with an energy drink named Gatorade in 1965 by which they back on the road of success (Kays & Han, 2003). Gatorade is an American Sports Drink Food & Beverage Company. Gatorade head office is in Chicago, Illinois, United States. In 2009, University earned $150 million from its shares and $12 billion annually. Quaker Oats Company purchased Gatorade in 1987, later it was bought by PepsiCo in 2000 and now it’s PepsiCo division (ABC News, n.d.). It was introduced in India, United Kingdom and Ireland in 2009 (Rovell, 2005). It has a channel of distribution of 80 Country (Web,Org., 2010). Gatorade has a milestone of 76% market share in sports drink worldwide.

B. Automotive background

In today’s world, people love to migrate from one place to another place with the help of Automotive Vehicles. The automotive term was proposed by Elmer Sperry which came from the combination of self & of motion. Which show any form of self-powered vehicles (San Diego Automotive
Museum, Inc., 2003). The 1st automotive industry was begun in the 1890s with 100 manufacturers which create "horseless carriage". It is the most important part of the economic sector of revenue of any country (San Diego Automotive Museum, Inc., 2003).

1) Toyota motors background

Toyota Motors is a public listed car manufacturing company which served globally and having his head office in Aichi, Japan (Toyota Motor Corporation, 2017). It was inaugurated on 28th August 1937 by Kiichiro Toyoda. It manufactured luxury & commercial vehicles and engines with 348,877 employees working across the world. Worldwide sales of Toyota Hybrid are 10 million (Toyota, 2015). A total capital of Toyota is 635 billion yen. A total number of shareholders are 687,028 (Toyota Motor Corporation, 2017).

C. Innovation strategy

An innovative strategy gives directions to take a step on how assets are to be used to meet up a business’s goal for innovation, deliver value and build competitive benefit (Dodgson et al., 2008). The different kind of the innovation strategy is shown by two different background Food & Beverage and Automotive Industries which were using Complementary and Proactive innovation strategies.

1) Gatorade complementary innovation

Complementary Innovation: - Rebuild the edge around the present business model. It informs and allows innovating at the border and extending present contribution and services which is generally known as The Third-Way (Robertson, 2017). Gatorade is well known for the sports drink provider. Now a day, there is high competition in the sports drink industry. Sales of Gatorade were going down due to attack from Powerade sports drink. They want to maintain their place in their existing market. In 2011, Gatorade with the help of the third way innovation is putting their all assets together to give significance trademark and create a strong position by developing complementary product around its core Gatorade G product without changing it and to give high service to sustain its existing market (Puga & Trefler, 2010;Dodgson et al., 2008; Robertson, 2017). So, with the help of complementary innovation, they launch G-Series Family of Product. Which have 3 products to support athletes: - Energy chews and carbohydrate drinks to “Prime” before an athletic event; the core hydration drink to help the customer “Perform”; and protein shakes and bars to “Recover” after an event (Gatorate., 2017; AdAge, 2011).

2) Toyota motors proactive innovation strategy

It is a path which regularly trying to find a grand dream and to support grand dreams (Phillips, 2015). Since, from the setup of Toyota motors, they are using this strategy to main their leadership in the market. They generally use incremental innovation which comes under proactive innovation strategy. Toyota Motors is known for improvement or upgrading from their existing technology for their existing customers. They every day try to upgrade the existing technology with the help of slab and undertakes innovation they keep penetrating and manage their rates on top of the industry standard (Decision Innovation, 2009-2017). Toyota just came up with their advance mobility teammate concept and launched Hybrid Vehicles. This is automated driving tech which was already in use by Toyota in their cars. So, they improved this technology and came up with the idea of Hybrid Vehicles. They create a good relationship between humans and cars so that they both have the same goal to reach in their journey. They put radical technology of driving intelligence; interconnectivity and cooperation between human & cars (Toyota Motor Corporation, 1995-2017).

3) Gatorade innovation vs. Toyota motors innovation

Both companies are from different background. Gatorade is from Sports Drink Industry whereas Toyota Motors is from Automobile Industry. Definitely, their innovation strategy will be different. At one hand Gatorade tries to develop a complementary product around its core product wherein Toyota Motors tries to upgrade technology from time to time from its existing technology. On 2nd hand, Both Gatorade and Toyota Motors are focusing on their existing markets. Gatorade is using The Third Way strategy which has high reward with low risk whereas Toyota Motors is using a proactive strategy which has cost saving with customer experiences. Gatorade tries to retain their old customers wherein Toyota is reducing the technology gap to get lifetime relationship with customers. The main target of Gatorade innovation strategy is to give what athletes need whereas the main target of Toyota Motors innovation strategy is to give safety and hybrid vehicles to customers.

D. Drive growth with profitability of chosen companies

To sustain and be successful in business, growth, and profitability both are essential and gives for a company to survive and stay eye-catching to shareholder and analysts (Maverick, 2015). Gatorade and Toyota Motors are having growth with profitability and it can be understood by studying their growth with profitability which is achieved by their innovation strategies.
compete with Powerade”? R&D unit of Gatorade start working on innovation strategy with flexibility but the focus point of the strategy was around the core Gatorade G Products. So finally, Gatorade came up with G-Series new product which can penetrate the market by giving discounts, with the help of e-commerce partners and give what athletes need. This G-Series help athletes in three ways: - Prime, Reform and Recover. With the help of G-Series, Company starts growing slowly and coming to the pace. They were the first to place this strategy in the market and take advantage of it which immediately helped their growth. Sales of these products rise significantly by giving less price discount with new G-Series and providing the products on e-commerce website Amazon and Big-Basket for the customers. Gatorade from loss of $ 4.5 billion in 2009 hit record sales of $5.6 billion in 2015 and has 78% of US Market share and 46% worldwide. Now Gatorade is a 4th largest revenue contributing $7 billion in sales which is part of PepsiCo (Ben, 2016). Now, PepsiCo is doing distribution of Gatorade. As itself, Gatorade is giving 1.7% of organic revenue growth in PepsiCo revenue. Productivity saving is $1 Billion. Due to this new complementary innovation, Gatorade got great success. The main reason for success is the new product which was welcomed by official sponsors NFL, NBA, WNBA, AVP, Major League Lacrosse and many other professional players like Bolt, PV Sindhu. Events also played a great role in the growth of Gatorade. Events like New York Marathon, Boston Marathon, Chicago Triathlon and Ironman World Championship add more n more profit to Gatorade business (Sports Dietitians Australia, 2009).

2) Toyota motors growth with profitability

Toyota Motors has tough competition in the automobile sector. To maintain their place in the competition they have to improve and have to launch new products with the help of incremental innovation strategy. Toyota Motors want to have sustainable growth with itself and with alliance Mazda & Denso (Ayre, 2017), and acquisitions of Lexus. In 2009, industry revenue was fell down to 15.5%, so it opens an opportunity for Toyota Motors to present affordable products in the market with new technology to attract the peoples to buy it. In 2015, Toyota Motors acquired a 40% market share in Japan and retained this to create a tough competition for others. The demand for luxury cars in the market of the US is expected to increase by 10% in 2016 and with demographics profile: there will be a great demand for luxury vehicles in Japan. When there will be an expansion of luxury cars markets, Toyota Hybrid Vehicles will increase the revenue growth (Team, 2015). Toyota Motors acquisition of Lexus is giving growth within profit. Lexus division contributes 10% of assessment to Toyota Motors. Lexus is the luxury global brand of Toyota Motors which have the new innovation of safety technology is sold worldwide. In 2015, this brand record 16% growth in business of Toyota Luxury Models. People are attracting toward this brand because of its luxury styles and still want to pay for it whatever price Toyota Motors deceiving. This brand is the key to growth in the future (Team, 2015). In 2015, Hybrid model Prius record 12% growth in sales for Toyota Motors. The company will launch a new model of Prius which surely going to increase market share with future growth (The TopTens, 2014). Now, Toyota hybrids sales cross 9 million units giving 63% growth (Bioage Group, LLC., 2016). Toyota and Mazda, Denso build a venture for the making of plug-in electric vehicle tech to give tough competition for their rivals. The technology is made by Toyota and Mazda will use it in his vehicles to make numerous types of electric vehicles. (Ayre, 2017) In future Toyota, motors will make pollution free environment and electric vehicles will be the key to growth for the corporation.

E. Companies different from their competitors in aspects of strategically or product wise

Gatorade and Toyota Motors are different from their own competitors in the aspect of strategically and product wise. The most powerful competitors of Gatorade are PowerAde similarly to that of Toyota Motors is Honda. We will see here how both of them are different from their competitors.

1) Gatorade: third way innovation strategy different from powerade radical innovation strategy

The idea of innovation is not fresh. In today’s world, every company is trying to find a way to success by creating, lead, organize and sell to remain in the market. Many companies are shifting from incremental innovation to radical innovation for success (Fleming, 2015). Powerade is the toughest competitors of Gatorade. It attacks the Gatorade by radical innovation strategy where technologies as well market were same and introduces the copy of Gatorade G product with low price. Sales of Gatorade stopped and dropdown. Gatorade has to think for this blow because they want the success of their products without decreasing the price or introducing the brand new product in the different market. Gatorade went to their customer and check there what they need. Then in 2011, Gatorade finally came up with building a portfolio of complementary product around their core product (Robertson, 2017). They didn’t change their main product at all original way remain the same. Gatorade uses this third-way innovation strategy to end the rivalry of Powerade and achieves a great success (Robertson, 2017; Fleming, 2015). This third-way innovation strategy was totally different from Powerade Radical Strategy. Gatorade builds complementary G-Series around its core product Gatorade G. G-Series is Prime, Perform and Recover which is totally different from Powerade product Zero. And till today, Powerade isn’t able to copy it. Today’s Gatorade G-Series help Gatorade to own 76% sports drink market share. Gatorade G-Series: - Prime, Perform and Recover (CPS Daily News, 2009). Prime is a 100 calorie drink which comes in a pouch which is innovated to take 15 min earlier than exercise. It includes carbohydrates to “ignite your muscles”, B-vitamins to “help in energy metabolism” and electrolytes so “you can craft a declaration untimely”. Perform is the original core Gatorade G, which is an energy drink, which will be using during exercise and help in stopping hydration. Recover is a whey protein powder which is technically made to help the muscles to recover from a long work out or game. Best real Examples and Real Occasions: - Gatorade G-Series products using are Georges St-Pierre MMA world champion, Ultra-Marathoner...
Ray Zahab and world champion snowboarder Maelle Ricker which is the part of G-Series launching in Canada who put this product in front of Canada to give proper giddiness about it (New Hope, 2011). G Series also played a crucial role in the success of World Cup of Austria said by Maelle Ricker. Gatorade has collaboration with North America’s top athletes like Mike Jordon who was the first player to endorse Gatorade (New Hope, 2011). Recently Dathan Ritzenhein Olympian signed Gatorade G Series Pro as his official energy drink (Domdom, 2017).

2) **Toyota motors incremental strategy different from Honda radical innovation strategy**

Toyota Motors is a public listed car manufacturing company which has tough competition with Honda in the automobile sector. To main the place in the market, a company should be innovative and ready to take a decision instantly to ensure their success. Toyota Motors and Honda both are Japanese automobile companies. Toyota Motors use Incremental Innovation whereas Honda is known as Adaptive Strategy. Toyota Motors is known for improvement or upgrading from their existing technology for their existing customers. They every day try to upgrade the existing technology with the help of slab and undertakes innovation they keep penetrating and managing their rates on top of the industry standard (Decision Innovation, 2009-2017). Whereas Honda with an adaptive strategy tries to know about the unfamiliar market, don’t over-plan and always stay ready to adopt the emerging information and circumstance (Richardson, 2011). The strategy of the companies is different. Toyota Motors using their own technology drive out Mobility Teammate Concept and hybrid vehicles (Toyota Motor Corporation, 2015). Toyota Prius is the first fully hybrid electric car of Toyota Motors which is cleanest automotive based on smog-forming emissions was launched and historically it was the first generation car which was sold out worldwide. Now with new advanced technology, Toyota Motors entre in the market with Plug-in Hybrid Prius which have solar roof can be used when there is any natural disaster by Takeshi Uchiyamada and this feature was the first innovation in history which comes handy in 2011 Tohoku earthquake (Schmitt, 2017). Toyota Motors strategically and product wise is also different from its competitor Honda.

**F. Superior value in market**

A superior value is a part of business or marketing statement which tells that why a customer should buy a product or need to take that service. It is particularly besieged towards prospective customers rather than other essential groups such as employees, partners or suppliers (Anderson et al., 2006). We will know how Gatorade and Toyota Motors are creating superior value in the market.

1) **Gatorade excellent product high quality**

Gatorade is the pioneer in sports drink industry & the market boss from past 10 years. The company has been perceived by the customers as an excellent provider of high quality and eye-catching products for every class of society. And the quality of Gatorade has been tested by (Sports Dietitians Australia, 2009).

2) **Gatorade excellent product availability & delivery**

Clients are living in every corner of the world, for an excellent and time-saving service in cities and villages Gatorade provides its products on e-commerce website as well in every possible shop. From the day of the inauguration to till today, Gatorade provided best product delivery.

3) **Cost effective**

Gatorade is providing a wide range of products for every age group. Gatorade is providing its product with high quality with reasonable price. Gatorade put all pricing of their products according to their loyal customers. Customers are very keen on buying an economical product which suits their budgets.

4) **Toyota motors reasonable good quality cars**

Toyota Motors is very famous for their quality and they put themselves as reasonable and trustworthy car makers. There are several cars provider presented in the automotive industry which use to provide the same facility but still, Toyota is on top because it gives what a customer wants with a wide range of good quality car portfolio to the customers worldwide. That is why Toyota has high customers’ perceived value than others in the automotive industry.

5) **Fuel efficiency**

Toyota always provides cars with fuel-efficient engines as compared to other competitors without reducing the quality. There is positive feedback from numerous drivers who own Toyota for its fuel efficiency and also suggest others to buy to choose Toyota.

6) **Environmental friendly hybrid and less maintenance**

From long-time Toyota is also the king of Hybrid cars markets. Now a day there is an increase in global warming and so on this creates many environmental issues as well as gasoline crisis. Toyota is giving hybrid technology in cars which lower the use of fuel without altering the environment. And Toyota does many collaboration and partnership for providing a place of easy maintenance with reasonable price.

**3. Conclusion**

Gatorade and Toyota Motors are the leaders of their respective industry and are perceived by their respective clients as a quality corporate brand. The reason for their success is from their strategic vision and with a positive thinking for the future much better than their rivals. Gatorade is market share leader in food & beverage industry. Gatorade provides good quality of products with reasonable price. The success of Gatorade is from their corporate vision and full contribution of every department and every single employee. Their innovation strategy and planning making team are much better which always concentrates on future competition. Taking right decision at right time in innovating the G-series and giving good quality, deliver on time & with cost-effective make them sustain in the market at the top position. Toyota, on the 2nd hand, is a multinational car making company. It always thinks beyond the competitors by the right strategy with vision and always ready for the future before it challenges them back.
Customers always attracted towards Toyota due to their good quality, fuel-efficient engines and hybrid technology for which they stand for. Toyota always continuously innovating their technology and time to time upgrades its products to ensure their valued customers remain in their company. There Honda, Nissan as its competitors but Toyota always has the grip on cost leadership and differentiation strategy. Toyota is making better the life for their clients with newer technology like Hybrid and fuel efficiency engine technology.

In last for the analysis of Gatorade and Toyota Motors to stay in competitive and good in the current business world. Strategic management always a great role which is the key for planning and shaping the company vision and mission for future growths.

References