

PepsiCo Inc.- Cost Of Capital

PepsiCo's Future in a Changing Market
 Changes in consumer demand and demographic trends
 Possible new entrants in the beverage market
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Key Organizational
 - PepsiCo's organizational structure is a combination of divisional and functional structures
 - The company is organized into four divisions: Frito-Lay, Quaker, Pepsi Bottling Group, and PepsiCo Beverages
 - Each division has its own functional departments, such as marketing, finance, and operations
 - The company also has a central corporate headquarters that oversees the overall strategy and provides support to the divisions



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Checking a Situation
 - CEO Indra Nooyi has recognized that the safety, health, and financial performance of the business are critical to PepsiCo's long-term success
 - The food and beverage industry is in a highly competitive and rapidly changing environment
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Market Position
 - PepsiCo is one of the largest and most widely recognized in the industry
 - Strong opportunity to target the consumers who seek and purchase organic alternatives
 - Can increase brand usage by producing healthier products and by being socially and environmentally friendly

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Strong brand portfolio Global presence Financial strength 	<ul style="list-style-type: none"> Highly competitive market Regulatory changes Health and safety concerns 	<ul style="list-style-type: none"> Emerging markets Health and wellness trends Sustainable packaging 	<ul style="list-style-type: none"> New entrants Changing consumer preferences Supply chain volatility

Customer Awareness
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PepsiCo's Future in a Changing Market

- Creating value for the food and beverage industry
- Actively responsible for the economy and a stable financial and operational environment
- Moving closer to the products and services of food and beverage that are high value, sustainable, and in line with the needs of our customers

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SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

SWOT Analysis

- Strengths
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Choosing a Director

- CEO Indra Nooyi has recognized that "society, people, and lifestyles have changed", she has also realized that PepsiCo has no choice but to move in healthier directions
- The food and beverage industry as its entire worth to make changes for a healthier more sustainable future

Market Position

- PepsiCo is one of the largest and most widely recognized in the industry
- Huge opportunity to target the customers who want our healthier organic alternatives
- Can increase brand image by producing healthier products and by being ecologically friendly

Consumer Awareness

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SWOT Analysis

Strengths	Weaknesses
1. Strong brand portfolio	1. High debt levels
2. Diversified product lines	2. Intense competition
3. Global presence	3. Regulatory challenges
4. Strong financial performance	4. Changing consumer preferences
5. Experienced management team	5. High operational costs
6. Strong R&D capabilities	6. Limited organic growth
7. Strong customer loyalty	7. Limited market penetration in some regions
8. Strong distribution network	8. Limited innovation in some areas
9. Strong marketing capabilities	9. Limited sustainability initiatives
10. Strong brand equity	10. Limited digital marketing capabilities



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PepsiCo's Future in a Changing Market

- Growing criticism toward the food and beverage industry
 - Partially responsible for the increasing trend in obesity, disease and widespread ecological devastation
 - Mainly due to the production and sale of food and beverages that are high-calorie, nutrient-poor, while containing high levels of sugar and saturated fats

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Consumer Awareness

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- An increasing number of scientific studies are confirming that many processed foods are unhealthy to consume
 - Due to today's widespread internet access as well as the use of social media more and more consumers are becoming aware of the associated risks with consuming convenient processed foods
 - The market is seeing a shift as more and more consumers are seeking more healthy organic choices

Recommendations

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- Acquire a Healthy Brand
- Coca-Cola had great success with this strategy

"It's a perfect match connecting the hottest active lifestyle brand with the full resources of the world's best beverage company," said J. Darius Bikoff, Energy Brands founder and chief executive officer.

1. The Coca-Cola Company Press Release of May 25, 2007 at the Wayback Machine (archived May 27, 2007) retrieved from archive.org

Recommendations

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- Co-Promotion and Awareness
 - Co-Promote newly acquired healthy products to take full advantage of the company's marketing power
 - Promotions will focus on the short and long term benefits of healthy living for the consumer



Recommendations

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- Change their production and distribution plans.
 - Foods and raw ingredients can be locally sourced and produced
 - Healthier products due to less chemicals needed to allow for the products to survive long transportation.
 - More Costly

Recommendations

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- Annual Competition
 - Hold an annual competition for health products
 - The winner will be offered a contract with Pepsi to have their product produced and distributed in a test market for 6-months
 - Depending on the test market results the product could be released to a wider market for a longer duration



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Questions?