

How pepsi compete coca cola in product sales



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Just before the turn of the twentieth century pharmacists would serve soda as a way to elevate indigestion (Martin, 1962). Since that time soda has become a treat for the young and old. One particular soda that has continued to survive for over a hundred years is Pepsi. Pepsi has become a global product that many people around the world are consuming. Pepsi has relied on finding new markets, especially in foreign countries. However, Coca-Cola has been more successful in foreign territory. Because of that reason, how can Pepsi compete against Coca-Cola in their product sales? Using a SWOT analysis is a good way to analyze what Pepsi's strengths, weaknesses, advantages, disadvantages, and any possible threats are. Another way to analyze Pepsi's position against Coca-Cola is to evaluate how well the management team is designed. How Pepsi treats people within the company as well as others in other countries is a key component to finding out if Pepsi has a lead over Coca-Cola.

A strength that Pepsi has is that they are a strong core brand. Pepsi has been around for over one hundred years and they are considered to be a trusted company. Through the years Pepsi has continued to strive because it has placed a high priority to delivering value to their consumers. They have conveyed this by spending a lot of attention on their marketing efforts. Through television ads alone Pepsi continues to show the world that they have a high priority on customer preferences and tastes. This is especially relevant to the current trend that Americans have concerning their health. As a result Pepsi has expanded their product line with products like Diet Pepsi and caffeine free Pepsi. Also, they have developed a new product line of water for the health conscience (Pepsi Story, 2010). Aquafina includes

flavored and sparkling water to appeal those who do not like the taste of plain water.

Recognizing the weaknesses that Pepsi possess is an important way to positively critique to make them strengths. For example, because of the health craze consumers were turning away from soda products. There have been many claims that even the diet sodas are poor for your health and contribute to obesity. Pepsi's team of managers brainstormed on how to come up with a way to battle against these changing ideas by creating new innovative ways to go with the changing times. As a result they came up with the idea of Aquafina. And to contribute their ideas further they came up with making options available to Aquafina like offering flavored water. Also, recognizing and having the ability to accept faults is important to the public perception. For example, it has become a common knowledge that many of the bottled water sold in stores are actually from tap. Pepsi made the acknowledgement and reported that they would be changing their labels. "When Coca-Cola was asked what their plans were they said that they did not plan to change the labels on their Dasani bottles despite the water comes from a public water supply" (Byron, 2007).

One recommendation that I would have for Pepsi would be to invest in a type of vitamin water that would be available through fountain drinks at major fast food restaurants. The only option that is available now is either diet soda or plain water in a bottle. Many consumers get bored with only water or diet soda. Vitamin water is a new youthful way to earn profits while satisfying consumer needs. Therefore, it would be good to see healthier choices available. As people see that Pepsi is involved more with the obesity

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epidemic there will be more people loyal to Pepsi. This is because it would show that Pepsi cares about the community and not just about making a profit by harming others. Therefore, it would put Pepsi in a positive light so people will prefer them over Coca-Cola. Also, Coca-Cola currently controls the fast food industry on sales. Lately restaurants have been given some bad publicity for serving less than healthy foods. If having vitamin water as an option those restaurants would possibly be more willing to switch from Coca-Cola products to Pepsi products.

Another weakness I found is that Pepsi is mainly distributed in the United States, Canada, and Mexico (Tollison, Kaplan, Higgins, 1992). Most of their profits come from there. This is a negative thing because Coca-Cola is also prominent in these countries. However, Pepsi has outsold Coca-Cola in grocery sales (Tollison, Kaplan, Higgins, 1992). A recommendation that I have is for Pepsi to start focusing on distributing in other countries that Coca-Cola does not have a strong market in. Also, they should stop franchising in countries that there is a lack of cooperation and to focus more on distributing in the countries that are currently working together with Pepsi. Spending some time with research and development teams as well as marketing teams in those countries can be beneficial. Therefore, advertising in those countries where consumption is higher is a good start. Because of different cultural differences it would be essential to gather as much information as possible to find out how Pepsi can fit into their lifestyles.

The Pepsi management has done a good job coming up with many positive opportunities for growth. Managers at Pepsi have to be dynamic to confront the ever changing trends of Pepsi. One advantage for Pepsi is that they have

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always taken the lead in developing new products. They would not have been successful in just developing just one product. Therefore, throughout the years they have added to their product line. Some of the major changes that happened began to develop by the 1950s. But, as time went on Pepsi started to add more products at a rapid pace. For example, in 1964, when Mountain Dew came out with it came many more items added to the product line. Along with this new product line came out a new drink Slice (Pepsi Story, 2010). Pepsi is constantly looking for new innovative ways to appeal to a broader consumer base. For example, Pepsi-Cola came out with new version of the original Pepsi. Now Pepsi has water, teas, coffee drinks, juices, and juice drinks in addition to the soft drinks.

In addition to the growth of product lines Pepsi started to merge with other well known companies. In 1965, Pepsi merged with Frito-Lay, Inc. Merging with Frito-Lay, Inc. has become one of their most profitable investments to date (Pepsi Story, 2010). By forming with them they decided to change their name to PepsiCo, Inc. In order to keep growing the amount of customers needed to continue sales Pepsi knew that they had to keep merging or acquiring other businesses in the food industry. In the 1990's Pepsi started partnering up with other companies. In 1991 they partnered up with Lipton Company and came out with the Lipton Brisk. But the growth did not stop there. After that they partnered up with Starbuck and produced products with them. These last couple mergers were very important because Pepsi was expanding outside the soda industry into the snack food industry. Pepsi had merged with the Quaker Oats Company in 2001. As a result came Gatorade, There have been a lot of mergers and some were not a profitable

(Caparell, 2007). For example, at one point Pepsi owned Kentucky Fried Chicken and Taco Bell. After realizing that they were losing profits they cut their losses and moved forward with new ideas (Caparell, 2007).

Another way of expanding was to continue merging with other well known companies to cut costs. Working with Yahoo has helped them develop more technologically. As a result Pepsi now has a website of their own called PepsiStuff. com. Working with Apple Computer is a big hit because they use iTunes as a way to promote their products by giving away sweepstakes. They also have partnered with the sport's world giants like Major League Baseball, Major League Soccer and the National Football League (Pepsi Story, 2010).

Coca-Cola has been a threat to Pepsi from the very beginning. They both originated at the same time. However, Coca-Cola was able to get a strong hold on the soda market early on (Martin, 1962). One problem that Pepsi will most likely face in the future would be how to enter the market in countries that Coca-Cola already has a firm market. Currently most of Pepsi's revenue is concentrated in the North American continent. Even in the North American continent Coca-Cola has had better sales than Pepsi (Allen, 1994). One solution is to pull out of some of the Coca-Cola dominated markets and begin to sell in countries that Coca-Cola does not yet have a strong market in like India and China. This could be beneficial to Pepsi because it would allow these recent growing consumers the opportunity to experience Pepsi products without the interference of Coca-Cola. Therefore, allowing Pepsi to gain a positive foreign market growth.

A recommendation for the increasing threat of Coca-Cola is to carefully analyze consumer wants by focusing on market research. For example, when Pepsi used market research in the 1970's they found that consumers preferred larger bottles. In response to the information that was found Pepsi increased their bottle sizes. They went to work right away to increase the bottle sizes to thirty two ounce bottles and sixty four ounce packages (Pepsi Story, 2010). Pepsi has been good about responding to customer needs and wants. Therefore, continuing to analyze the changing wants and needs of the consumer is important. The youth seems to be more interested the sports drinks like their favorite athletes. While the older generation is more health conscientious and prefer diet sodas and water products. Information like these is important because it helps top managers make wise decisions on what their next moves should be.

Pepsi and Coca-Cola have similar interests and customer bases. Therefore, it is imperative to do something different to get an edge on the soda war. Pepsi has been known to devise a team of bright young professionals from around the globe to find new creative ways to bring in a larger consumer base. One creative idea to test if people really preferred Coca-Cola over Pepsi was to do a taste test. According to Allen, Pepsi officials were desperate enough to try an off the wall approach. They gathered up several dozen professed Coca-Cola drinkers and conducted a taste test, by asking them to choose between soda marked " Q" and " M". As a hidden camera rolled, slightly more than half the participants chose " M" and were surprised to discover that what they were drinking was Pepsi (Allen, 1994). Another way that they have encouraged consumers is by developing their website Pepsi. com. Pepsi's

research and development team came up with the website by using modern technology to advertise to a broader range of people. By advertising by internet it was a way for them to cut costs. They made their website fun and youthful. Also, they offer ways to win free items.

In order to really compete with Coca-Cola the Pepsi management has to have some idea on Coca-Cola's marketing strategy. Historically, Coca-Cola has done better at sales in the United States mainly because they service to restaurants. But Pepsi has outsold Coca-cola by ten percent in sales when it comes to selling in grocery stores (Allen, 1994). This is because Pepsi offers more options when it comes to the drink industry. The strategies that were used in the past are no longer an option in today's market. It is important for Pepsi managers to have the conceptual view because it will allow them to see the whole picture. In my recommendation once Pepsi has viewed all their options and resources available to them it would be a good idea to come up with a cost effective strategy against Coca-Cola. Pepsi already seems to be ahead of the game by being a multinational company.

Pepsi's managers play a key role in the success of Pepsi. Top managers have to keep the conceptual skills in mind when they think about the future.

Growth within Pepsi will come from all areas of the company from the lower level employee to the CEO Indra Nooyi. Nooyi must look at Pepsi as a whole to see any new and innovative ways to compete against Coca-Cola. But in the business world Nooyi is known for her aggressive management style.

Nooyi is known for showing the strength of good leadership. She was self confident that Pepsi would not do well in the restaurant business (Most Powerful Women, 2010). Also she implemented a number of strategies to

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improve the stability of Pepsi. One new way was through the bringing out of health conscious items. As a result Pepsi started to see a rise of profits. “ Though 2008 revenues grew 10% from the year before and snack sales are holding, Nooyi has been struggling to revamp falling profits in PepsiCo’s core beverage business. Focusing on innovation instead of acquisition, the company is debuting new product lines, targeted marketing and repackaging efforts in 2009” (Most Powerful Women, 2010).

The managers at Pepsi are finding that they no longer can use the classical perspective of management. This is because in order to make sure that the company expands into the future treatment of the employees has to be fair. “ The company is consistently recognized for its corporate citizenship, philanthropic efforts and diversity programs” (Pepsi Story, p. 22). Hiring the right individuals with the same beliefs as Pepsi is very important to them. “ Pepsi’s focus on determination, focus, and a sense of purpose on the part of the employees, combined with enlightened leadership, can enhance the bottom line while offering social benefits beyond the walls of the corporation” (Capparell, 2007, p. 16). Managers at Pepsi try to diversify their staff. Recently it has become a big concern when some of its top managers left. But as a response to the concern Pepsi made an announcement that these were personal decisions and not those of the company. Therefore, they value their employees to the fullest.

The question of how to compete against Coca-Cola is one that management is continuing to work on constantly. In my recommendation I would suggest moving from a multinational company into a global corporation. By doing this it would cut costs but also they would be able to move from just a

concentrate or syrup producer into the other three functions of this business. There are four main functions of the soda industry and they are concentrate or syrup producers, bottlers, distributors, and retailers (Tollison, Kaplan, Higgins, 1992). Pepsi manufactures concentrate which it sells to independent franchise bottlers. Pepsi currently has franchises to bottlers around the world. Those bottlers then manufacture, distribute and market finished products under the PepsiCo trademark (Tollison, Kaplan, Higgins, 1992). The advantage that Pepsi has over Coca-Cola is that Pepsi franchises their products to different bottlers around the world. This started in the 1940's when Walter Mack was president for Pepsi he set up a bottling franchise system. Coca-Cola has always done it a little differently. Coca-Cola manufactures syrup, which in sells to bottlers, which, in turn, manufacture, distribute, and market finished soft drinks products principally to grocery stores, convenience stores, and vending machines (Tollison, Kaplan, Higgins, 1992). Pepsi wanted a different type of customer base. With Pepsi franchising the Pepsi products they are keeping a constant control over who has product.

My next recommendation to Pepsi is that they need to focus on the suppliers and the labor market around the globe. Pepsi has already done this by outsourcing their products by franchising. The early presidents of Pepsi already had the intuition to get Pepsi to as many people as possible. An article in the late 1880's had acknowledged this. " In 1883, The American Journal of Pharmacy for January had said of cola nuts: The nuts are used to form a refreshing and invigorating drink throughout a large portion of tropical Africa.... Moreover, if, once introduced as a beverage in civilized

countries, the demand for it would soon become enormous” (Martin, 1962, p. 14-17). The idea that if Pepsi was introduced to other countries that there would be a demand for it. I believe that the same concept can be used today especially in the developing cities and countryside’s of China and India.

Pepsi always seems like a pioneer in the new phenomena of expanding overseas. In the 1950’s management felt that Africa was a good place to start opening up new factories. In the 1950’s Harvey Russell had pushed the Pepsi efforts in the direction of Africa. “ After Pepsi won the government approval for franchises in Western Nigeria in 1959, he sent three plant managers to open four plants there and stay on as temporary plant managers (Carappell, 2007, p. 263).

Pepsi was the first American consumer product to be manufactured in the Soviet Union. It was not long before they expanded into China. By the 1980’s Pepsi started to distribute in China. After that they continued to expand overseas. Soon after merging with Frito-Lay, Inc. Pepsi changed their name to PepsiCo, Inc. Shortly after that they opened the first soft drink operations in Eastern Europe and Japan. By the middle of the 1980’s Pepsi-Cola had over 600 plants in operation in over one hundred and forty countries. And by the 1990’s Pepsi was invested in Southeast Asia, Eastern Europe, and Argentina (Pepsi Story, 2010).

In the recent years many companies have moved toward sending products oversea to China and India. It has become a way to cut costs so that these companies can compete with higher profit margins. Pepsi in the recent years has taken advantage of the same thing. They have invested a lot of money

in China especially. In May 2010, Pepsi announced that it plans on investing another 2.5 billion in China by adding new plants and research facilities (Pepsi Coke Square off, 2010). Currently, they operate twenty-seven beverage and food plants there. Also, they have five farms in China with more than twenty thousand employees. But they have made substantial growth in India as well. PepsiCo gained entry to India in 1988 by creating a joint venture with the Punjab government-owned Punjab Argo Industrial Corporation (PAIC) and Voltas India Limited. This joint venture marketed and sold Lehar Pepsi until 1991, when the use of foreign brands was allowed; PepsiCo bought out its partners and ended the joint venture in 1994.

In order for Pepsi to beat Coca-Cola at the globalizing war Pepsi will need to familiarize itself with the new countries it plans to invest in. Adapting to the culture, people, economy, and government regulations are essential for the residents of these countries to acknowledge the potential of Pepsi. In the past Pepsi has used bottling efforts to market in other countries. Now it is imperative to go to other countries with more of a humanistic approach. There have been complaints from villages in India that Coca-Cola has not valued the people there. In the 1970's Coca-Cola was forced out by the Indian government. Although Pepsi owns thirty eight factories versus Coca-Cola's fifty-two, it is apparent that Coca-Cola is only there to make money. "Coca-Cola illegally installed high-powered electric pumps to extract millions of liters of pure water and polluted what little water it had not stolen from the community in India" (Mindfully. org, 2005).

Pepsi has done many efforts in order to help the less fortunate. Pepsi has made a statement that community involvement is important to them

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because their products touch so many lives. For example, in Walter Mack's time as president he was known for having his educational scholarships open to anyone. He developed the Pepsi Scholarship Program. He wanted spot leaders not just smart employees (Capparell, 2007). At that time Fortune magazine wrote that "Mack wanted the public impression that Pepsi-Cola is a company with a much broader interest in the public than merely making a dollar out of it". Pepsi throughout the years has donated millions and possibly billions to charities. Currently Pepsi has a partnership with YMCA. They also contribute to Save the Children Foundation, pediatrics AIDS care centers, as well as national disaster relief programs and national food distribution organizations.

"PepsiCo is a \$29 billion company, employing more than 150,000 people speaking more than 40 languages around the globe" (Pepsi Story, p. 22). Today, Pepsi is in about two hundred countries worldwide and they are the world's fourth largest company. According to the PepsiCo story, Pepsi is staking its claim as the global leader in convenience foods and beverages. Historically the rivalry between Pepsi and Coca-Cola has shown some cost reduction in the past. "The steep decline in the price of carbonated soft drinks is therefore not solely attributable to cost reductions in the industry. The source of this decline, among other things, is the intense competition that prevails in the industry" (Tollison, Kaplan, Higgins, 1992). The war between Pepsi and Coca-Cola has done some positive things for the consumer. "The intense competition between PepsiCo and Coca-Cola, in particular, yields lower prices, greater product variety, reliable and safe products, ready availability of products and good service for soft drink

consumers” (Tollison, Kaplan, Higgins, 1992). If Pepsi continues to come up with new fun and innovative ways to do Pepsi the result will be that more consumers will prefer Pepsi. This can and will hurt Coca-Cola’s sales. In December 2005, PepsiCo surpassed Coca-Cola in market value for the first time in 112 years since both companies began to compete.

In conclusion, I believe that there is a lot of potential for Pepsi to sell more to the developing countries that have been exposed to globalization. If they continue to expand their products to these countries and be mindful of the cultures and customs of these people these people will be more accepting of Pepsi products. Therefore, through the continuing efforts of the management teams working together to brainstorm ideas Pepsi will eventually be known as the company that beat Coca-Cola at the cola wars and not as a number two competitor against them.