SOLEMN DECLARATION – INDIVIDUAL ASSIGNMENT

Solemn declaration by the student

Module: Strategy Management Module Code: MBAC 811 Assignment No.: Individual Assignment Assignment due date: 6 March 2021

I, **Elizma Fuller** declare herewith that the assignment which I herewith submit to the North-West University as partial completion of the requirements set for the MBA degree, is my own work.

Signature of student ______________________________

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Signed at **Potchefstroom** this **6th** day of **March** 20**21**

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2. QUESTION 2

2.1 a) What is PepsiCo's corporate strategy? b) Identify the business strategies that PepsiCo is using in each of its segments

- PepsiCo's primary business strategy focus on diversification.
- The innovation of new products characterises the strategy into the company's leading product portfolio's mainly, snack, food and beverages, into various categories by thorough product innovation and closely monitoring distribution ally relationships.
- External acquisitions and mergers allow them to expand nationally and globally further.
- Their focus on customer trends guides them to reformulate their product lines to be healthier.
- Their focus on employing global distribution strategies supported by strong relationships in their supply chain are visible in various critical points.
- To increase brand association, share supply-chain management & infrastructure to share and limit operational cost (Eassay Sauce, 2018; Thompson *et al.*, 2017:525).
- **Frito Lay North America (FLNA)** is to focus on customer trends, thus developing "good-for-you" and "better-for-you" products concentrating on the supply of healthier snacks in various flavours aiming to create new growth opportunities (Thompson *et al.*, 2017:533).
- **Quaker Food North America (QFNA):** is through applying the "good-for-you" and "better-for-you" strategy aiming to increase market share by focussing on products like hot and ready-to-eat cereals, pancake mixes and syrups, and rice and pasta sides (Thompson *et al.*, 2017:534).

- **Latin American Food** distributes and sells various snack food brands for the Latin American market. The most significant opportunity for growth identified by focussing on developing an understanding of consumer taste and preference (Thompson *et al.*, 2017:534).
- **Asia Middle East & Africa:** discover new opportunities in the snacks, beverages, and food markets by better understanding the local consumer taste preferences to recover the decline in the division's revenues and operating profit (Thompson *et al.*, 2017:536).
- **PepsiCo Europe:** the optimisation of further opportunities in other international markets by distributing its newest brands and product formulations throughout Europe, focussing on the Power of One strategy (Thompson *et al.*, 2017:535).
- **PepsiCo North America Beverages:** applying the unique strategy "Power of One" by placing complementary products of Pepsi and Frito-Lay next to each other. This unique strategy will enable increased volume and market share in the soft drinks market (Thompson *et al.*, 2017:535).

2.2 Assess the long-term attractiveness of the industries represented in PepsiCo's business portfolio. Do it in table format according to the attractiveness variables that you identified.

Long-term attractiveness is reviewed based on PepsiCo's performance based on the Porters five forces model (Dobbs, 2014:33; Thompson *et al.*, 2017:536).

Five Forces	Forces identified	Force	Comments
The threat of new entrants	• Low switching costs between suppliers • Moderate level of customer loyalty • The high cost of new brand development	• Strong • Moderate • Weak	The threat of new entrants is a secondary force for PepsiCo due to established brand development and moderate customer loyalty.
Threat of substitutes	• Various high performance of substitutes available • Low switching costs • High level of available substitute products	• Strong • Strong • Strong	Various substitutes like coffee, fruit juice available at the same stores that sell Pepsi. It is identified as a priority issue for PepsiCo.

Bargaining power of suppliers	• High levels of supply availability • Low forward integration between suppliers • Small to moderate size of individual suppliers	• Weak • Weak • Moderate	It is identified as a low priority due to low forward integration and supply that is increased.
Bargaining power of customers	• Low switching costs between customers • Easy access to various product information • High availability of substitute products • Healthier options availability	• Strong • Strong • Strong	Customer satisfaction is the main priority for PepsiCo. Focus on client preference, taste and trends are major factors identified.
Competitive Rivalry	• Strong aggressiveness of competitor firms • Low switching costs between rivalries • A high number of firms to choose from	• Strong • Strong • Moderate	Identified as a strong force as rivalry in the food and beverage industry proved to be very aggressive.

2.3 Does PepsiCo's portfolio exhibit a good strategic fit? (b) What value-chain match-ups do you see?

PepsiCo did a good job working and getting together a strategic fit to benefit the organisation as a brand. PepsiCo's chief managers demonstrate exceptional ability to see opportunities in the market to capture strategic fits leading to various new acquisitions in its different businesses. The influence, vision and strategy leading the organisation can be seen in the acquisitions that took place after Indra Nooyi took over the reins. Strategic decisions in corporate-wide procurement of products lead to a $160 million cost-saving in product ingredients and a further $40 million in the joint distribution of Quaker Oats and Frito-Lays products (Thompson *et al.*, 2017:536).

Some value-chain match-ups include (Dudovskiy, 2016):

- **Infrastructure:** Regular business strategy, market, and marketing policy reviews.
- **HR Management:** Research & Development of new products, market research, staff recruitment and training

- **Technology Department:** Research & Development of new products database marketing of products, online sales.
- **Procurement:** Equipment upgrades, raw material purchases, shared division procurement.
- **Logistics:** Pricing, transportation, fuel deliveries, production material requirements, vending machines, wholesalers, and retailers.
- **Operations:** Production of drinks, bottles, packaging and branding, storage facilities maintenance and upgrades.
- **Sales and Marketing:** Product promotion, advertising events, customer trends and tastes.
- **Service:** Online feedback from customers, customer complaints, FAQ's, ordering online.

2.4 Do the necessary ratio analysis to answer the following: (a) Does PepsiCo's portfolio exhibit a good resource fit? (b) What are the cash flow and free cash flow characteristics of PepsiCo?

PepsiCo's portfolio offers an overall good resource fit by establishing definite segments represented in the organisation. An increase cash flow in the previous three years indicates a healthy and growing organisation allowing breathing space for further acquisitions, fund Performance with Purpose strategy, increase capital expenditures and dividend payments and possible share repurchase plans.

PepsiCo's revenue grew from $ 29.26 billion in 2004 to $66.42 billion in 2013. The stock price increased from an estimated $49 to $89 per share from 2004 to 2014. The operating profits increased from $6.4 billion in 2011 to $6.7 billion in 2013.

Frito-Lays brand

- Contributed to 29% of the total revenue of PepsiCo. It further contributed to 70% of the salty snacks in the US. Frito-Lays are identified as a major contributor to revenue and profits.

- Focuses on customer trends and healthier options by convincing customers of the nutritional content and improving taste. Healthier oils and introducing backing snacks. Keeping up with health trends has improved consumption that leads to an increased cash flow.

PepsiCo Beverages

- The brand is one of the other significant segments of the company. In 2006 they had a market share of 26% and was the largest seller of liquid refreshments.
- With a 48% market share are the Pepsi carbonated soft drinks, one of the most consumed beverage types with a 48% market share.
- Innovation summits and buy-in from retailers let to the establishing of SoBe Life water.
- Alternative sweeteners with less calories and promotion of bottled water Aquafina.
- PepsiCo Beverages aimed and completed numerous successful actions to grow the organisation.

PepsiCo International

- The "Power of One" strategy enabled the brand image's growth by going global and catering to various customer needs.
- They discovered and increased cash flow opportunity in developing countries with their non-carbonated beverages. The average consumption between developing countries and the US compared 6 to 60 servings per month in the US.
- In the Middle East, were they able to dominate the market by being the first supplier of certain products. The same strategy was applied in developing countries

Quaker Foods North America

- The "better-for-you" and "good-for-you" products are the main driving force of Quaker foods with beneficial results.

PepsiCo combined critical characteristics can be summed up as:

- Their ability to pursue future acquisitions.
- Ability to reinvest in core their businesses.

- Continuous increase in shareholder dividends.
- Net income increased by 12%.
- Business divisions add to the overall organisational resource strengths and enable further support to the entire group.

2.5 Based on the context of the case study, what strategic actions would you recommend to the Board of Directors as a consultant regarding the corporations' financial and market performance?

- Continuous innovation and providing alternative and complementary products to expand PepsiCo's portfolio into new, developing, and mature international markets by delivering higher quality, variety, and affordable products.
- Innovative and complementary products will lead to the capturing of new customers and complementary products and satisfying existing customers' by
- To increase relationships with various distributors and retailers aiming to cut costs.
- Focus on international expansion aiming to increase short and long-term growth and development with the US's continuance of markets.
- Continue to expand distribution systems and service routes in mainstream and developing markets.
- Joint ventures into difficult markets with entry barriers must be considered.
- The strategic acquisitions of companies to be continued under the current overall corporate strategy.
- Continuous develop of healthier processes for the varies products.
- PepsiCo must focus on some of its cash flows to increase the footprint in China's current soft drink and salty snack market.
- PepsiCo should increase advertising and packing of complementary products together on shelves in all available countries like what was done in the US.
- Continued focus and research on customer tastes and trends aiming to provide healthier snacks that taste good and good. (Thompson *et al.*, 2017:536).

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