Strategic management case study examples

Business, Company

PEPSI REGENERATION 1990-1993, HARVARD BUSINESS CASE STUDY

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Problem statement

The beverage industry is the most lucrative and active business globally. Innovation and advertisement is what keeps this industry the most active and at each other's throat. Craig Weatherup, PepsiCo CEO used very many strategies for Pepsi to remain in the market around this period. The competition was extremely high therefore minimizing the sale of their product (Sull, 1996 pp. 1). Furthermore, around the same period, there generated a scare about product tampering when a grocer owner alleged that he removed a syringe out of a bottle before he could sell the product to consumers. This scare spread rampantly and more frauds were made up straining the company's public relation. Despite these complications, the company needed to increase profits and the avenues of expansion. The company was having a constant 15% profits but with the stagnating productions, something had to be done soon or the company's productivity would start declining tremendously (Sull, 1996 pp. 2).

Situation analysis

Initially, Pepsi exclusively sold its product under its brand name. There was growing need to venture into other market places. The soft drink market had also developed and other companies producing other soft drinks had ventured into the market and the sales of Pepsi were declining fast. Products like iced tea, mineral water, and fruit drinks were dominating the market heavily and offering aggressive competition for the same market share (Sull, 1996 pp. 3). In addition, the CEO observed that the company could fill a very huge market void in Asia and abroad. Another observation that comes to attention was the fact that the bulk of the company's bottlers were independent and this could provide an avenue to cut cost if it regained dominance in this production section. In addition, the management of the company looked bad and gave the company a looser image.

Pepsi realized that its biggest hurdle was barriers to market entry. The factors responsible for this situation for example were trademark infringement, which set about 153 limitations that put Pepsi ranking as the second company. The second was economies of scale, which withheld the company's profitability. Brand loyalty was another paining issue followed by trade relations. This is the situation whereby retailers hesitate to take up new products in the market since the original products already make good profits. Many changes had to take place and take place fast. The CEO recognized all this weaknesses and decided to change the face of the company in a process popularly recognized as the Pepsi regeneration. Weatherup nicknamed the changes about to take place as the Four Aces (Sull, 1996 pp. 2).

Alternatives

My first idea as an alternative would be to advice the CEO of Pepsi to venture into a very different industry. A good example would be music and movie production or even creating a television station focused on entertainment. This would go well with company's initial purpose of promoting entertainment and purpose. It would also act as a venue to market their products and therefore cut cost and therefore adding profits.

The next recommendation that I would have for Pepsi at the time would have been to create a fun resort. This would be the kind of place that people would come from all over the world to see and it would be really magical, amazing, and outstanding. Such a place would offer an alternative source of revenue for the company and at the same time solve the problem of avenue of advertising for their product.

Proposed solution

Weatherup made a decision to consult with the public, customers, employees, and organization change gurus on the alternative cause of action. The first was the “ right side up” alignment. This was supposed to manage the issue of the company taking care of the managers needs instead of the customer’s needs. Management at the company was overturned and the top managers were put at the same level as the lowest staff to offer management advice to those that needs it the most. Another part of upgrading this project was building partnerships with customer organizations (Sull, 1996 pp. 4). The process was long and most of the company’s employees immediately rejected it claiming that it was beneath them. The company employees were initially hesitant for this change but soon realized it was for the better.

The company decided to engage in the thinking process, a strategy that specialized in marketing without necessarily calling it that. They implemented changes depending on what the data presented. This was the smartest move that Pepsi ever made and exactly the reason it still exists. Pepsi expanded their production to other non-cola beverages like water, isotonic drinks, instant teas, and possibly caffeine drinks in the future. With these changes, they hoped to improve their revenue growth by $2 million. As a resultant, they formed partnerships with companies such as Lipton and Ocean Spray. In another sector, it improved its bottling dominance to 51% and franchised 16% (Sull, 1996 pp. 13). This hugely cut the costs of production thus raising profits.

Implementation of structural change

The music and movie production company would be a very good idea since it would it would already have a platform in the company. This is because of the earlier interaction with music artist in the past. The music and movie industry in the United States is known to be very lucrative as well. However, this would require several changes and processes to take place. The first would be looking for new management that would be familiar with running this business. Then the second would be to look for promising artist as well as scriptwriters who would jumpstart the project. The third and final step would be to pump resources into this project and wait for results.

The second alternative of creating a fun result in the United States would have been very successful since people would already have been familiar with the Pepsi name. This would help create a strong brand name that would serve as a point of reference in marketing. If this project would kick off and be successful in the United States, the company would expand it to all over the world. The first step of implementing this project would be to first look for a mother location. Then they would have to develop it and decide the kind of facilities it would offer and give outstanding services. The third would be to look for management and inject resources in the project.

Conclusion

In conclusion, the changes that the company chose to partake seemed to be successful as well. the profit margins increased from $676. 2 million in 1989 to $1109. 0 in 1993. The Pepsi regeneration has continued to make its impact to date and the company remains to be among the top players in the beverage industry globally. This is evidence that all a company needs is proper strategic management with just enough innovation and change and this will lead to tremendous profitability.

Reference list

Sull, D. 1996. Pepsi Regeneration 1990-1993: Harvard Business Case Study. Harvard

Business School.