

The effects of the acquisition of Bare Foods by PepsiCo.

To what extent has the acquisition of Bare Foods by PepsiCo been a successful strategy of growth?

Business Management

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Table of contents:

1.	Introduction.....	2
2.	Methodology.....	7
3.	Main body.....	9
3.1.	External growth (acquisition and merger).....	9
3.2.	Ansoff's Matrix.....	11
3.3.	Vision statement.....	12
3.4.	SWOT analysis	13
3.5.	PEST analysis.....	16
3.6.	Marketing mix.....	18
3.6.1.	Product.....	18
3.6.2.	Price.....	18
3.6.3.	Promotion.....	19
3.6.4.	Place.....	20
3.7.	Effect on the share price	20
4.	Conclusion.....	21
5.	Bibliography.....	25

1. Introduction

PepsiCo is a multinational company that works in the secondary sector producing manufactured goods. In 1965, the merger of Frito-Lay Inc. and Pepsi-Cola formed PepsiCo. With the acquisition of Tropicana in 1998 and Quaker Oats in 2001¹, PepsiCo expanded even more. Due to the additional extension in their product portfolio, PepsiCo became part of the consumer staples sector. PepsiCo operates through six different segments: *Frito-Lay North America (FLNA)*, *Quaker Foods North America (QFNA)*, *North America Beverages (NAB)*, *Latin America*, *Europe Sub-Saharan Africa (ESSA)*, and *Asia, Middle East and North Africa (AMENA)*², offering various nutritional products and owning some of the most renowned brands like Pepsi, Lipton, and Starbucks. The revenue of PepsiCo each year composes approximately 64.42 billion in USD³.

Its headquarters are based in New York. PepsiCo operates in more than 200 countries with approximately 247,000 employees worldwide⁴.



Figure 1: Product portfolio of PepsiCo⁵

¹The Editors of Encyclopaedia Britannica. "PepsiCo, Inc." Encyclopædia Britannica, 18 May 2018, www.britannica.com/topic/PepsiCo-Inc.

²"PepsiCo Inc Company Profile." *Reuters*, Thomson Reuters, www.reuters.com/finance/stocks/companyProfile/PEP.O.

³"PepsiCo Inc 'About the Company'." *Financial Times*, <https://markets.ft.com/data/equities/tearsheet/profile?s=PEPS%3AVIE>.

⁴The Editors of Encyclopaedia Britannica. "PepsiCo, Inc." Encyclopædia Britannica, 18 May 2018, www.britannica.com/topic/PepsiCo-Inc.

⁵"Brand Portfolio of PepsiCo." *Brand Portfolio of PepsiCo*, 15 Apr. 2015, <https://shahjalalhasan7.blogspot.com/>.

PepsiCo has its own distribution network and bottling manufacturing units⁶. Product portfolio of PepsiCo consists of chips, flavored snacks, cereals, juices, instant tea, coffee, just to name a few. According to Information Resources Inc. (or IRI), a market research company, PepsiCo holds nine out of forty packaged goods trademarks in the United States. PepsiCo also owns several brands, 22 of which generate more than \$1 billion in revenues, for instance, Pepsi, Gatorade, and Lays⁷.

Nowadays, PepsiCo operates solely in the food and non-alcoholic beverage market. Nonetheless, it faces various competitors in this industries, including ConAgra Foods, Inc. (CAG), Kellogg Company (K), and Kraft Foods Group Inc. (KRFT), concerning the food sector.

COMPANY NAME	MARKET SHARE
ConAgra Foods, Inc. (CAG)	2.65%
Kellogg Company (K)	4.75%
Kraft Foods Group Inc. (KRFT)	1.62%
Mondelez International, Inc. (MDLZ)	4.14%
PepsiCo, Inc.	5.83%

Figure 2 ⁸

Regarding the beverage industry, Coca-Cola Company (KO) is PepsiCo's closest rival, generating 33.14 billions in USD trailing twelve months, which is almost half of

⁶Kasi, Khushdil. "BCG Matrix of PepsiCo." *BCG Matrix Analysis*, 15 Mar. 2017, <https://bcgmatrixanalysis.com/bcg-matrix-of-pepsico/>.

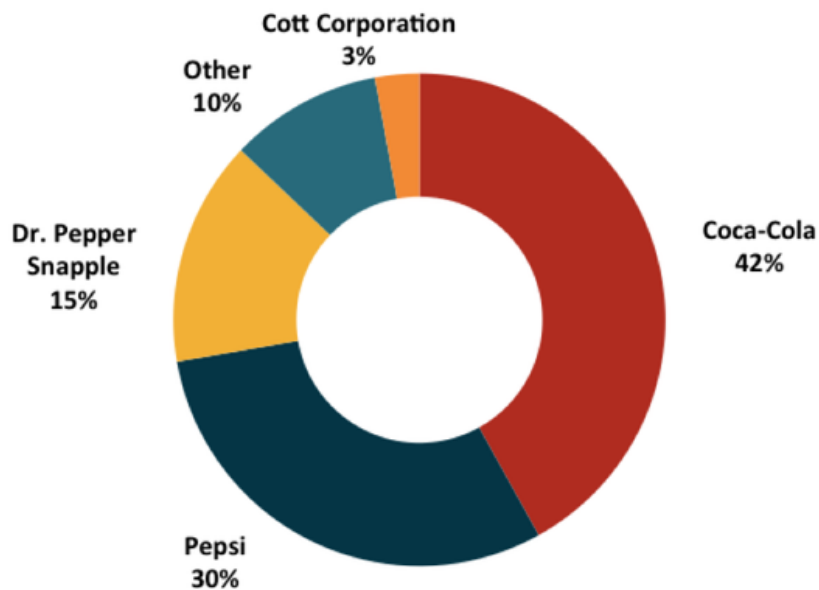
⁷Pepsico Swot Analysis (5 Key Strengths in 2018)

Ovidijus Jurevicius - <https://www.strategicmanagementinsight.com/swot-analyses/pepsico-swot-analysis.html>

⁸"PEP's Competition by Segment and Its Market Share." CSIMarket, <https://csimarket.com/stocks/competitionSEG2.php?code=PEP>.

PepsiCo's revenue⁹. Other competitors include Dr. Pepper Snapple Group, Inc. (DPS), Cott Corporation (COT), Red Bull GmbH, and Monster Beverage Corporation (MNST)¹⁰.

Figure 3: Soft Drink Market Share¹¹



Due to the change in present consumer's preferences and trends in healthy food, PepsiCo has shifted its strategy towards enriching its product portfolio with customers' wishes in mind. On 25th May 2018, the company announced that it was acquiring Bare

⁹"Coca-Cola Co (KO) 'About the Company'." *Financial Times*, <https://markets.ft.com/data/equities/tearsheet/profile?s=KO:NYQ>.

¹⁰Bailey, Sharon. "PepsiCo: A Company Overview." *Yahoo! Finance*, 12 Dec. 2014, <https://finance.yahoo.com/news/pepsico-company-overview-203956177.html?guccounter=1>.

¹¹Pino, Isaac. "Soft Drinks: Investing Essentials." *The Motley Fool*, 25 Aug. 2014, www.fool.com/investing/general/2014/08/25/soft-drinks-investing-essentials.aspx.

Foods Co., a company that produces baked fruit and vegetable snacks¹². Bare Foods was founded in 2001. It makes the product under the Bare Snacks brand name. The product portfolio consists of apple, coconut, organic apple chips, and baked-dried fruit chunks¹³.



Figure 4: Examples of Bare Snacks¹⁴

A few months later, PepsiCo acquired Israel's SodaStream for \$3.2 billion, as the giant American beverage and snacks company sought new markets outside of its traditional core business of bottled carbonated soft drinks¹⁵. Like PepsiCo, its biggest rival Coca Cola also enriched its portfolio with healthy products, announcing a number of deals and arrangements, namely, "the acquisition of Organic & Raw Trading Co. a maker of Australian kombucha brand"¹⁶, "the acquisition of the UK-headquartered coffee chain Costa Limited"¹⁷, and "the acquisition of Bodyarmor – a fast-growing line of premium sports performance and hydration beverages"¹⁸.

¹²Creswell, Julie. "PepsiCo to Acquire the Fruit and Veggie Snack Maker Bare Foods." *The New York Times*, 25 May 2018, www.nytimes.com/2018/05/25/business/dealbook/pepsico-bare-foods.html.

¹³"Company Overview of Bare Foods Co." *Bloomberg.com*, www.bloomberg.com/research/stocks/private/snapshot.asp?privcapid=288926736.

¹⁴Pendril, Katherine. "Organic Baked Coconut Chips." *TrendHunter Lifestyle*, TREND HUNTER Inc., 2 Sept. 2016, www.trendhunter.com/trends/baked-coconut-chips.

¹⁵Eran Azran and Guy Erez. "PepsiCo Buys Israel's SodaStream for \$3.2 Billion." *Haaretz*, 20 Aug. 2018, www.haaretz.com/israel-news/business/pepsico-buys-israel-s-sodastream-for-3-2-billion-1.6390765.

¹⁶"Coca-Cola's Health Push Continues with Acquisition of Australia's Made Group ." *Nutrition Inside*, www.nutritioninsight.com/news/coca-colas-health-push-continues-with-acquisition-of-australias-made-group.html.

¹⁷"Coca-Cola to Acquire Costa for US\$5.1 Billion, Gains Major Footprint in Coffee." *Food Ingredients*, www.foodingredientsfirst.com/news/coca-cola-to-acquire-costa-for-us51-billion-gains-major-footprint-in-coffee.html.

¹⁸"The Coca-Cola Company and BODYARMOR Announce New Strategic Relationship." *The Coca-Cola Journey*, 14 Aug. 2018,

New developments represent a forced investment by multinational soft drink companies towards alternative market segments in order to confront weak sales and the ever changing consumer palate. Thus, they apply new strategies by expanding to alternative areas and markets in order to stimulate growth.

This paper is going to discuss to discuss **to what extent the acquisition of Bare Foods proven to be a successful strategy of growth for PepsiCo?**

2. Methodology

The marketing research was done mainly using secondary data from different sources. This type of research supported the analysis and evaluation of the decision to have an acquisition of Bare Foods by PepsiCo.

Additionally, the following evaluation of the effectiveness of PepsiCo's decision to acquire Bare Foods is assisted by share price data as share is an indicator of the success of the acquisition.

Most of the secondary data was taken from media articles, newspapers, and magazines. The main part of this analysis consists of non-financial analysis on how the acquisition would affect the marketing departure of the PepsiCo Inc., in particular by applying SWOT analysis, PEST analysis, BCG matrix, and Marketing Mix.

Secondary data:

Business Management COURSE COMPANION; L. Lomine, M. Muchena, R. A. Pierce; OXFORD University press 2014; 2014 edition;	This source of information will help to identify a theoretical part for this work
Newspapers / magazine (media articles)	This source of information will prevent the research with more specific information of the organizations

Benefits and Limitations:

The advantages of media articles as a source of information revolves around the fact that most serious newspapers, such as *"Financial Times"*, *"The Wall Street Journal"*, have well-researched articles with reliable source. Furthermore, they were edited multiple times by professional analysts. Unfortunately, not every resource taken

from the internet can be considered reliable, which may dramatically increase the possibility of receiving biased data. Moreover, the information from secondary research could be out of date, so it is not very flexible and needs to be reviewed consistently. In addition, Bare Snack is a private limited company and, therefore, limited data was available for conducting the research.

Tools:

The analysis of this work will be done by using different business tools to support both marketing departments and the financial health of the company, PepsiCo. The theoretical framework that is represented below helps to evaluate the acquisition of Bare foods by PepsiCo from different financial and non-financial perspectives between Bare Foods and PepsiCo.

The theoretical framework of the analysis will be taken from section 1 "Business organization and environment" and section 4 "Marketing":

3. Main body

3.1. External growth (mergers and acquisitions)

Due to high competition in the international market of food and beverages, companies have to expand to reach a larger target market, increase sales, and decrease the average cost of production gained from economies of scale (namely, “the cost advantage experienced by a firm when it increases its level of output”)¹⁹, which, as a consequence, boosts the company's profit. Businesses with global target markets, like PepsiCo, have to attract consumers with low average product prices, innovative products, or using any other expansionary strategies to increase sales revenue and to gain higher market shares.

Acquisition is one of the methods of a company's external growth, and it “is a situation whereby one company purchases most or all of another company's shares in order to take control”²⁰. For example, “last year, Amazon (AMZN) made a bet on physical stores and the business of food when it bought Whole Foods”²¹.

When two companies that are not from the same industry but from the same line of business and in the same stage of production, like, PepsiCo and Bare Food, integrate, it causes horizontal expansion. On the one hand, this type of integration leads to the enlargement of the business's target, namely potential customers of the business

¹⁹“Economies of Scale.” *Corporate Finance Institute*, corporatefinanceinstitute.com/resources/knowledge/economics/economies-of-scale/.

²⁰Investopedia.com. “Acquisition.” Investopedia, 24 Oct. 2018, www.investopedia.com/terms/a/acquisition.asp.

²¹Wiener-Bronner, Danielle. “Amazon and Whole Foods. CVS and Aetna. A Scorecard of the Biggest Deals.” *CNNMoney*, Cable News Network, 8 Mar. 2018, money.cnn.com/2018/02/21/news/companies/biggest-mergers-acquisitions/index.html.

²². Moreover, if the businesses produce goods that are complementary to each other, the quantity sold of both products is likely to increase. By using horizontal integration of two businesses with complementary goods, such as snack and non-alcoholic beverages, sales revenue and the market position of a new business might increase. On the other hand, expansionary strategy could lead to negative effects for the company. Various factors, such as financial, organizational, marketing and human resource management, may lead to the business' failure. The most crucial to consider here are cultural differences between the two companies. "83% of mergers and acquisition deals did not boost shareholders returns, as a KPMG study indicates"²³. "The lack of expected hike of the shareholders' returns could be explained by not increasing the net profit of a new company"²⁴. It happens due to the mismanagement of strategy, price, risk cultures, or management capacity²⁵.

²²Business Management COURSE COMPANION; L. Lomine, M. Muchena, R. A. Pierce; OXFORD University press 2014; 2014 edition; page 71;

²³ Bradt, George. "83% Of Mergers Fail – Leverage A 100-Day Action Plan For Success Instead." *Forbes*, Forbes Magazine, 27 Jan. 2015, www.forbes.com/sites/georgebradt/2015/01/27/83-mergers-fail-leverage-a-100-day-value-acceleration-plan-for-success-instead/#1f5fe8515b86.

²⁴ibid

²⁵ibid

3.2. The Ansoff Matrix

PRODUCT			
MARKET		Existing	New
	Existing	Market penetration	Product Development
	New	Market Development	Diversification

Figure 5: The Ansoff Matrix

Ansoff matrix is a “strategic marketing planning tool that links a firm's marketing strategy with its general strategic direction and presents four alternative growth strategies (matrix)”²⁶.

This expansion strategy could be seen as having a new product (Bare Snacks) in the healthy food market (a new market segment for PepsiCo). With reference to the Ansoff matrix, this is called diversification. This is the riskiest growth strategy a business can implement, due the company's inexperience in a given market. Additional risks include the impossibility of trying out the product or having unpredicted negative consumers' reactions. However, diversification may become extremely successful, as it can lead to high profit margins and a spread of risk regarding the total product portfolio, having different market segments on a consumer staples sector. Moreover, diversification could also lead to the improvement of the level of competitiveness of the brand in the global market.

²⁶ “Ansoff Matrix .” *BusinessDictionary*, www.businessdictionary.com/definition/Ansoff-matrix.html.

3.3. Vision statement

"For nearly a dozen years, PepsiCo has been committed to Performance with Purpose, our vision of making more nutritious products, while also reducing added sugars, salt, and saturated fat. Bare Snacks fits perfectly within that vision," said Indra Nooyi, chairman and chief executive officer of PepsiCo²⁷. The values of Bare Foods company are:

"Simplicity: We believe less is more, in snacking and beyond;

Goodness: A snack should not only taste good, but also be good for you;

Be Real: We bake it just as nature made it, all we add is the crunch;

Live Fully: It's the simple things that bring the most joy to everyday life;"²⁸

These beliefs build the backbone of Bare Foods vision statement.

"The vision statement is a philosophy or set of principles which steers the direction and behaviour of an organization"²⁹. It is important not to break the vision statement as to not destroy the brand loyalty ("when consumers become committed to a firm's brand and are willing to make repeat purchases over time")³⁰. As the Chairman and CEO of PepsiCo outlines, Bare Foods "fits perfectly within that vision", and as Bare Foods values are similar to the ones stated by PepsiCo's ("produce more nutritious products", "not only taste good, but also good for you", "reduce added sugar, salt and

²⁷"PepsiCo Announces Definitive Agreement to Acquire Bare Snacks, Expanding Better-For-You Portfolio into Baked Fruit and Vegetable Snacks." PepsiCo , 25 May 2018, www.pepsico.com/live/pressrelease/pepsico-announces-definitive-agreement-to-acquire-bare-snacks-expanding-better-f05252018.

²⁸"About - Bare Snacks." *Bare Snacks*, <https://baresnacks.com/pages/about>.

²⁹Business Management COURSE COMPANION; L. Lomine, M. Muchena, R. A. Pierce; OXFORD University press 2014; 2014 edition; page 39;

³⁰ibid; page 300;

etc.”, “nature made”, etc.) their cooperation may have considerable potential for the development of both PepsiCo’s as well as Bare Foods.

3.4. SWOT-analysis

SWOT analysis is a management tool that combines “competitors analysis, assessment of external opportunities, risk assessment, reviewing corporate strategy and strategic planning of an organization”³¹.

SWOT analysis of PepsiCo

<u>Strengths</u>	<p>1. Strong brand image</p> <p>PepsiCo is one of the top three of the biggest food and beverage firms globally³². The strong brand awareness of PepsiCo enables the company to attract new customers, hence increasing the target market and the quantity of products sold by the firm³³.</p> <p>2. Extensive global production and global distribution network</p> <p>PepsiCo is an international business that operates in over 200 countries. This firm has one of the best supply chains and distribution networks worldwide. Additionally, PepsiCo has an efficient reverse logistic and process associated with it.</p>
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³¹Business Management COURSE COMPANION; L. Lomine, M. Muchena, R. A. Pierce; OXFORD University press 2014; 2014 edition; page 47-48;

³²McGrath, Maggie. “World’s Largest Food And Beverage Companies 2018: Anheuser-Busch, Nestle And Pepsi Top The List.” *Forbes*, Forbes Magazine, 6 June 2018, www.forbes.com/sites/maggiemcgrath/2018/06/06/worlds-largest-food-and-beverage-companies-2018-anheuser-busch-nestle-and-pepsi-top-the-list/#3fa9baf61b08.

³³Young, Justin. “PepsiCo SWOT Analysis & Recommendations.” *Panmore Institute*, 6 Feb. 2017, panmore.com/pepsico-swot-analysis-recommendations.

	<p>Therefore, PepsiCo uses its extensive global production and distribution networks as a way of expansion³⁴.</p> <p>3. Attraction of health-conscious consumers</p> <p>The health-conscious market is rapidly increasing nowadays. Due to the acquisition of Bare Foods, PepsiCo may improve their numbers drastically³⁵.</p>
<u>Weaknesses</u>	<p>1. Low entry outside the North and South America market</p> <p>Approximately 70% of PepsiCo's revenue comes out of North and South America, so sales revenue in other continents does not meet maximum potential³⁶. The healthy lifestyle could be less relevant in other markets. Hence Bare Foods could face some difficulties with finding the target consumers transportation of the product to other continents.</p> <p>2. Limited business portfolio</p> <p>PepsiCo operates only in the food and beverage market. It is therefore risky for this business since the survival and the success of such a business depends on the profitability of industry in which it operates³⁷.</p>
<u>Opportunities</u>	<p>1. Business diversification</p>

³⁴Young, Justin. "PepsiCo SWOT Analysis & Recommendations." *Panmore Institute*, 6 Feb. 2017, panmore.com/pepsico-swot-analysis-recommendations.

³⁵ibid

³⁶ibid

³⁷ibid

	<p>Considerable potential to increase PepsiCo's success lies in purchasing a complementary firm that operates not in the same market as PepsiCo does. It will spread the risk among the market³⁸.</p>
<u>Threats</u>	<p>1. Aggressive competition</p> <p>"Unethical behaviour can include price-cutting and increased spending on marketing, quality, and production capacity of the PepsiCo"³⁹.</p> <p>2. Healthy lifestyle trend</p> <p>The healthy lifestyle trend may be a threat against PepsiCo's products, many of which are perceived as unhealthy due to their high levels of sugar, salt, and fat.</p>

³⁸ibid

³⁹"Competitive Aggressiveness." *Open Textbooks for Hong Kong*, 15 Jan. 2016, www.opentextbooks.org.hk/ditatopic/17104.

3.5. PEST analysis

<u>Political</u>	One of the political characteristics of the US market is the strong democratic setup and effective rule of law. Additionally, this country is recognized as one of the superpowers worldwide. This is an advantage for international companies as it allows to have stable and relatively cheap relations international trades with other countries ⁴⁰ .
<u>Economic</u>	The economy of the US is the largest economy in the world, having a GDP over \$16.760 trillions per year ⁴¹ . The well-developed economy is accumulated from tertiary and secondary sectors. Moreover, many public health advocates think that there is a high possibility of taxing sugar-sweetened beverages in the US since a growing number of countries has already imposed sugar taxes on beverages in order to improve the health of their citizens ⁴² .
<u>Social</u>	"The education and healthcare system of the US is one of the best in the world" ⁴³ . It provides highly educated and well-skilled employees and good health support. This allows the wellness and health trend to be implemented. This trend is closely related to the food and beverage market since it appeals to potential consumers wishes and needs ⁴⁴ . This particular trend revolving on health and wellness has rapidly increased over the past years among different age-groups. Thus, the acquisition of Bare Foods by PepsiCo covers

⁴⁰PESTLEanalysis Contributor. "PEST Analysis of USA, the Largest Economy of the World." *PESTLE Analysis*, 21 Dec. 2014, pestleanalysis.com/pest-analysis-of-usa/.

⁴¹"GDP (Current US\$)." *The World Bank*, World Bank National Accounts Data, and OECD National Accounts Data Files., data.worldbank.org/indicator/NY.GDP.MKTP.CD.

⁴²Healthline. (2018). Sugar Taxes: Can They Work in the U.S.?. www.healthline.com/health-news/could-uk-sugar-tax-work-in-the-us.

⁴³PESTLEanalysis Contributor. "PEST Analysis of USA, the Largest Economy of the World." *PESTLE Analysis*, 21 Dec. 2014, pestleanalysis.com/pest-analysis-of-usa/.

⁴⁴"Health and Wellness Food Trends in Europe - Statistics and Facts." *Statista*, www.statista.com/topics/3731/health-and-wellness-food-trends-in-europe/.

	a vast amount of possible customers due to their newly developed cooperation.
<u>Technological</u>	<p>New developments in the field of food technologies increased the use of traditional methods, such as fermentation, extraction, encapsulation, and etc. The aim of this revolves around the production of new health food ingredients, reduction of undesirable components, addition of certain nutrients, and masking unwanted aromas. Modern biotechnology has dramatically changed the means of food production. In addition, discoveries in gene science have enabled the manipulation of components in natural foods. Thus, with further help of biofermentation, the production of natural compounds in vast amounts can be reached with both lower costs as well as less negative impact on the environment. A further area of research that has been lately been used in connection with agriculture is nanotechnology. Despite concerns about advanced technologies, they provide methods for innovative food technology, which includes both a wider range of flavor and textures and prioritizing the consumer's health benefits⁴⁵. Due to the increase in ways of production, manufacturing of healthy food may get easier and cheaper.</p>

⁴⁵Hsieh, Y H, and J A Ofori. "Innovations in Food Technology for Health." *NCBI*, U.S. National Library of Medicine, www.ncbi.nlm.nih.gov/pubmed/17392079.

3.6. Marketing mix

3.6.1. Product

Due to the generic strategy and intensive growth strategies, many of PepsiCo's current brands and products were added to the product mix through acquisitions. PepsiCo used both horizontal and vertical types of expansion, limiting the possibility of failure, enhancing the company's brand awareness, and increasing the target market. Hence, it provides a potential increase in sales and profitability. Since the change of customer preferences towards a healthier lifestyle is occurring nowadays, PepsiCo is shifting their product portfolio to a wider range of "Everyday Nutrition Products"⁴⁶. The Bare Snacks product portfolio consists of snacks, which are "sourced from nature" and "simply sliced and baked", so it is possible to "eat real anywhere"⁴⁷. The acquisition of Bare Snacks would spread the product range of PepsiCo, and suggest new goods which would better meet trends today.

3.6.2. Price

The international expansion of PepsiCo ensures a bigger target market and the quantity of the products distributed sold may potentially increase. It could decrease the average costs of the production, as economies of scale might occur. The main pricing strategies that are used by PepsiCo's are both market-oriented pricing strategy and "Hybrid

⁴⁶Team, Trefis, and Great Speculations. "How PepsiCo Is Transforming Itself Into A 'Healthier' Company." *Forbes*, Forbes Magazine, 19 May 2017, www.forbes.com/sites/greatspeculations/2017/05/19/how-pepsico-is-transforming-itself-into-a-healthier-company/#364860043890.

⁴⁷ "About - Bare Snacks." *Bare Snacks*, baresnacks.com/pages/about

Everyday Value pricing strategy”⁴⁸. One of the company’s objectives is to have competitive prices, which depend on other firm’s prices that are in the same industry and under the same prevailing market conditions. The pricing strategies help to close or reduce the gap between everyday prices and discounted holiday prices. Consequently, the likelihood of these products being bought is raised on both regular days and holidays.

3.6.3. Promotion

The promotional mix is a blend of both above-the-line and below-the-line methods in order to attract the target customers and support the organization's marketing goals⁴⁹. PepsiCo uses advertising as a primary form of communication to directly connect to its customers. They gained brand awareness using endorsements by celebrities to promote its products on TV, radio, and online media. Occasionally, PepsiCo uses sales promotions, like discounts or “BOGOF” (buy one get one free) packages deals. Moreover, PepsiCo uses public relations through sponsoring and financially assisting different events, such as professional sports. Sometimes, direct marketing is implemented through different agreements that provide products to organizations at wholesale prices by PepsiCo. These different types of promotion could help Bare Snack to enhance the awareness of new healthy products. As a result, the market share of the company would expand in this growing industry of health foods.

⁴⁸Young, Justin. “PepsiCo SWOT Analysis & Recommendations.” *Panmore Institute*, 6 Feb. 2017, panmore.com/pepsico-swot-analysis-recommendations

⁴⁹Business Management COURSE COMPANION; L. Lomine, M. Muchena, R. A. Pierce; OXFORD University press 2014; 2014 edition; page 308;

3.6.4. Place

PepsiCo uses a global and international network of distributing products to their consumers. Most of PepsiCo's products are available at retailers, such as supermarkets, grocery and convenience stores. Using the global and international network of distributing BareSnack's products could provide a higher likelihood for customers purchasing these products. Hence, a potential enhancement of the brand awareness and an increase sales of Bare Foods could occur.

3.7. Effect on the share price

One of the most common external source of finance for international companies, such as PepsiCo, are setting shares. The price of shares in a public company is highly dependent on the business's performance. Theoretically, the performance of the company's shares is largely based on the profit it makes. The higher the profit, the higher the total value of its shares becomes. Therefore, the change in share price can reflect on the business' performance in the industry. The share price of PepsiCo on the 31st of April 2018 was 100.25, and on the 31st of October 2018 was 117.14⁵⁰. So as we can see the increase of PepsiCo's share price occurred, which could be seen as the success indicator of this acquisition.

⁵⁰"PEP Historical Prices: Time Period Apr 15, 2018 - Nov 14, 2018." *Yahoo! Finance*, finance.yahoo.com/quote/PEP/history?period1=1523743200&period2=1542150000&interval=1mo&filter=history&frequency=1mo.

4. Conclusion

In conclusion, PepsiCo extended its product portfolio through a variety of nutrition to beverage products. To date, PepsiCo has shifted its strategy towards enriching its product range, by offering healthy nutritional options. One of the biggest rivals of PepsiCo, Coca-Cola (KO) started to enrich its product range with healthy products, which prompted PepsiCo to take action to compete. These new developments demonstrate a forced investment shift of soft drinks multinational companies towards alternative market segments of healthy food.

On the one hand, this type of external horizontal expansion leads to the enlargement of the business's target, namely potential customers of the business, by offering more diverse product range, for Bare Foods and PepsiCo. Moreover, the announcement of the acquisition of Israel's SodaStream international complemented the product portfolio of PepsiCo to Bare Foods, thus sales and market position of Bare Foods may be improved. The potential increase in revenue could decrease the average cost of production gained from economies of scale, which is the very important for multinational company, such as PepsiCo in order to attract consumers with a relatively low price of products sold, to gain wider target market, higher market shares (to improve the level of competitiveness of the brand globally), and to boost the profit margin of Bare Foods and PepsiCo. The diversification of the product range can lead to a spread of risk, regarding the total portfolio (another type of the economies of scale), offering products in different market segments on a consumer staples sector, which would better meet current trends. Furthermore, the values and vision statement of Bare Foods and

PepsiCo are similar, so cultural clashes are unlikely to occur. Additionally, the strong brand image of PepsiCo could help Bare Foods to receive the trust of consumers, hence a fixed target group from PepsiCo's supporters. The health-conscious market is rapidly growing, and as the result the acquisition of Bare Foods shows the critical awareness of PepsiCo regarding changes and forecasting the revenues on this market. Another advantage for Bare Foods is that the political state of the US could enter the global at relatively low prices, so the business would potentially gain high market shares in different geographical market segments. Due to the potential imposition of sugar taxes on the food and beverage market, the shareholders of PepsiCo may implement financial strategies for improving the position of Bare Foods products in the food market globally. The trend of the healthy lifestyle has rapidly increased over the past years among different age-groups. Thus, the acquisition of Bare Foods by PepsiCo covers a vast amount of possible customers due to their newly developed corporations. New developments in the field of food technologies increased the use of traditional methods. As modern biotechnology and nanotechnology cause improvements in innovative food technologies, there are may be more effective possibilities of manufacturing healthy and nutritious products. Thus, in the future, it could be easier and cheaper to produce Bare Snacks, as well as providing more affordable prices for the consumers. Likewise, the main market and consumer orientated price strategies of PepsiCo could help to develop the position in the new market of Bare Foods. The international network of distribution of PepsiCo makes it available to consumers, hence a potential enhancement of the brand

awareness of Bare Foods and increase sales could occur. In addition, the increase of the share price value represents the success indicator of this acquisition to some extent.

On the other hand, the failure of this type of extension, accordingly to the statistics, could likely occur due to financial, organizational, marketing, human resource management and business culture differences between Bare Foods and PepsiCo. The failure of this extension would affect both Bare Foods and PepsiCo. Moreover, this extension strategy is diversification, and due to the indebtedness of the product by PepsiCo and the potential of having unpredicted negative consumers reaction, the financial health, and brand image of PepsiCo could be harmed. The healthy lifestyle trend could be less popular in North and South America, the geographical segment on which PepsiCo operates the most, hence Bare Foods could face with some difficulties with finding the target consumers transportation of the product to other continents. The survival and the success of PepsiCo depends on the profitability of the food and beverage industry on which it operates, and if it was harmed by sugar taxes, it would affect the financial health of PepsiCo, so as a consequence Bare Foods could receive possibly low financial support from the firm, thus this industry could also face the failure. Due to the potential economic change, such as the imposition of sugar taxes on the product, the main pricing strategies, market-oriented pricing strategy, and "Hybrid Everyday Value pricing strategy" could be hard to be implemented. As follows sales of PepsiCo could rapidly decrease, the budget for different industries cooperating with them, such as Bare Foods, may be affected. One of the biggest rivals of PepsiCo is Coca-Cola, and it is implementing same extension strategies, (expansion on the healthy

food market). Hence, due to the high competition in the market, aggressive competition could be implemented, which could be seen as an unethical strategy, hence potentially damaging Bare Food's image.

During the investigation, many limitations appeared. More market research and practical data of Bare Foods Co. beyond the scope of this study could be completed to address some unresolved questions and provide a broader analysis.

Overall, in my opinion, the acquisition of Bare Foods is to a great extent a successful expansion strategy and appears to be highly promising to result in substantial benefits for both companies.

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