

Environmental factors shaping pepsico's marketing decisions



Environmental Factors Paper University of Phoenix Christy Holley

Environmental Factors for PepsiCo PepsiCo, one of the leading beverage and snack companies in the United States and abroad, is affected by both global and domestic environmental factors. These factors, along with changes in technology, all impact and shape the organization and affect marketing decisions. The article "PepsiCo Pops for China," written by Ruthie Ackerman and published by Forbes.com, reviews Pepsi's decision to invest billions into the Chinese market audience.

This paper will review the article, identify environmental factors that shape the organization and impact marketing decisions, and discuss how technology plays a role in those decisions. Alternatives to Ackerman's view of social responsibility to the company's marketing decisions and activities will be analyzed, along with explanations of how ethical issues can make an impact. The accuracy of the article's forecasts will be reviewed and further supportive references to conclusions made will be gathered, if necessary.

Global and Domestic Factors

Several macro-environmental factors shape the PepsiCo Corporation and impact marketing decisions. Demographics, economic climate, ecological and political issues, technology, and cultural concerns all affect where the company is headed desires and the decisions the company makes. Each issue affects the company differently, but when combined together, the environmental factors can wreak havoc on a company's bottom line if not addressed appropriately. On the other hand, if a company has the ability to recognize these factors, can address them, and be prepared to "think on its feet," then the factors can be used to the company's advantage.

The Ackerman article discusses PepsiCo's investment into the Chinese market. When it comes to the environmental factors, Pepsi must adjust its marketing strategy to fit the audience rather than trying to fit the audience to its strategy. For example, current demographics in the United States reflects an aging population as the nation's " Baby Boomers" are now reaching retirement age with most of them having " grown up" with Pepsi and Coca-Cola. 12. 5% of the U. S. population is over the age of 65, compared to China, where only 7. % of the population is over age 65 (NationMaster, 2009). According to Ackerman (2008), Pepsi plans to invest \$1. 0 billion into the Chinese markets, which is significant considering that currently the world's economy is relatively poor. The author believes that the plan to invest in the Chinese market is optimistic and that the company faces the challenge of slow growth in China, a decline in U. S. sales and " the impact of the stronger dollar on international sales" (Ackerman, 2008, para. 2). How wise is the decision to invest in a country during a period of world economic decline?

Pepsi made similar ventures in the Eastern European and Russian regions that proved to be profitable. According to Jonathan Feeney, a Wachovia Capital Markets analyst, Pepsi's strategy is to build " platforms ahead of demand to some extent and continuing to support platforms even during times of economic weakness" (Ackerman, 2008, para. 5). Success is not guaranteed in the Chinese market, but if Pepsi has been able to achieve positive demand for its products in the past in other challenging markets, the company just might be able to drive growth in this market as well.

Technology

Another example that affects PepsiCo is technology. Technological advancements are happening at a faster pace than ever in the 21st century and companies must be ready to take advantage of them or be left behind. Advertising decisions must be made with technology in mind, such as making use of electronic billboards vs. the old standards, which can appeal to PepsiCo's technologically savvy target audience in China - youth and young adults. The money that Pepsi plans to invest will also enable the company to develop new products and expand local research and development efforts.

In order to cater to the Chinese audience, technology plays a role in developing products due to the use of computers and other equipment. Comparing Views Social responsibility and ethics Ackerman (2008). seems to believe that PepsiCo's move to invest heavily in the Chinese market can appear to be "bullish," yet "optimistic." The author points out negatives concerning the venture, such as the value of the dollar in the market, economic downturns and sinking financial profit reports.

However, perception of the author's view of the company's social responsibility is high, since she states that investing in China will create new employment opportunities due to expansion of R& D facilities, manufacturing capacity and sales force. "Thousands of new jobs are expected to be created in China because of the investments" (Ackerman, 2008, para. 11). Ethically speaking, providing employment to the unemployed, especially in poor regions, will increase quality of life for the Chinese, while at the same time, increasing revenue as more people are able to afford to purchase Pepsi products.

Not only that, Ackerman states that the company is “ business driven,” which typically suggests a business model where a company takes ethics into mind. Since Pepsi has been able to invest in global markets, created jobs and improved quality of life standards in the past, the company shows that it holds to an ethical guideline by striving to repeat success in new global markets. Another view of Pepsi’s social responsibility and ethical stance by Michael Useem proves to be positive as well. The article covers Pepsi’s CEO Indra Nooyi, her personal views and her vision and goals for the Pepsi Corporation’s future (Useem, 2008).

Taking into consideration the struggles with obesity that the United States faces, Nooyi convinced the company to sell Pizza Hut, KFC and Taco Bell in 1997, acquired the Tropicana company in 1998 and helped engineer a \$14 billion takeover of Quaker Oats, maker of Gatorade in 2001 in order to be able to offer healthy alternatives to PepsiCo’s consumers (Useem, 2008). Nooyi and PepsiCo have pledged by 2010 that “ half of the firm’s U. S. revenue will come from healthful products” and that the company will “ eschew fossil fuels in favor of wind and solar” (Useem, 2008, para. 7). The company will also campaign against obesity.

According to Landi (2008), the Pepsi Bottling Group has maintained significant environmental and ecological commitments. So far the company has been able to save over 300 million gallons of water, 16, 000 tons of plastic, and has been able to offset “ 100% of the company’s U. S. electricity” by making conscientious manufacturing, technological and operations decisions. In a savvy public relations move, Pepsi includes in its marketing strategy the release of an environmental annual report to

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generate positive publicity about its commitment to citizenship, responsibility and ethics. After reviewing the Ackerman,

Useem and Landi articles, the writer's view of PepsiCo's stance on social responsibility and ethics is positive. Pepsi's efforts to consider the environment, increasing employment in oppressed countries, and taking on health initiatives bolsters the company's social image. Accuracy The Ackerman (2008) article quotes Pepsi CEO Nooyi saying " We are enormously confident in the continued prosperity of China. " Confidence is found in this statement and confidence seems to have been used in the qualitative and quantitative data gathered to make the marketing decision to invest in China.

When such a stance is taken and a company, in this economy, makes such a significant financial decision, the factual data outlined in the article can be concluded be fruitful. The article provides past examples of Pepsi's ventures into foreign markets that provided success and the statement that " its business is driven by building platforms ahead of demand to some extent and continuing to support platforms even during times of economic weakness" sums up the company's strategy because it shows the company properly plans ahead, using past successes as a foundation (Ackerman 2008).

Useem's (2008) article showed how the background and positive personal beliefs of PepsiCo's CEO have flowed over into the positive marketing, manufacturing and socially responsible decisions of the company. The article also touched on the growing mentality of the United States and global market attitudes on important issues that make a global impact, including <https://assignbuster.com/environmental-factors-shaping-pepsicos-marketing-decisions/>

health and environment. Landi (2008) reported specifically on the company's environmental efforts, which are beginning to shape the company for the future, which looks positive.

Reporting specifically in numbers the results of Pepsi's efforts to strive to be a company focused on citizenship, social responsibility and ethics help support the writer's conclusions. Conclusion PepsiCo strives to remain one of the leading beverage and snack companies in the United States and abroad and takes into consideration the environmental factors, both domestic and global, that affect the company's marketing and business decisions. Pepsi's plan to invest in the Chinese market will prove to be a successful venture due to past achievements in similar markets.

PepsiCo has been able to make positive and profitable marketing decisions without sacrificing social responsibility and ethics in the process. References: Ackerman, R. PepsiCo Pops for China. Retrieved May 26, 2009 from http://www.forbes.com/2008/11/03/pepsico-beverage-update-markets-equity-cx_ra_1103markets31.html NationMaster. (2009). American People Stats and Chinese People Stats. Retrieved May 26, 2009 from <http://www.nationmaster.com/red/country/us-united-states/peo-people&all=1> and <http://www.nationmaster.com/country/ch-china/peo-people> respectively. Useem, Michael. (2008). New ideas for the Pepsi generation.

Retrieved May 26, 2009 from the EBSCOhost database. | WEEK 5 - ENVIRONMENTAL FACTORS PAPER | | Find an article published within the last two years that offers an industry forecast of global business conditions for an organization with | | which you are familiar. The organization must be one that makes both global and domestic marketing decisions. Prepare a 1, 450-
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1, 700-word | | paper in which you evaluate the article concerning environmental factors that affect global and domestic marketing decisions.

Please note | | that in the case of this paper, the term “ environmental” does not refer exclusively to ecological issues, but domestic and international | | macro-environmental influences including the economy, government, legal, technology, ecology, socio-cultural, suppliers, and stakeholders. | | In your paper, be sure to address the following: | |--Evaluate how the article’s forecasts of high-level global and domestic environmental factors will affect the organization's marketing | | decisions. |--Evaluate how the article’s forecasts of technological change will affect the organization's marketing decisions. | |--Compare the author’s perceived importance of social responsibility and ethics with at least | | three other alternatives, including your own, as related to the organization’s marketing decisions. | |--Finally, provide a conclusion on the accuracy of the articles forecasts, and identify what else | | you would look for to support your position in reference to your conclusions. | Please ensure that when you discuss these environmental, technological and ethical | | positions you are discussing marketing-related activities regarding your organizations of choice. | | Content and Organization - 80% | Percent Earned: | | All key elements of the assignment are covered in a substantive way.

Based on your e-text reading, research, and | 98 | | personal and/or professional knowledge, accurately identify, describe, and provide examples of: | | | The macro-environmental factors that impact and shape the organization | | | The macro-environmental factors that impact the company's marketing decisions | | | How (new) technology impacts the

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company's marketing decisions | | | Alternatives to the author's view of the importance of social responsibility to the company's marketing decisions | | | and activities | | | How ethical issues impact the company's marketing decisions | | | Critical commentary regarding the accuracy of information in the articles that you read, and the areas that you | | | looked at to support the position you took in the paper | | | The paper meets the requirements of the assignment word count | | The paper was posted by the date due for the assignment | | | The content is comprehensive, accurate, and/or persuasive | | | The paper develops a well directed central theme or idea | | | The paper links theory to relevant examples of current experience and industry practice and uses the vocabulary of | | | the theory correctly | | | Major points are stated clearly; are supported by specific details, examples, or analysis; and are organized | | | logically | | | The introduction provides sufficient topic background and previews major points | | | The conclusion is logical, flows from the body of the paper, and reviews the major points | | | Readability and Style - 10% | Percent Earned | | Paragraph transitions are logical and maintain a flow throughout the paper | 98 | | The tone is appropriate to the content and assignment | | | Sentences are complete, clear, and concise | | | Sentences are well-constructed, with consistently strong, and varied | | | Mechanics - 10% | Percent Earned | | The paper, including title and reference page, tables, appendices, follow APA guidelines for format | 98 | | Citations of original works within the body of the paper follow APA guidelines | | | The paper is laid out with effective use of headings, font styles, and white space | | | Rules of grammar, usage, syntax, punctuation are followed | | Spelling is correct | | | Total 100% Points | 10 | | Total Points Earned | 9.8 | | Really great work on this paper, Christy You addressed the assignment to a " T", <https://assignbuster.com/environmental-factors-shaping-pepsicos-marketing-decisions/>

and brought in your own thinking on each of the areas in the | | article. Great information, and very interesting to read. Good work in the classroom. Your written assignments have been excellent, and | | I really demonstrated your ability to understand the topics, issues, and apply them to your writing and to real-world companies and marketing | | programs. Kudos! |