

Pepsi co. marketing analysis essay samples

[Business](#), [Company](#)



Introduction

Pepsi Co. is a leading producer of food and beverage products. The American based company was founded in 1965 and has grown over time to have a total of 22 brands with annual revenue of 1 billion as per the 2013 financial reports. Company products are sold to over 20 countries across the globe. Major brands for Pepsi Co. is called Pepsi cola which encompasses the brands such as Pepsi, Mountain Dew, IZZE, Sierra Mist, Propel, Mug, Aquafina, and Necked Juice, Gatorade sports drink among other brands. Pepsi Co. also owns other companies such as Frito-Lay, which is a world-leading producer of snacks, and the Quakers Foods that produces cereals products. The company has received awards for its excellent leadership performance, environmental stewardship and as an organization that has great concern for the communities that surround the areas where it operates from (Pepsico. com).

- Market Environment

- Competition

Pepsi operates in a highly competitive market. Few large multinational beverage producers in the global market offer competition to the firms business. Some of the major competitors include Coca- Cola Company, Mondelez International and Dr. Pepper Snapple Group Inc. Coca-Cola Company has the largest global market share for carbonated drinks while Pepsi enjoys a larger market share for refreshment drinks. Outside the United States, Coca-Cola has a higher competitive advantage for the carbonated soft drinks. In the highly competitive environment, success is dependent on the marketing strategies applied for instance effective promotion and innovativeness in creating new brands, (" Management's

Discussion & Analysis: Competition" Par. 1)

- Industry trends

Changing consumer trends and shifts in the macro-economic in different markets across the world have prompted companies operating in the beverage industry to change their strategy in the production and marketing of their products. In the last few years, beverage producers have started to lay more emphasis on health concerns of their products and a greater focus on value addition (Singh par 1). Across the globe, consumers are becoming more health conscious. As a result, they are giving up the carbonated drinks and shifting to the healthier alternatives. Beverage producers are thus on an uphill task in the mature markets to satisfy the changing customer preferences. As a result, revenue from carbonated drinks is on a downward trend in the major markets. In the American market for instance, Pepsi recorded a 2 percent revenue drop in the soft drink business in 2013. On the contrast, revenues from the other divisions such as Frito-Lay and Quaker Foods, that are perceived to be healthier, recorded improvements in the same market (Singh par 2).

There has been a gradual shifting of the market towards the emerging markets in China, India and Africa markets. While business is slowly drying up in the advanced markets in United States and Europe, emerging markets are offering tremendous potential for growth. In 2013, market for Pepsi products grew with 10 percent and there are prospects for further growth in the near future (Singh par 3).

- Environmental threats and opportunities

The company faces several environmental threats which range from political,

economic, social and technological factors. These factors are going to determine the company's performance and growth in the future.

- Economic factors - these include high cost of operation, government rules and regulation and the need to adopt alternative energy. In the past few decades, governments as well as consumers are focusing more on the impact the companies have on the environments within which they operate. Beverage companies are required to reduce their impact to the environment with a need to focus more on preservation and management of water and energy as a key resources including reducing the environmental degradation (Neely, Tevis, McDonald, Brown & Pond 11).

- Political factors - these includes federal as well as international laws and regulations that pose a threat to the future growth of the company. Such laws include the FDA regulations, EPA and OSHA laws. In addition, environmental policies in different jurisdictions pose a threat to the growth of the company (Neely et al 12).

- Social factors - example of these is the need to respond to work conditions as well as business attitudes. Other social factors include the need to increase employee's benefits and welfare for instance, bonuses, medial packages, stock options and paid vacations among other benefits. In addition, the need to satisfy the need for diversity and is another social factor (Neely et al 13).

- Technological factors - such as rising costs of production, rising cost of food items and the need to satisfy emerging markets also pose a threat to the growth of the company in the future (Neely et al 14).

- The Marketi) Segments Served

In order to achieve highest level of efficiency and productivity, the marketing strategy of Pepsi Company is to segment the market in various ways. Firstly, for Pepsi, there is little emphasis in market segmentation on the geographical perspective. In the demographic segmentation, Pepsi lays special emphasis to the “ New generation” which encompasses people between ages 18 and 30 years. In the advertising campaigns, Pepsi refers to this demographic segment as the “ Pepsi generation”. In the psychographic segmentation, Pepsi targets the people in the lower to upper middle class since they possess relatively similar psychographic characters and can afford to buy Pepsi products. The Mountain Dew brand for instance, is targeted towards the adventurous young personalities. Lastly, in terms of behavioral segmentation, Pepsi products are targeted on groups of people with similar attitudes. The company places its brands as appropriate for special occasions such as mother’s day, anniversaries, marriage ceremonies among other social occasions (Neely et al 14).

- Target customer group

Mainly, Pepsi targets customers in the young age groups between 10 to 35 years. The pricing strategy for Pepsi is that which accommodates people of all income level. Depending on the economic conditions in a country or market, the company introduces brands with different prices that are commensurate with the income levels of the majority. In addition, the packaging of products is accommodative for all categories of consumers and consumer group for instance small to large families (Neely et al 14).

- Current Strategy

- Product (depth, breadth of product line, life cycle of product)

Pepsi Company has a wide range of products with wide presence in the local to international markets. Majority of the company products are in the maturity stage after enjoying a strong brand name for instance the Pepsi cola. The focus in this stage is to differentiate the brand as an alternative to the Coca-Cola brand (Blatchford 4).

- Price Strategy

The pricing strategy for Pepsi is based on the consumer perception and value. For the soft drinks, prices are market determined. Pepsi Co. has shifted from a pricing strategy that was dominated by discount offering to a “Hybrid Everyday Value” pricing where prices are low all-year-round (Reuters, 2013). Initially, the company used a pricing strategy of offering discounts during holiday seasons when consumption of soft drinks was high. The shift was informed by industry trends where half of annual sales are accomplished in 12 weeks while the remaining is accomplished in the remaining 40 weeks. The shift in pricing strategy is expected to lead to higher volume of sales throughout the year.

- Distribution Channels

Pepsi Co. products are distributed through three main distribution channels. The first channel is the Customer warehouse channel where goods move from the manufacturing plants to the customer warehouse and then to retail stores. Another channel is the direct-store-delivery (DSD) where products are delivered directly to the retail stores from the manufacturing plants. The last distribution channel is the Foodservice and vending channel, which involves distribution to third-party foodservice and vending operators. In this channel, the main target is schools, stadiums, restaurants and other businesses in

formal institutions (“ Management’s Discussion & Analysis: Distribution Networks” Par. 1)

- Promotion mix

The promotion strategy of Pepsi Co. is multifaceted. However, the focus is aligning the brands with entertainment icons and other personalities that enjoy relatively higher following by the youths. The company also focuses on utilizing the sports and movie personalities to promote the brands in the advertisements and during events. Other methods of promotion include, giving free samples for new products, discounts and in-store displays by use banners and signs (Malik par 4).

- Recommendations

Traditionally, Pepsi has concentrated more on the younger generation as the main target market. To increase the volume of sales there is need to focus on the older generation by focusing on brands that appeal to that segment of the population. Still, to appeal more against the competitor brands, Pepsi should focus more on promoting the brand name especially in the markets outside the United States.

- Should strategy be changed? Yes or no? Why?

While the current strategy has enabled the company to register considerable levels of growth in the last few decades, the company needs to focus more on environmental issues especially in regard to promoting environments conservation and sustainability. In addition to using sustainability initiatives to promote the company brand, the company will also benefit from reduced costs and proper utilization of resources.

ii) What alternative strategies would you recommend?

In addition, new pricing strategy is appropriate in the current market situation, however, the company can consider utilizing a mixed pricing strategy in different markets especially in the emerging markets

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