

Marketing

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Demographic PepsiCo is a multinational corporation that expanded into Canada in 1934. The company opened the first of its many future bottling plants in Montreal, Quobek, and it is, at present, the leader of the Soft Drink Market in Canada. In order to maintain its competitive edge in this market, PepsiCo Canada is faced with an important and complex problem: How can the company properly implement marketing strategies for the famed "Pepsi Challenge" in order to increase market share with the technologically advanced Millennial generation and what would this social media driven campaign look like?

In order to answer this question, three strategic alternatives have been developed. Alternative one outlines Alternative two would include II Problem Statement The Canadian division of PepsiCo is faced with the problem of deciding which market segments to target and developing a social media driven marketing plan to effectively increase the impact of the Pepsi Taste Challenge in order to maintain control of the Soft Drink Market and increase market share.

III SOOT Analysis of Micro and Macro environments Micro Environments (refer to Appendix I) Competitors: PepsiCo competition in the soft drink industry can most defiantly be seen as a weakness. Coke, Pepsin's largest competitor has a larger market share in OTOH the US and other places in the world for soft drinks. As Coke fights in this extremely competitive market, PepsiCo may begin to lose momentum in Canada and may see a fall in market share. Marketing: The advertising firm that PepsiCo has worked with for the Pepsi Challenge is BAD.

This company has done work for some very popular brands and has won multiple awards, making it a strength in PepsiCo marketing strategy. Bodes mission statement says it all as it repeats, " the work, the work, the work... ".

Customers: PepsiCo does not sell directly to customers but instead sells through rockery stores, wholesale distributors, mass merchandisers, and other types of stores and restaurants. This would be a strength because it gives very strong exposure to the product whenever someone is shopping and Pepsi does not have to bear the costs of displaying and selling its product to individual customers.

Suppliers: PepsiCo has a strong supply chain network with over a hundred suppliers for inputs and production. They have a very strong system set up to get their products to their customers and would therefore be considered a strength. Publics: Because of the movement towards healthier foods, the publics effecting PepsiCo can be seen as a weakness due to an increased focus on health. Public groups that advocate for healthier products in schools will limit the amount of Pepsi soft drink sales.

Company: PepsiCo objective as stated in their 2011 year report is to, ".... Increase and capitalize on the already high coincidence of snack and beverage consumption". They are using the Pepsi challenge to create and strengthen brand awareness as to increase market share, and this strong push in market research and analysis makes their company goals great strengths. Management: According to their year- end report, PepsiCo is a great and very averse place to work. There are many workers of many ethnically backgrounds as well as great leadership.

The management team this far has effectively led the company into a controlling Canadian market share. The management team consists of an array of talents and skills that make for a well-balanced corporation.

Accounting: PepsiCo has an RAG (accounting and governance) rating of average. Their accounting department is large with very detailed information on their finance reports. They provide vast financial information needed to make decisions but there is room for noted improvement and therefore, the accounting department would be noninsured a weakness.

Finance: Financially, PepsiCo is in strong standing due too high stock rating. Its investment choices and initiatives have been widely successful. Their methods for investment and financial planning are well thought out and will continue to bring the company added success outside the realm of

immediate sales. Research and Development: PepsiCo has a large number of products in both the snack and beverage industry. They continue looking for new ways to reinvent the Pepsi product for new audiences, as well as making new product lines for items like juice and snacks.

Their innovation and insight into potential market segments make the research and development department a strength. Purchasing: As seen in their strong supply chain, the purchasing of chemicals, and bottling materials is very streamlined and efficient. Operations (Production/Service Process): Due to the large amount of suppliers as well as a system for getting those supplies to the stores, the operations department is very well run. However the large amount of suppliers has led to confusion in the past and is therefore a weakness. Sources: please see Endnotes for all relevant sources.

Macro Environments (Refer to Appendix I) Demographic Forces: The demographic forces acting on PepsiCo can be seen as an opportunity. By choosing the demographic of the millennial generation, the company opens its market reach by potentially using social media marketing, as the key characteristic of the millennial generation is its love of technology. Millennials are aware of the amount of time spent online, as well as the interaction online with friends, classmates and colleagues. Although millennials do not have a large amount of money, they hold influence over their parents, who do.

Through down aging (older people wanting to feel younger), and age blurring (younger people wanting to feel older), millennials are becoming an example to older and younger generations of buying habits what they do. Also the millennial generation is more frivolous with its spending habits because of the notion that if they spend now, there is still plenty of time to regain what is lost because they are relatively young compared to the rest of the country. The millennial generation is also less concerned about health than generation X or the baby boomers and will cling to the brand that provides convenience for them.

Millennials have not yet built loyalty too brand, so it is important to target them and build this loyalty for future sales. It is important to target the millennial generation, but we cannot forget about existing markets that still hold the potential for consistent revenue and market share growth.

Economic Forces: When looking at economic forces there were also opportunities and threats to Pepsi Co.. In Canada, our employment rate has

risen (unemployment has fallen), which means people are making more money to spend on extras. The 'Average hourly earnings' has increased too.

Canada's public debt has also fallen (See Appendix II). The convenience and portability that bottled drinks provide an opportunity to those that do work because it saves them time. "GAP per capita" has also increased meaning that people are spending more money as time increases. A threat that was observed was that annual spending on housing and building permits increased. If people are using their disposable income on huge investments like that, their disposable income is at risk of decreasing, therefore the amount spent on soft drinks could potentially decrease as well (Refer to Appendix III).

Natural Forces: What the uncontrollable forces of nature do can have serious impact on an industry like PepsiCo. The ever increasing oil prices are driving prices for transportation, packaging and factory prices higher which is a huge disadvantage to the company (See Appendix 'V). Aluminum prices have dropped though, which is good for can production. An important ingredient that has gone up in price is corn. It is used in the production of sugar, and as prices go up it becomes increasingly difficult to maintain a competitive price advantage and to keep producing Pepsi products efficiently.

A social factor that is influencing natural forces is the ever increasing focus on environmental safety and sustainability. Efforts in anti-pollution measures and environmental awareness have greatly impacted the market for soft drinks due to plastic bottle production and disposal, aluminum production or cans and agricultural practices for the ingredients. Technological forces:

Technology is everywhere and always evolving. The more technology a company uses to help make consumers lives easier (particularly millennial) the better. With advances in social media (Faceable, Twitter, Tumble, etc. Companies can advertise and get quick feedback. If you look at the Faceable fans for Pepsi, there are far less than Coca Cola, so that is both a threat of intention. To overcome this threat, using bar code scanners for prizes, or using the Pepsi challenge to create Youth videos (see alternative solutions for more) would be well advised. The current system for production is very efficient due to the technology. The threats that exist in technology would include the possible alienation of Francophone customers through the use of social media, as Francophone customers are less likely to utilize social media.

Also, current technology may not be completely environmentally friendly, but as long as PepsiCo adapts as time passes, they will meet the challenge presented. Regulatory/Political Forces: The government can either aid or inhibit an industry by creating laws that regulate their products. If a company is able to follow the laws and prove to consumers that they obey legislation then they can be successful. In this particular case, political forces would be considered a threat. If they do not meet standards, there can be serious consequences.

The Food and Drugs Act ensures the 'health, quality, composition and labeling requirements' are fulfilled. Health claims are labels or ads that imply the relationship of health and your food or beverage. A unction claim can be made if your food has any health benefit to a consumer, but you must have

research that it is healthy which can be costly. For the health conscious consumers this is important and could give you the advantage over a competitor, though in the case of PepsiCo it may be difficult with the health limitations of sugared drinks.

Labeling has to list factual nutritional data and cannot have any false information. The environmental legislation and protection laws are also key in the forces affecting the company. Cultural and Social Forces: The culture of our society has an impact on the opportunities and threats to Pepsi Co. For example, in Quebec there is a high market share for Pepsi products, which may come from the roots of PepsiCo Canada in Montreal. Although we may not have to focus on Quebec as much as the West, it is important not to neglect this market share there. Another force from society is the use of technology.

The millennial are the 'technological generation' and as a result, technology is deeply ingrained in modern Canadian culture. When looking at the North American market, the growing shift in environmental and health concerns is becoming integrated into mainstream culture. Minimizing the pollution to the environment is important, and 'go green' campaigns are never a bad way to reach these consumers. Due to the increase in childhood obesity, Pepsi has limits the amount of sugared beverages to middle and elementary schools, and promotes physical activity and healthy lifestyles.

If there is a failure to meet what society demands there is a huge threat to your company, but we feel that PepsiCo can observe the current society's needs and build opportunities for itself. IV Market Segmentation For the

Purpose of this analysis, the Soft Drink Market has been split into three main market segments. The primary market chosen is the Millennial Generation armorial is Western and Central Canada, while two secondary markets have been identified as the Baby Boomers, and then the Generation X population in Canada overall. (See Appendix V and VI for perceptual map of Pepsi vs..

Coke products and segmentation grid). Primary Market Segment: Millennial

The Millennial population in Western and Central Canada is most appropriate for the target market because of many factors. First, the Millennial population will show increasing consumption of soft drinks because, although slightly concerned with personal health, they are more concerned with catering to personal convenience. Millennials show the highest trends in snacking and eating out at fast food restaurants. This could prove to be very profitable for PepsiCo due to increased sales of their product at fast food and convenience locations.

Furthermore, the Millennials have less disposable income than the older generations and therefore may look for cheaper alternatives for drinks.

PepsiCo could play on this trend to increase its presence in the Millennial Market. As for the concentration in Western Canada, there is more room for potential growth in the Western and Central Provinces such as Ontario, Alberta etc. ND these provinces have the youngest average population than those in Eastern provinces such as Quebec and the Maritime (refer to appendix VI').

In addition to demographic reasoning, the Millennials are masters of technology and social media, leaving them susceptible to online advertising

and to marketing initiatives via Facebook and Twitter etc. (refer to Appendix VI"). Finally, the Millennial generation is, on average, more educated than the older generations. As they Millennial progress through life and their education, they will find themselves in higher paying Job positions, thus making the potential profit gains from this generation exceptionally lucrative, provided that PepsiCo targets the generation now and establishes brand loyalty.

Secondary Markets: Baby Boomers and Generation X Baby Boomers (sage's - sage's): The Baby Boomer generation is the most plausible secondary market segment because of its size and market power. The baby Boomer generation comprises the greatest percentage of the current Canadian Population (See Appendix 'X) and as such, should not be left out of the equation when targeting specific markets. Effort should still be allocated to the Boomers as statistics show that they are currently the highest consumers of soft drinks in Canada due to habits and established brand loyalty.

Generation X (sage's - sage's): Generation X is also an important market segment for the PepsiCo marketing initiative because they are the parents of the millennial generation. Generation X is a tougher demographic to market too as their morals, habits and financial status are quite unique. They have higher amounts of disposable income but it is usually spent on higher end luxury goods. However there is potential to reach the Generation X population in the Canadian market through the Millennial as their buying habits and preferences greatly influence the buying habits of their parents.

Also, playing on the old fashioned commercials using familiar culture icons from the Generation X period as well as packaging etc. Could prove to be effective. V Strategic Alternatives Alternative 1: Millennial in Western and Central Canada using Social Media The needs of the millennial generation are energy, a carefree lifestyle, a great tasting product, and convenience. The marketing plan would be that every bottle would have a barcode. This barcode can be scanned to win prizes at Pepsi Challenge booths.

This adds extras for instant gratification. For example, every time I guess Pepsi, PepsiCo can update its social media information to create more brand awareness. Also, Pepsi can encourage this generation to make YouTube videos part of their experiences. This campaign would be the easiest to implement as this generation is very comfortable with social media, age blurring and down aging, and have not decided on their brand loyalty. The difficulties with this campaign would be that this generation holds less money and discretionary income.

They lack the buying power of the older generations. Cost: The cost of this would be the prizes as well as the online ads. Revenue: This would create both brand awareness and good brand loyalty to the younger generations. This could help strengthen the brand through both viral and word of mouth marketing driving up revenue. Alternative 2: Target the Baby Boomer generation in Canada using familiar methods This generation needs a feeling of nostalgia. Some of Pepsi's most ground breaking advertisements were targeted at this generation when they were younger.

We would target this generation using "nostalgic" advertisements on business sites, online news sites, as well as getting older celebrities in these advertisements. We could also create specialty limited edition, "old school" style bottling. The advantages would be that this generation is a huge market share. They have influence over kids as well as having large incomes. The disadvantage would be that many of people in this generation already have brand loyalty and it would be difficult for us to change that. Secondly, the design cost would be expensive due to the celebrity appearances.

Cost: The cost would be for the advertisements; the celebrity guest appearances; and a new batch of "old school" style bottles. Revenue: This campaign would strengthen brand loyalty as well as create a sense of nostalgia. Alternative 3: Generation X through familiar advertisements and healthier alternatives. The needs of Generation X are good health and having money. The idea would be to implement Pepsi Natural (from UK) into North American markets and for Pepsi Max to be included in The Pepsi Challenge to prove the healthier alternatives than regular pop. We would also show enthusiasm for going green.

This can be shown by putting up advertisements up showing how environmentally friendly as well as healthy Pepsi is. The advantages are if we can show this generation that Pepsi is the healthiest and greenest option, they will buy the product. The disadvantages are that many already have brand loyalty and many have the idea that pop can never be healthy. Cost: Creating healthier products, as well as advertisements to promote these products would be the cost and importing I-J healthier soda. Revenue: We

could create more brand awareness as well gain more customers if we can convince this market.