Pepsi frito lay division: a diagnosis essay

The Frito-Lay Division of Pepsico is a proud provider of “ good fun” food snacks that are served through 15 variable, exciting, exotic, invigorating 15-million-dollar brands and distributed via 35, 000 direct to store selling routes. Business Year 2007 performed US$. 39. 5 million in revenue (an increase of 7% from Business Year 2006), resulting to a profit of US$. 8 million. The innovative streak is so palpable that Pepsico closed a merger deal between its Frito-Lay Division and Strauss Group on March 31, 2008 – for the dip snacks version.

An organizational diagnosis of the Frito-Lay Division of Pepsico is for purposes of identifying and deliberating on the congruence of the various factors of its operations that contribute to its sustainable performance. Even though the diagnosis may not reveal any ominous foreboding downtrend, it is still a relevant exercise to analyze whatever is the track that the operation is proceeding through. A growth pattern may not necessarily warrant confidence. There is always a need to correlate growth pattern vis-a-vis growth potentials.

Even achieving budgets, targets and forecasts cannot put to complete rest the opportunities that can be had. That is why there is such thing as short term, medium term and long term strategies that can be analyzed in an operational diagnostics. What the Frito-Lay Division of Frito Lay can discern from its periodic diagnosis may incite the possibility of re-design and/or re-work better tactics and strategies that will augment the 35, 000 direct-to-store selling routes it presently operates.

The volatility of changes and dynamics of the market and its tastes and needs and preferences will indeed warrant a cultivated diagnosis. Environment Aptly positioning a " performance with purpose", PepsiCo's Frito-Lay Division contributed 29% to the overall net revenue of the entire company. And this is because for many years, the company consistently and passionately kept their " ears to the ground and [their] eyes on the marketplace". It is a foremost and paramount consideration of the operation of its 15 brands of fun snacks.

Snack food enthusiasts are relentless consumers. They pose to demand variance in tastes and quality. As a " shelf to mouth" product, consumers do not discern time element in eating it. Right from the store, a snack pack can just be casually opened and partaken. Munching snacks is a mindless activity and considering the immeasurable frequency of such activity, Frito-Lay ensures that it consistently innovate their brands and its components. Frito-Lay has considered health consciousness amongst its consumers by introducing Flat Earth baked fruit and vegetable crisps.

As it is a product that is incessantly, consistently, relentlessly, mindlessly consumed, the company spreads its wings to international markets – in pursuit of the needs of snack food enthusiasts – while putting premium on their overall, holistic welfare . The 2007 sustained performance is a pattern that has been seen since 1965. Illustrated in 1999, it has already been reported that " snack foods totaled 57% of Pepsi's total sales and a giant 70% of its operating income.

Pepsi's Frito-Lay division holds approximately 55% of the snack food industry's market share in the United States, and 40% worldwide, with total 1999 sales of $11. billion (up 5. 8%). Internationally, Pepsi's snack foods had a 12% volume increase and a 27% gain in operating profit. Pepsi absolutely dominates the Mexican market, where volume rose 24% last quarter. Analysts estimate that Mexico may generate up to 50% of Frito-Lay International's (FLI) profits — so it is a vital market, indeed — while the United Kingdom likely produces 25% of FLI's profits. Overall, Frito-Lay had another strong, industry-dominating quarter and saw profitability leap, thanks largely to good management and new initiatives. " (Fischer, 2000)

Resources With a combined operational, marketing, production, management team of 40, 000 employees, the dedication to grow, produce and deliver the best and fun snacks of all time elevate PepsiCo Frito-Lay to the pedestal of efficiency. Its production facilities are in a total of 30 areas. Frito-Lay likewise implemented a " scale and vertical integration" process in their manufacturing, warehousing and distribution activities. They likewise implemented " go-to-market systems" that made their products truly magnanimously visible and available within the very easy reach of snack food enthusiasts.

Another review in 1999 said: " Strong performance at PepsiCo's Frito-Lay unit helped the soft-drink giant beat the consensus first-quarter earnings forecast by a penny Thursday…Revenue was $5. 1 billion, up from $4. 4 billion in the year-ago period, and reflected " strong performance" at the Frito-Lay North America unit, the company said….. " Frito-Lay had a great quarter," said Warburg Dillon Read analyst Bryan Spillane. " It had good pricing, its revenue is up, it's ahead on volume and it gained market share. " …. Roger Enrico, PepsiCo's chairman and CEO, said in a statement that Frito-Lay North America's performance in the quarter was " superb across the board" with a sales boost of 7 percent. " (CBS MarketWatch, 1999) The consistency of Frito-Lay's performance earned for them industry and market recognition through the awards given to them. It is the Corporation of Year in 2003, 2002, 2000, 1999, 1997, 1996, 1995, 1985 and Best of the Decade Performance in 2001. Organizational history One thing that PepsiCo Frito-Lay must steadfastly stand by, amidst all modernization and success, is strength of tradition.

As established by the original Frito-Lay entrepreneurs in 1932, Elmer Doolin of San Antonio Texas (who started with his Frito Company) and Herman W. Lay of Nashville, Tennessee (who started with his Lay Company), they deemed to provide products of the best and highest quality and value for a fair profit fundamentally and primarily in the service of customers. They merged as Frito-Lay Inc. in 1961 united with the same vision and philosophy. The 1965 acquisition of Frito-Lay Inc. by Pepsi-Cola (that gave birth to the overall mother company, PepsiCo) likewise carried over the mandate.

PepsiCo Frito-Lay in the past decades served its market well. New brands introduced in 1966, and again in 1969 – right smack after the merger. From the decade of the 70's, the company indulged in continuous expansion by opening an average of more than one new plant a year. The marketing thrust from the said decade even conceived of a snack mascot. By end of the 70's, the snack food operation became much larger than when it was acquired into the beverage operation. The decade of the 80’s opened with a branching out to cookies production, in addition to the chips.

That is why in 1981, Frito-Lay commenced integrating nutritional value information in its packaging, together with introduction newer brands. Frito Lay continuously develops new brands in allthrough the remaining part of the 80’s and into the 90’s and the first decade of the 21st century. However, the first decade of the 21st century is a period of evolution of Frito-Lay products towards health and wellness philosophy. The company truly emerged as someone that lives by “ products in service of customers”.
Organizational Strategy

Overall, Frito-Lay Division is likewise encapsulated in PepsiCo’s sustainability vision wherein its “ responsibility is to continually improve all aspects of the world in which [they] operate – environment, social, economic – creating a better tomorrow than today. ” Furthered by a mission “ to be the world’s premier consumer products company focused on convenient foods and beverages”, the entire conglomerate unanimously “ seek to produce healthy financial rewards to investors as [they] provide opportunities for growth and enrichment to [their] employees. ,,,, business partners and the communities in which [they] operate.

And in everything [they] do, [they] strive for honesty, fairness and integrity. ” (Company Overview) One illustration of the focus that the mission and vision of PepsiCo Frito-Lay commits itself to is a recent product innovation they have implemented: 30 to 50% less salt. “ the brand, Pinch of Salt, includes Lay’s potato chips, Tostitos tortilla chips, Fritos corn chips and

Ruffles potato chips. The lower-salt versions began hitting stores in mid-March. In a statement, Frito-Lay used Lay's as an example, noting that the original chips have 180 milligrams of salt per ounce while the Pinch of Salt version has 75 mg. Daniel, 2008)

PepsiCo Frito-Lay is truly concerned and is sensitive to its customers. The imminence of what they gather from the market gave them the comprehensive sense to evolve their strategies to consider convenience, health and wellness of their consumers. The company dynamically combined fun and nutrition in their products as a result of what the market environment and their well honed resources provide. Especially considering that PepsiCo Frito-Lay likewise put premium on their people assets, the company motivates devotion and dedication from its employees.

Three major sustainable advantages give PepsiCo a competitive edge as we operate in the global marketplace: Big, muscular brands; Proven ability to innovate and create differentiated products; and Powerful go-to-market systems. Making it all work are our extraordinarily talented and dedicated people. When we take these competitive advantages and invest in them with dollars generated from top-line growth and cost-saving initiatives, we sustain a value cycle for our shareholders. In essence, investing in innovation fuels the building of our brands. This in turn drives top-line growth.

Dollars from that top-line growth are strategically reinvested back into new products and other innovation, along with cost-savings projects. Thus, the cycle continues. " (Company Overview) Therefore, PepsiCo Frito-Lay is continually challenged to keep its track because it has now reached a status of being a premium brand. It has so much honor and prestige to safeguard and keep. The sustained growth it has been experiencing for more than three decades and the top snack food sales position it holds will only backtrack if it takes its " ears off the ground and eyes away from the marketplace".