

# Report on Advertisement (PepsiCo)

## Acknowledgement Letter

We owe our gratitude to Allah Almighty whose shower of blessings and kindness has been on us throughout the working on these pages. It is His help that we finally able to compile this document. We are indebted to our respected teacher Mr. XYZ who's indispensable and intricate comments on various aspects conjoined with motivation made us come forth holding such as project. Executive Summary Purpose of this project is to study the strategies which Pepsi is doing in Pakistani market for its product Pepsi cola. Pepsi International is a world renowned brand. It is a very well organized multinational company, which operates almost all over the world. In Pakistan It also has proved itself to be the No.1 soft drink. Now days Pepsi is recognized as Pakistanis National drink Pepsi's greatest rival is Coca Cola. Coca Cola has an international recognized brand. Coke's basic strength is its brand name. But Pepsi with its aggressive marketing planning and quick diversification in creating and promoting new ideas and product packaging, is successfully maintaining is No.1 position in Pakistan. Pepsi is operating in Pakistan, through its 12 bottlers all over Pakistan. These bottlers are Pepsi's strength. Pepsi has given franchise to these bottlers. Bottlers, produce, distribute and help in promoting the brand. Pepsi also launched its fast food chain KFC i.e. "Kentucky Fried Chicken. We also did analysis of the soft drink industry in Pakistan and worldwide. The soft drinks set to become world's leading beverage sector. Global consumption of soft drinks is rising by 5% a year.

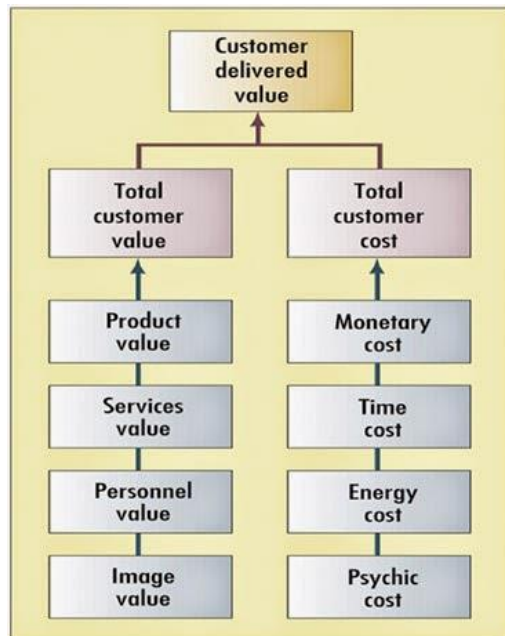
## Detail Report

### Create Customer Value

Customer value forms the heart of any product and is highly worked on to distinguish products. With more choices at their disposable, it is very easy for a consumer to shift from Product A to Product B. So in times like these, when the customer is spoilt for choice, what appeals a particular product to the

customer is what requirements are to be understood very clearly. Their final call is made on whichever product delivers the most perceived value.

Customer perceived value is defined as the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.



### Total Customer Benefit

Product benefit: It is a drink best served with fast food, hard drinks. Easily available. Has a sweet taste, less fizzy.

Service benefit: Pepsi is available, affordable.

Image benefit: it appeals to the youth, thus adding a cool factor to it. Also, Pepsi's brand name attracts customers to buy the product. Any celebrity associated with a brand like Pepsi further adds to how influencing the brand is on him/her

### Total Customer Cost

Monetary cost: Pepsi's 200 ml bottle – Rs. 8, affordable

Time Cost: Due to its easy availability, minimal time is spent on getting the product from either a store or a restaurant

Energy cost: Due to its easy availability, minimal energy is spent on getting the product from a store or a restaurant

Psychological cost: Pepsi has the cool factor attached to it. It is very youthful in its appeal. Also, as a brand, Pepsi has evolved over the years. Any celebrity, sports star associated with Pepsi entices consumers, especially the young audience, more towards it.

### Marketing Strategy

PepsiCo's past is filled with bumps in the road and near-failures. Luckily, they used the following marketing strategies to ensure their company would survive (and thrive) in a competitive market.

#### **1. Branding Efforts**

Pepsi hit the market seven years after Coca-Cola did, and by then, they were already a powerful brand. Pepsi had to develop a brand image that made them stand out.

This task wasn't easy, as history would show, and they went through quite a few logos before finally settling on the one they have today.

Pepsi created new jingles and slogans to grab their audience's attention and come off as "the new soda on the block."

Their slogan, "You've got a lot to live. Pepsi's got a lot to give," created a fresh, young brand voice. The edginess of Pepsi's marketing strategy subtly portrayed Coca-Cola as an outdated brand.

#### **2. Sponsorships And Endorsements**

It's no secret that Pepsi's marketing strategy utilizes celebrity endorsements and company sponsorships to promote their product. In fact, Pepsi has exclusive rights to the Superbowl half-time show, which brings in about 100 million viewers each year.

Pepsi has also been a key sponsor of the NBA since 2015 and continues to reach out to other organizations. PepsiCo even became the UEFA Champions' Pepsi hired Michael Jackson as their first celebrity endorsement in 1983 to star in their "New Generation" campaign. His status brought a lot of attention to the brand and established the soda as the drink of a new, younger generation.

In later years, stars like Britney Spears, Cindy Crawford, and Beyonce would follow suit and team up with PepsiCo.

### **3. Embracing Social Media**

To celebrate Chinese New Year and emphasize family values, Pepsi teamed up with China Women's Development Foundation (CWDF). Together, they created their "Bring Home Happiness" campaign in 2014.

This campaign consisted of a mini-movie, celebrity endorsements, and a charity program backed by interactive social media channels.

The popular Chinese social platforms Weibo and WeChat gave users a chance to share their own videos centered around family. The video campaign encouraged users to spend more time with their family during the holiday and document it on social media.

Including this campaign as a part of Pepsi's marketing strategy got the brand in front of a huge audience. This campaign consisted of over 15 million videos on social media and attracted 1.2 billion views.

### **4. Learning From Failure**

PepsiCo wasn't always the empire it is today. Early on in its life, the company went through bankruptcy twice!

Luckily, they were able to bounce back to create some pretty memorable campaigns. However, not every campaign turned out how they wanted.

In 1992, at the height of the clear soda phase, Crystal Pepsi made its debut. Unfortunately, though, by 1994, Pepsi pulled the product from store shelves.

Some suggest the cause of the failure to be a lack of communication with the public. Consumers weren't aware of why they changed the color, so they rejected the product.

Others speculate the Crystal Pepsi failure was a side effect of Coca-Cola releasing Tab Clear simultaneously. The two products directly competed, and it was mutually destructive for them both.

However, in 2022 Pepsi announced that they would be bringing Crystal Pepsi back to celebrate its 30th anniversary. The drink still wasn't available in stores, though.

Instead, the company announced a contest on Twitter, where customers were asked to share a vintage photo. Then, they were encouraged to use the hashtags “#ShowUsYour90s” and “#PepsiSweepstakes” for a chance to win.

## Marketing Environment

**DEMOGRAPHIC FORCES** Demography refers to study of the population. Demographic factors are the relevant to the business for formulating and implementing of strategy for controlling and accomplishment of the objectives of the organization. Demographic factors like size of the population, population growth, rate, age, composition, life expectancy, family size, spatial dispersal, occupational status, employment pattern etc., affect the demand for goods and service. Following are the Demographic factors contain age, population density and distributions of targeted customers which is can effects the marketing of PepsiCo.

1. Age: PepsiCo should target that customer group that customer it the most and make promotional strategies according to that particular group of consumer's behavior because the requirements of different age groups are different. The potential customer of PepsiCo would be the age of 14 to 30 years. So their main target is young generation. Soft drinks are one of popular project linked by our youth.
2. Education: Company has to plan promotional strategies to attract the customers. If the targeted customer's majority population is educated in a country then through advertisements PepsiCo can be made well aware of their

product and can convey their message easily. Promotion and education has a direct relationship.

3. Population Distribution: Population distribution means how much population lives in urban areas and rural areas. In Bangladesh 35 % population resides in urban areas and 65% population lives in rural areas. PepsiCo targets on urban areas and middle class to upper class as people there are more attract towards such beverage while people in rural areas are more attracts to local drinks.

4. Population Density: PepsiCo sales their product more those cities and regions, which have the largest population density. Dhaka has the largest population density in Bangladesh. Pepsi sales are more in Dhaka as compared to the sales in Chittagong.

**ECONOMIC FORCES** The economic environment constitutes of economic conditions, economic policies, and the economic system that is important to external factors of business. Economic factors are the very important determinants of business strategy in the organization for formulating, implement and controlling of economic policies. Economic environment refers to the nature and direction of the economy within which business organization are to operate. For instance, in developing country, the low income may be reason for the very high demand for the product and services of the business. Consumers require buying power to buy a product. The economic environment consists of factors that affect consumer purchasing power and spending patterns. Bangladesh has a developing economy which offers outstanding business opportunities for the right kind of product. Pepsi has also focused on this factor using their economic forecasting. Pepsi have announced different products for different set of people. So if there is an economic downfall in the country they still have the capacity to run their business and they have absolutely no fear of wipe out. Their economic policy preparation can be seen through their price patterns— The 15Tk regular drink is targeted for local customer outside needing refreshment after lunch or dinner. The 25Tk disposable pet bottle is targeted for people who are traveling and have high buying capacity. The 35Tk Cans are status symbol and are

consumed by upper class to show some difference. The Pepsi Co. price targeting for different groups help them run their business efficiently in economic down fall time too. If the there is a big economic downfall in the country so their sale of regular bottles decreases but on the same time due to their perfect marketing their Cans sale increases. The other advantage Pepsi finds from their perfect marketing is that their sports sponsorships help them gain respect in youth which increases their sale when there is a win from Bangladesh team. So they never get cut short in a boom.

### Buying Behavior

Consumer makes many buying decision every day. Many large companies do some research about consumer buying decision in great detail to answer questions what will customer buy, where they buy, how much they, when they buy and why they will buy those product. According to Principles of Marketing, Kotler (2008) Consumer Buyer Behavior refers to the buying behavior of final consumer which are individuals and households who buy goods and services for personal consumptions. The entire final consumer combines to make a consumer market.

Many big companies did a lot of marketing effort to attract the consumer to buy their product. For example, Pepsi Company. The company did a lot of marketing effort to attract the consumer such as advertising, survey, promotion and apply the 4 P's to make the consumer aware about their product.

The question here is, how did the consumer respond to the various marketing effort that Pepsi company use? Model of buyer behavior consist of Marketing and other stimuli, Buyer's black box and Buyer Responses. Marketing and other stimuli will enter the consumer's black box and produce certain responses. So marketers need to figure out what is in the buyer's black box.

### Branding Strategy: Building Strong Brands

#### **1. Create a Solid Brand**

Though it takes some time, creating a solid brand can help you maintain a positive image with your target audience. A cohesive brand can also help with brand recognition and loyalty.

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You can experiment with logos, slogans, jingles, or other design elements to help you create a memorable brand.

Tips on how to get started:

Determine and research your target audience

Choose your brand's personality

Establish design features

Apply your branding across your business

Evolve with company growth if necessary

## **2. Embrace Partnerships**

Just like how Pepsi's marketing strategy utilized corporate sponsorships and celebrity endorsements, you can use partnerships to increase your reach.

Make sure you choose individuals or businesses that fit your brand values.

Tips on how to choose the right partners:

Determine what you need from a partner

Determine what you can offer them

Check for previous experience

Consider your budget

Ensure they fit with your brand values

Make sure their audience fits with your audience

If your brand isn't at a similar level to PepsiCo, use micro-influencers or partner with smaller, local businesses.

## **3. Find New Ways To Connect With Your Audience**

Social channels are constantly evolving to accommodate the needs of the public. Make sure your campaigns use those channels to reach your target audience.



Tips on how to better connect and communicate with your audience:

Establish who you want to reach

Research what channels your audience is on

Determine which channels you will utilize

Tell stories to create an emotional connection

Pepsi used social media as the primary driving force for their “Bring Happiness Home” campaign, and so can you. Make sure you go to where your audience is and use the channels most likely to generate attention.

#### **4. Take Risks (And Learn From Your Mistakes)**

Rome wasn't built in a day. The same goes for Pepsi's brand, along with your business as well.

Making mistakes is necessary for growth; the important thing is that you learn why you failed and continue to try again. You can see how PepsiCo persevered through hardships in their early years.

Pepsi decided to buy their own sugar plantation to prevent going bankrupt again from sugar shortages. They diversified their assets to ensure their past wouldn't also become their future.

PepsiCo reintroduced Crystal Pepsi and promoted it on a new platform that wasn't available back when they first released it. While it wasn't the best product, they realized that some customers find value in its rarity.

When something isn't working for your brand, re-evaluate your strategy and try again.

### **Product Life Cycle**

#### **1) Pre-launch – the 1890s**

In 1898, pharmacist Caleb Bradham developed 'Brads Drink', a formula designed aid digestion. After strong interest from consumers in his pharmacy, Brad renames the drink 'Pepsi-Cola' and purchases the

trademark 'Pep Cola' for \$100. The origins of Pepsi are very similar to that of Lucozade, which was also first produced for medicinal purposes.

Although \$100 does not appear much, adjusted for inflation that amount of money in the 19th Century is equivalent to \$2516.34 in 2014. This highlights the difficulties companies have in the pre-launch phases with surviving periods of negative cash-flow, large research costs and development expenditure.

## **2) Introduction – 1902**

Brad began selling Pepsi-Cola and achieved sales of 7,968 gallons of syrup in the first year.

**Objectives:** Brad aimed to generate initial awareness and trial of his product, and far exceeded his targets!

**Product:** Only a basic product was launched – Pepsi-Cola was initially sold even without bottles. Instead the product was sold through soda fountains located in Brad's pharmacies.

**Price:** Initially a simple cost-plus pricing strategy was used. It is likely that Pepsi-Cola started with a skimming strategy, to quickly recuperate start-up costs.

**Place:** A highly selective distribution is initially recommended, and this is evident with Pepsi-Cola only launching in Brad's pharmacies.

**Advertising:** To generate awareness, a celebrity endorsement with race-car driver Barney Oldfield (above) was utilised.

**Sales-promotion:** Pepsi-Cola was not launched with any promotions. However, if promotions are used at this stage they should aim to encourage consumers to trial the product.

## **3) Growth – 1930s-1970s**

After bankruptcy and then becoming acquired by Loft Inc., Pepsi-Cola's sales sky-rocketed in the great depression. Consumers were attracted by the value-for-money competitive positioning: 5 cents would buy consumers 12 ounces of Pepsi-Cola, but only 6 ounces of Coca-Cola.

**Objectives:** During growth, gaining market share is critical. Hence, Pepsi-Cola was marketed aggressively against Coca-Cola to encourage consumers to defect.

**Product:** As the market becomes increasingly competitive it is important to continually improve the product. Hence, Pepsi-Cola now came in bottles, rather than just soda fountains.

**Price:** To support the aim of gaining market share, the low price penetration strategy was one of the key reasons why the brand grew massively in this time period.

**Place:** An extensive distribution network is needed to support rapid sales growth; therefore exclusivity to pharmacies ended and the product became a mainstream consumer good.

**Advertising:** It is vital to capture the early majority stage, requiring that advertising was designed to effectively reach a mass audience. For example, Radio was selected as a medium because of its low cost-per reach – [click here to listen to an ad from the 1930s!](#) During this time, the name was changed to just 'Pepsi' to help differentiate the brand from Coca-Cola. Lastly, the 1975 Pepsi Challenge marketing campaign was so effective it almost destroyed the Coca-Cola brand!

**Sales-promotion:** Due to the overwhelming success of the drink, no sales promotion was used given that the price was already highly competitive and the company struggled to keep-up with demand.

#### 4) Maturity – 1980s – Present day

Since the 1980s Pepsi has been in the maturity stage of the product life cycle, helping the parent company earn almost \$20 billion in annual revenue.

**Objectives:** At this stage products are most profitable, which is why PepsiCo are likely to consider Pepsi as a Cash Cow and aim to make as much profit as possible from the brand.

**Product:** Now that the product is well established, entire ranges can be introduced that act as extension strategies to prolong the most profitable stage of the product's life. These include the highly successful Pepsi Max, to the disastrous Pepsi Raw.

**Price:** PepsiCo and Coca-Cola clearly do not want to enter price-wars, which is a high risk during this very competitive stage. As a result, the price rarely fluctuates away from the market average.

**Place:** The product now has a global distribution to penetrate emerging economies.

**Advertising:** The main focus of Pepsi's advertising during maturity is to differentiate the brand. This has been mainly achieved through the use of celebrity endorsements – like Beyonce and Michael Jackson – to position the product as a younger and edgier alternative to Coca-Cola

**Sales-promotion:** To keep consistent with the brand's value-for-money positioning, Pepsi frequently have both value increasing and value adding offers. An example of the former is offering larger bottle sizes – still to this day – than Coca-Cola; and the latter can be seen in the competitions advertised on Pepsi's bottles.

## **5) Decline – sometime in the future**

Despite growing consumer interest in healthier lifestyles, sales of Pepsi show no signs of slowing down in the immediate future. Regardless of this, it is recommended that Pepsico have the

following strategies ready to be implemented in the event of the product entering decline.

**Objectives:** Cost-reduction is key at this stage to help the brand remain profitable despite generating fewer sales.

**Product:** The range should become rationalized, and may be reduced to just Pepsi to leverage economies of scale and minimize costs.

**Price:** The price could be reduced further to increase sales among price-sensitive consumers and be an effective advertising cue for this low involvement product.

**Place:** The product now returns back to selective distribution to focus efforts on just the few remaining outlets that generate profits on Pepsi.

**Advertising and Sales Promotion:** It can be recommended that PepsiCo could go as far as completely cutting advertising and sales promotion to further reduce overheads.

### Pricing Strategy

The pricing of Pepsi is competitive as the market is dominated by two big companies that are Pepsi and Coca-Cola. If both the brands start a price war neither of them can win as manufacturing and transportation cost is huge. Due to this, both the brand can enter a brand war instead of a price war.

It is a company that is known for providing discounts on buying bulk quantities or for its promotion. As the container size rises the discount for customers also rises. This means a 2-litre bottle packing of Pepsi as compared to 250ml packing will be cheaper per 100ml.

The company also provides a good discount to its distributors depending on the order quantity and also payment method. If a distributor orders a huge quantity and the payment method is also in the way the company wants, they are provided with a huge discount, which keeps them motivated.

The profit margin of Pepsi is good from distributors but the company has to drop its price for some well-known bulk buyers and retailers. For example, Indian retailers like Big Bazaar, Dmart, Reliance Fresh are bulk buyers of the company as they buy in bulk and sell at a discounted price which results in

huge sales. Similarly, some of the well-known food chains are also bulk buyers of the company such as KFC and McDonalds.

These retailer and food chain brands negotiate with the company for the price as they buy and sell in bulk. Although companies earn a good margin through distributors and less margin from bulk buyers, companies prefer providing goods to bulk buyers as they order huge amounts of goods as compared to distributors.

## Marketing Delivering Channels

### **Three distribution channels**

PepsiCo Inc. (PEP) is a leading food and beverage company with an impressive global presence. The company's products reach the market through the following three channels: direct store delivery (or DSD), customer warehouse, and third-party distributor networks. PepsiCo chooses the relevant distribution channel based on customer needs, product characteristics, and local trade practices.

#### **Direct store delivery**

Under the DSD system, PepsiCo delivers products directly to retail stores. Of the three channels, DSD enables PepsiCo to merchandise with maximum visibility. It's more suitable for products that are restocked often and are sensitive to promotions and marketing.

#### **Customer warehouse**

The customer warehouse system is a less expensive distribution channel. It's ideal for products that are less fragile and perishable, have lower turnover, and are not purchased impulsively.

#### **Third-party distributor networks**

PepsiCo distributes food and beverage products to restaurants, businesses, schools, and stadiums through third-party food service and vending distributors and operators.

## Promotional Challenges

You can gain a lot of insights when you look at ideas and tactics that created legendary marketing. Today, we're breaking down the Pepsi Challenge. The Pepsi Challenge signaled a major shift in the winds of the cola landscape. In 1975, Coke was the 800 lb. gorilla in the cola market holding the #1 position for decades. A superior distribution system, effective marketing (before it was called marketing) and incredible brand loyalty created legions of happy customers.

Pepsi was the new kid on the block looking to prove something. They were **hungry and willing to mix it up**. A savvy exec at Pepsi came up with a bold revolutionary strategy to do just that.

That idea was the **Pepsi Challenge**. Pepsi went inside malls around the country and invited people to do a blind taste test between Coke and Pepsi. The results were remarkable; people picked Pepsi over Coke by a significant margin.

## Sustainability

2020. PepsiCo announces that its snacks and drinks will be made with renewable electricity in the U.S. by the end of 2020 and sets a new target to source 100% renewable electricity globally, across direct operations by 2030 and entire global operations by 2040.

## Report Conclusion

After completion of the project and the analysis of the study I came to conclude that after launching the promotion there was drastic percentage jump in sales initially but gradually the percentage jump decreased and there isn't much impact on sales. After doing analysis of Pepsi I came to conclude that people are very much aware about the promotions especially the kids and people prefer more of Pepsi and Pepsi is very popular. Thus, I conclude that the industries have pampered consumers by giving discounts and free bias and hence consumers now a days don't buy a product until and unless they are given some discounts.

So, the industries should not over do the promotions. Critics argue that promotions simply prepone the purchase and don't add any incremental value to it. The sales may pick up during the offer, but there is a loss of sale in the following month, which means the people who buy the goods in July simply preponed their purchase due to the offer". Also, over promoted products often leave customers asking for more. Thus, promotions have actually spoilt the habits of consumers. Thus, promotion is a very attractive means to keep the consumers glued to its product but then the industry shouldn't overdo it. The effect of promotions is for a short period of time.