

Pepsi's global brands



**ASSIGN
BUSTER**

With the success of the US market, PepsiCo thinks that such success can affect another. However, when developing in different markets, as the PepsiCo is not fully-understand about the market situations (with different culture, drinking habits, countries climate etc.), the strategies are not effectively implemented. Pepsi faces difficulties when launching Pepsi Cola in other countries, especially in the Asian Markets. Hence modifications and adjustments of strategies are needed to be applied, and thus delayed the effects and profit generation.

In addition, duplication of work within different markets may be done, due to different government regulations, raise of competitors and different in cultures. The obviously examples on the restrictions of the government regulations are Singapore and Japan. In Singapore, Government restricts the Students to drink the soft drink which would adversely affect the company (Pepsi) sales & development. Japan always protects their local manufacturer and brands by excluding the foreign products to enter their markets.

Thus Pepsi chooses the corporate level strategies - strategic alliances with local leading beverage company in the local country so that Japanese will easily accept the foreign products. Pepsi-Cola Co. , which entered the Japanese soft drink market in 1958, and it is the worldwide beverage subsidiary of PepsiCo, Inc. In 1998, PepsiCo and Suntory Ltd announced the formation of a strategic sales and marketing alliance in Japan that will combine the brand-building power and operational excellence of Suntory, Japan's second-leading beverage company, with the strength of Pepsi's global brands.

Under the terms of the basic agreement, Suntory Limited will become Pepsi's master franchisee in Japan, managing all marketing, production and distribution of Pepsi soft drinks in the country. In addition to managing this new franchise operation in Japan, Suntory Limited has been a longtime Pepsi franchisee in the United States, operating Pepcom Industries, Inc. (Raleigh, North Carolina), a Pepsi Bottler since 1980. This alliance will enable both parties to better serve the customers with the strongest product line-up in the industry.

Based on this, the relationship between PepsiCo and Suntory will be further strengthened in the U. S. A. and Japan. By joining the resources of Suntory and Pepsi's bottling operations, the core brands of both companies will immediately benefit with increased product distribution. In the vending channel alone, which comprises more than 40 percent of Japan's soft drink sales, the new alliance will have more than 360, 000 machines in the marketplace. This represents more than three times Pepsi's current vending availability in Japan. Cracking China's elusive 1. 3 billion people markets has never been easy for Pepsi.

Apart from the rival Coca Cola, which enters the market earlier than Pepsi, Coca Cola also faces the increasing competition from local players. Domestic drinks maker Jianlibao Beverage had moved up to third place on the market. And another local soft drinks firm, Wahaha, reportedly saw sales pass the \$1bn mark in 2003. PepsiCo presence in China dates back to the earlier days of the nation's reforms. In 1981, Pepsi-Cola became one of the first American investors in China by signing an agreement with the Chinese government to build a bottling plant in Shenzhen.

Today, PepsiCo has established more than 40 joint or wholly owned ventures in China with a total investment over US\$1 billion, directly employing 10, 000 staff and about 150, 000 indirect job opportunities, and among the employees in China, less than 1% is foreign staff and over 64% are Chinese. PepsiCo also sets up a complete talent's institutional framework, reserves local talents for the business development in the future, such as execute the localized personnel's capability of district management level institutional framework, train local talents as the suitable person of the general manager as the administrative staff of joint venture.

The aim of the joint venture is to accelerate localization in the community and increase the competitiveness. However, as for specific products, competitiveness for localized market needs may be varied. Quality and Cost controls are difficult to maintain in different countries within the management group, so sometimes strategies may not be effectively applied. Different from other countries, PepsiCo permits the cooperation with the concentrate factory through the trademark free of charge in China, and the price of the concentrate under management of Chinese Government.

PepsiCo keeps and adds value to the trademark through investment in advertising, at the same time through factory cooperation to increase the market shares. This is proved by reforms which based on the local specific laws and regulations to carry proper localization adjustment, and thus gets the manage success. After entering into China, PepsiCo has developed a positive marketing system with Chinese characteristic.

PepsiCo, through imparting his administrative skill and experience to wholesale and retail, changing them into the positive products retail or third party logistics, makes the marketing channel which accords with the China's actual conditions, explore the new-type marketing method. In addition, PepsiCo buys raw materials for their products including candy, bottle, can, case, bottle lid and the ice box in China; this not only makes their cost decreases, but also improves the sales amount to local relevant industries too.

With the same products, different product life cycle may be occurred in different markets. Some markets are developed in Embryonic ; Growing rate (e. g. China market), and some markets are Mature ; even starting to decline (e. g. North America). Such can enable PepsiCo to determine specific strategies in different markets, i. e. with different product penetration rate. Experiences can be shared within different markets, and thus help to ensure that correct strategies can be used to increase the market penetration.