Pepsi Cola Marketing Mix Essay, Research Paper

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Pepsi Co., one of today s leading soft drink companies, has not only revolutionized the soft drink industry with its creative marketing techniques and unforgettable taste, but for years has dominated the snack food and juice industry as well. PepsiCo. is amongst the most successful consumer product companies in the world. The company consists of the Pepsi-Cola which is the world s second largest beverage company, Frito-Lay Company which is the world s largest manufacturer and distributor of snack chips, and Tropicana Products, Inc. which is the world s largest marketer and producer of branded juices. Pepsi Co. is proud to declare that its overall mission statement is: To increase the value of our shareholder s investment through sales growth, cost controls, and wise investments of resources. PepsiCo believes that commercial success depends upon offering quality and value to consumers and customers; providing products that our safe, wholesome, economically efficient, and environmentally sound while adhering to the highest standards of integrity.

PepsiCo s company objectives are based on one question: What exactly is it that enables the best consumer product companies to grow year in and year out? Market positioning is one of the most important aspects of PepsiCo success. It has been a leader and gaining market share in each of its core businesses and strives to continue in recognizing under-marketed target regions throughout the world to continually gain market share from its competitors. The second aspect of PepsiCo s objectives deals with continuing is strong well- recognized consumer brand name domestically and internationally. Third the company strives to recognize good growth prospects and opportunities for new and alternative product development within each of its core businesses. PepsiCo s fourth objective is to globally diversify its portfolio. Pepsi Cola brand beverages are now available in over 160 different countries, Frito-Lay operates in over 42 countries, and Tropicana has a presence in over fifty countries spanning over Europe, Asia, and South America. Finally, the last objective of PepsiCo is to be more productive and efficient through the competitive advantages of its product innovation capabilities, the company s streamlined patented manufacturing process, and the vast scale of the manufacturing and distribution system.

Right from the first half of the century, the business of selling Pepsi

motivated the company to reach out to a broad spectrum of the population,

tapping new and sometimes under-served markets and incorporating that wide

range of talent into the fabric of the company. The fact that PepsiCo has many different product lines and business ventures that incorporate its name creates many different target markets for each of its products. In focusing on the Pepsi-Cola beverage product, PepsiCo. has retained a long history of concentrating on youth as its main target market Generation Next! It has spent billions of dollars in trying to woo the young and nearly young, implying that Coca-Cola is for the older generation. The reason Pepsi-Cola has fiercely targeted this market is because it is the largest amongst its users. Market segment profiles have shown that the majority of carbonated beverage drinkers are youth and middle age people. Also, Pepsi continually targets the college market in which they spend huge amounts of money to compete with Coca Cola in acquiring contracts with universities (ie: CSUF) to have sole representation of their products distribution. Pepsi s use this behavioristic segmentation has been a key to the company s success.

Perhaps the most dramatic change at Pepsi is that these days, soda and

juice run a distant second to the big engine that now drives PepsiCo: snack

food, in which the company enjoys near-total dominance(Griesing). Although PepsiCo’s identity is still tied to soft drinks, that business now accounts for only

a quarter of its sales. Frito-Lay, which controls two-fifths of the world market

for salty snacks, generated more than 71% of PepsiCo’s profits last year(Rifi). Pepsi’s position in the marketplace has strengthened, too. For the first

time in its history, it boasts two of the top three U.S. soft-drink brands

on store shelves. Pepsi-Cola is still second to Coca-Cola, but last fall

Pepsi’s Mountain Dew edged out Diet Coke for third place and Pepsi’s Aquafina

bottled water is the No. 1 brand in that fast-growing category(Rifi).

The strategic decisions of Pepsi corporate officers in recent years have changed their company s focus into areas where the company could dominate. The realization of Coca-Cola Company s (Primary Competitor) dominance in certain domestic and primary overseas markets gave birth to this strategic change. This meant giving up the self-defeating strategy of going head to head with Coke in every market, and instead concentrating on emerging markets that were still up for grabs.

Pepsi this year marks the Hundred Years War with Coca-Cola, with no decisive victory in sight. But then, perhaps victory would spoil all the fun — not to mention the price wars that frequently let thirsty consumers load up at grocery chains for less than 17 cents a can ( Gibney). The so-called cola wars have never had much, if anything, to do with colas, which have remained essentially unchanged for generations The games strategic purpose is beating Coke, and the weaponry is not cola but marketing. The cola wars between Pepsi and Coke may be taking a backseat to a new skirmish between the world s largest non-alcoholic beverage marketers. Although the decades of wizardry phrasing and slogans continue for its cola beverage, there is a change in the strategic plan encompassing the Pepsi name brand. These days the Coca-Cola Company and the Pepsi Co. are squaring off in the orange juice arena. One area in which Pepsi has a larger market share is the juice market . Since Pepsi purchased Tropicana from Seagrams two years ago, the company has quickly made Tropicana a global leader in the chilled juice segment. Coca Cola s Minute Maid label of juices has taken a backseat to the industry leader Tropicana(Gibney).

It is continually a game of chess between Pepsi and Coke, where each company tries to gain a competitive advantage over each other. For every beverage in each company s product line there is a counterpart creating competition. For example there s Pepsi vs. Coke, Diet Pesi(Or now even Pepsi One) vs. Diet Coke, Slice vs. Sprite, Tropicana vs. Minute Maid, All Sport vs. Power Aide, and now even Aquafina vs. Dasani.

One important aspect of PepsiCo future is summed up in one important question: Where is the company s growth going to come from? This can be answered in its brand name and perceived quality associated with it, also the channels in which it distributes, and finally its marketing in the global economy. If the company in my mind creates an accurate situation analysis of its marketing strategy then it can accurately determine what specific markets they want to target and position themselves in while creating an image that consumers can relate to.

In analyzing PepsiCo success in the global market, there is definitely opportunity for growth and improvement. Its success since it has entered the global market has been attributed to its strong customer satisfaction and name recognition. The diversity of the tastes and preferences creates many challenges for companies that market their products globally. Pepsi is one product that has created a differential advantage over many competitors by catering to tastes of consumers in different countries. For example PepsiCo. created a sweeter recipe for Asian countries that prefer the sweeter taste. PepsiCo realized that by respecting the diversity of consumers they have realized stronger sales and customer loyalty in Asian and South American regions(Light).

PepsiCo. is comprised of two product lines beverages and snack foods. Until last year when it sold its stake and ownership in Taco Bell, Pizza Hut, and KFC, it used to have three. There are many different beverage brands targeted in different markets. One major differential advantage of Pepsi over its competitors is how broad and deep its product line is. The company features of course Pepsi-Cola, Diet Pepsi, Mountain Dew, All Sport, Slice, and Pepsi One. The Tropicana product line features Tropicana Pure Premium, Tropicana Season s Best, Tropicana Twister, Dole Juices, and many more. The Frito-Lays most successful product line includes Lay s Potato Chips, Baked Lay s, Ruffles, Doritos, Tostitos Tortilla Chips, Cheetos, Rold Gold Pretzels, Funyons, Sunchips, and many more. Coca-Cola s success with a narrow product line clearly shows that product line breadth doesn t determine more success, but Pepsi believes that its broader line will in the future translate into global growth as mass markets in Europe, Asia, and Latin America will have more to choose from. There are many types of marketing information that effects product decisions. Frito-Lay, for example, tests some of its new products with at least 100,000 consumers before releasing them in the market.

Part of Pepsi s success as a company has to do with its packaging. Pepsi has revolutionized and levered the power of packaging during the brand s 100 year existence. Pepsi has always used packaging as a vehicle to deliver value and function to its customers. For example it started the popular 16 oz. Slam bottles that boasted some great graphics. The purpose was for a single-serve, cold-barrel, convenience-store kind of package. Pepsi needed to differentiate themselves from their competitors by improving its function and value through the leveraging and development of ionic contour shaped bottles. Of course Coca-Cola and the rest of its competitors soon followed with similar styles(Light).

Promotion has been and will continue to be a key factor in Pepsi s future. It is important to Pepsi because of the products frequency purchase opportunity to consumers. Roger Enrico, Pepsi Cola CEO, explains the importance of its advertising.

It’s a long road to bring consumers to any product, but for

Pepsi it’s frequently the last few inches that count. It’s the emotional link to a product that causes our consumers to reach to the right instead of the left. They must feel a tie to the product in some emotional way, created by advertising. Pricing is unquestionably a great influencer, but they won’t reach for the product-no matter how low the price-if she doesn’t have a basic feeling for it.(Roger Enrico,CEO)

This idea also holds true for the Pepsi Challenge campaign. The challenge would never have been successful by itself. Although taste superiority is what Pepsi s platform is based on, the campaign advertisement would never have worked if people didn t have the basic allegiance to the brand that had been built by years of advertising. Pepsi has recently started up the campaign once again with new massagers like Ken Griffy Jr., Sammy Sosa, and singer Faith Hill to create pulling power for the company. Pepsi believes that the brand can only benefit from this dual marketing approach as both music and sport fit under the global umbrella strategy of linking Pepsi to youth-oriented entertainment. The company is also creating larger and larger contracts with such sports media like baseball, where it has a $50 million dollar contract with Major League Baseball for full distribution rights of its product(Rifi).

Pricing has a very important effect on Pepsi sale, due to the fact that it is a high volume product with a cross-price elasticity demand. When Pepsi had to increase prices for its new ionic shape 16 0z. bottles this created more demand for Coca-Cola products. One important global aspect of pricing in which Pepsi has created success is price segmentation in Latin countries. For example they price some snack foods as low as 1.5 pesos, or 16 cents. Pepsi s focus is creating a low-cost and affordable producer . Although the company does not see huge profit margins from this strategy, the name recognition and long-term loyalty created is more important in the future (Griesing).

One changing aspect of Pepsi s business is the relative change in the distribution channels which its has focused on. Pepsi products can be found local markets, grocery store, amusement parks, and just about anywhere where there is food retailing. A marketing strategy that has proved to be important an important link between the Pepsi beverage products and Frito-Lay chips is where and how it is placed in its retail locations, specifically, super markets. By moving Pepsi drinks next to Frito-Lay chips on store shelves, the company has increased the odds that when shoppers pick up soda and chips, the soda is a Pepsi. Called “Power of One,” the strategy is disarmingly simple–but it’s something Pepsi has been unable to execute in the 30-odd years since the two companies were united(Light). One area in which Pepsi is trying to get a foothold is the fountain industry. The company has been strongly campaigning to gain accounts in the restaurant industry where Coca-Cola nearly has a monopoly. To grow Pepsi must break Coke s stranglehold in the fountain industry.

Through its promotions, advertising, and sponsorships Pepsi has created one of the largest and most opportunistic and unique companies around. Through its use of integrated marketing communications it has created a brand name and product that is unique to all others. It strives to globalize is business abroad with its Frito-Lay product line, Tropicana juices, and Pepsi beverages. It continues to find different and un-tapped target markets around the world to gain market share from its competitors. It also continues its innovation of products to adapt to a changing global economy which has been a key to its success in the past and will be key to its success in the future.

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