

UNORTHODOX SELLING STRATEGY OF PEPSI ORGANIZATION

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Abstract. Choice of the right sales strategy is a major step towards successful organizational performance. On the example of PepsiCo sales techniques will be identified, analyzed and evaluated. The essential theory will back up practical information. The following work will explain how Pepsi's approach toward sales led to the success of a company has in recent years. It will focus upon the way PepsiCo answers market threats and their global expansion strategy. Discussion about their product mix will help outline a company's key expertise. Company is cautious about brand development and puts effort to create a new image of their diverse product range. Instruments like global marketing campaigns and new product development target a new audience. PepsiCo activity on an international market will be reviewed. The economic development of PepsiCo in a globalization concept outline their growth strategy and future potential.

The company successfully forms strategic alliances, which undoubtedly support its global expansion. Their approach to international marketing will show a mix of culture imperialism aiming to create a strong universal brand image with careful operation with a foreign cultural environment. Furthermore, an overview of their relations with suppliers will allow understanding deeper their business activity. While working with their organizational buyers PepsiCo utilizes its substantial market power to establish best possible contract terms. In recent years, the company started implementing ethical practices within their business activity. Different charity programs, support to local communities and promotion of fair trade ideas had a dramatic impact on their brand image and future goals.

Keywords: brand development, marketing strategy. Organizational buyers. Fairtrade practices, product range, globalization, product development.

Methodology and Literature review

The methodology of the research will look into its object and subject. It will cover the hypotheses tested in the research. As well, research tools will be reviewed. Finally, we will cover literature, research is based upon. Full list of sources is available in the segment Bibliography.

- The object of the research – the practices to manage relationship selling practices with distributors and consumers on the international market for the company PepsiCo
- The subject of the research – the effect unorthodox practices of relationship management have on PepsiCo in terms of growth and market position.

The article hypothesises that general marketing is an ineffective tool when it is detached from personal and relation-based selling practices. The PepsiCo has developed a unique way to push

their product on the market, which relies on ethical relationship development with its key stakeholders – distributors and customer base.

List of research instruments leveraged in the article:

- SWOT analysis of PepsiCo
- Customer segmentation of PepsiCo
- Case analysis focused on the connection between personal relations and market results
- Assessment of measures which has affected the organizational strategy

The article is divided into three blocks. First, we will look into companies structure and assess its strength analysis via a SWOT analysis. Customer segmentation will be added to show how PepsiCo views and splits its customers. Second, the emphasis will be made upon PepsiCo in a global context. The block will explain how their approach to relationship management shifts from one market to another. It is fundamental to recognize its local failures in countries as China to under how PepsiCo has formed their existing selling practices. The third block would focus upon PepsiCo's relationship selling AS-IS. As their approach to ethical and personal relations is an incremental part of their global strategy.

The article has been written based upon a good mix of theoretic and practical information. First, the book "Selling and sales management" by Jobber, D. and Lancaster, G. (2019) has been heavily used. It has proved itself to be the definitive text in this exciting and fast-moving area. It focuses on new case studies using working businesses to connect sales theory to the practical implications of selling in a modern environment, which has been leveraged heavily in the article. As well, it continues to emphasize global aspects of selling and sales management. Secondly, "Strategic Analysis of PepsiCo. Inc." by McCarthy, A. (2019) was an inspiration to run an assessment of the company. The book has a good mix of academic and applicable theory, which was used for SWOT analysis of the company. Plus, the book has fully focused upon PepsiCo what made it a great source of real-life information on its organizational practices.

Secondly, the article has used many articles, which provided a piece of relevant open-market information on PepsiCo business activity and company-related events. Own website of the company [Pepsico.com](https://www.pepsico.com). was a valuable source, as it has multiple informative articles on company-related events and its business results. As well, newspapers such as *TheStreet* and *BusinessWire* was used to show a 3rd party response to PepsiCo business activity. At last, Online marketing research posted by Grandinetti, J has shown an impact regional culture has on PepsiCo regional policies. He drove a line between Pepsi's policies and Imperialism, which has many in common considering its scope and spread.

Introduction to Pepsi company

The recipe for soft drink Pepsi was developed by American pharmacist Caleb Bradham in 1880s ([Pepsi.com](https://www.pepsi.com), 2020). As the drink rose in popularity, Pepsi-cola company has been created in 1902. However, PepsiCo, as we know it today, was created much later. The organization was formed after the merger between the Pepsi-Cola company and Frito-lay in 1965. The organization became one of the largest producers of food, snack and beverages worldwide. Since that point corporation is constantly expanding, acquiring brands like Tropicana in 1998 and Quaker Oats company in 2001. Corporation has a product mix of food and beverages brands. Company's portfolio includes 22 brands with revenue above \$1bln (Pepsi Annual Report, 2016). List contains sparkling drinks Pepsi and Mountain Dew, Sport drink Gatorade, juice Tropicana, potato chips Lays and Dorritos, Oatmeal's Quaker Oats and many others. The company showed successful financial performance ranked 44th on the Fortune 500 list with a total revenue of \$62.799 billion. Headquartered in New York, PepsiCo employs over 274.000 people across the globe.

PepsiCo developed a global network with a sufficient client base. It successful interacts with various distribution companies and manage to sustain growth throughout the years. Therefore, the organization established a complex and innovative sales strategies allowing it to maintain their financial figures despite harsh competition from Coca-Cola and other smaller brands. Company mission statement underlines their goal to provide consumers around the world with affordable, delicious, convenient food and beverages from healthy wholesome breakfast to fun daytime snacks.

Their current CEO Indra Nooyi claim to support communities PepsiCo work with and foster environmental responsibility.

Company analysis

The effective business activity requires precise cooperation between different aspects of a company's activity. Sales strategy developed within the context of an overall marketing plan improves the company's sales and significantly impacts organizational performance (Jobber and Lancaster, 2019). While creating a future strategy company is going through four major stages. At first, the company analyses the current market situation. Company identify their strengths and weaknesses. Outline their position from a finance perspective and considers the current marketing strategy. Secondly, they forecast potential sales. After that, management develops alternative strategies and select the best possible one. Finally, the selected strategy is being implemented. In the following block, SWOT analysis of PepsiCo company will be delivered and explained. SWOT analysis is template overviewing strengths, weaknesses, opportunities and threats the company has. Analysis has a direct impact on their selling strategy.

Strengths: PepsiCo brand has a strong presence worldwide. Company has a well-developed portfolio and cumulative annual retail sales over 108\$ bln. They support their brand image with a global marketing campaign and promote itself as an ethically responsible business. Efficient distribution system involving many individual suppliers provide them with cheap, quality materials for their products (McCarthy, 2020).

Weaknesses: Even though Pepsi's products are internationally presented, half of their revenue is generated in the home market. This makes the corporation vulnerable to shake-ups within their home economy. As well, the company receives constant pressure due to potential harm their products may bring to customer's health. On the contrast with their major competitor Coca Cola, the company's brand image is less popular and more poorly recognized. According to (Interbrandking, 2019) inter branding their brand hold 22nd with value \$14.6 billion.

Opportunities: Company is using their strengths to expand worldwide, especially to attractive emerging markets. Strategic alliances with companies like Tingyl and Subway support their consistent growth (PepsiCo, 2107). Also, PepsiCo trying to join new market types. The global market for health and wealth, which total capitalization exceeded \$500 bln is an attractive niche for their brands like Tropicana, Aquafina and Quaker.

Threats: PepsiCo operates in a very competitive market, apart from their arch-rival Coca Cola they fell to pressure from regional producers as Barr. Consumers put pressure on PepsiCo, due to high sugar content within their products. Year after year, individuals move to a healthier lifestyle, which does not particularly go well with sugary carbonated drinks.

Outcome: Company has a target to sustain top-tier financial performance in the long term. To achieve this result, they focus on the ethical side of their business performance, promote environmental stewardship. While creating greater benefit for society, the organization builds equity for its shareholders. They aim to continue international expansion and pursue the new brand acquisition. To support, following the direction of growth the company needs to keep an eye on their sales. There are two sales strategies, which are deliberately used by PepsiCo, targeting and pricing. Targeting or segmentations focuses upon identifying channel, sector and client. PepsiCo constantly target groups of customers. As mentioned in SWOT analysis, the company focuses upon Health and Wellness sectors. PepsiCo is trying to obtain new customers by increasing 'everyday nutrition' category in their portfolio. 'Everyday nutrition' segment of their portfolio stays for products including fruits, vegetable and grains. Another strategy they use called pricing. It is a strategy of making a short-term reduction in prices, creating price premiums or increasing perceived quality (Jobber and Lancaster, 2019). Recently PepsiCo switched to 'Hybrid everyday value' pricing strategy. A company executive said that PepsiCo trained its customers to wait for holiday discounts and stock up soft drinks when a price is low. I responded to that, PepsiCo decreased holiday discounts on their soft drinks and lowered the price for them on a regular day basis (Smith, 2020).

It is crucial to identify and overview Pepsi's relations with organizational buyers. Role of customers for PepsiCo products is kept by large and small supermarket chains. According to Fisher, organizational buyer behaviour is usually divided into three separate elements (Jobber and Lancaster, 2019).

1. Structure: the "who" factor – outline participants in the decision-making process and roles they possess
2. Process: the "how" factor – illustrates information gathering, analysis and decision making which takes place in organizational buyer company
3. Content: the "what" factor – the choice criteria used on various stages of a buying process by individual members of a decision-making unit

First, let's look at a PepsiCo distribution network. The company consists of six global divisions (PepsiCo, 2020). Independently or in conjunction with third parties they distribute the company's products all over the world. Each division has partly independent marketing and sales strategy, monitored from a company's headquarters. Those divisions are responsible to establish relations with organizational buyers. Unlike individual buyers, organizational buyers have a significant number of people having an impact on a decision taken. Decision power held in hands of decision-making unit or buying centre as it sometimes referred to as. Managing director of this entity is the one determines which products to purchase. In a PepsiCo case, those DMU are a part of supermarket chains, like Waitrose, Tesco, ASDA and many others.

Secondly, let's identify the pattern of the decision-making process. Following, the diagram explains how organizational buyers view the decision-making process. How then these stages work in a contest of PepsiCo? PepsiCo uses its supreme position on a global market to set conditions most suitable for their party. At first, the individual product of PepsiCo holds high brand awareness and cause interest among individual consumers. Trying to strategically position themselves against their main rival Coca Cola (Hover, 2020). PepsiCo is constantly involved in expensive marketing campaigns to secure its market position. To achieve the most favourable terms for themselves, PepsiCo applies pressure on them. They are not willing to offer any product specifications and establish a universal price for all their clients. For example, after Brexit Vote one of their products potato chips Walkers had a simultaneous price rise. As Walker spokesman told press association 32 g pack set to increase from 50p to 55p, due to increased import costs. Pepsi used its market power to dictate terms of the deal not willing to do any favours. In 2011, Sainsbury refused to pay a new significant cost rise made by UK Pepsi distributor. After two weeks without supplies and increased shortages of Pepsi brand products among Sainsbury's stores, supermarket reported that it 'caved in' reevaluated terms (Mae L, 2020). Based on those, the process of decision making can be identified. PepsiCo uses its economic strength to put pressure on their buyers and establish a term of agreements in their favour.

The contest is a compilation of aspects of products, which determine organizational buyer's selection choice. Before moving to characteristics products of PepsiCo have, let's look at a product range company offers in greater detail. Product mix presented in the Appendix. It shows total income company divided upon individual brands. Unsurprisingly, Pepsi is by far the most important part of a company's portfolio. As well, other soft drinks as Diet Pepsi, Mountain, Tropicana and Gatorade in combination with Lay's potato chips contribute accordingly to company's profitability (Katje, C, 2020). According to Jobber and Lancaster, two forms of evaluating criteria exist. Economic focus on reliability, cost and functionality of the product. While Emotion list psychological factors associated with a certain product (Jobber and Lancaster, 2019). In the case of PepsiCo, organizational buyers main interest in their product is driven by economic motives rather than psychological factors. Supermarket chains interested in profit, which are generated by PepsiCo's brands' sales. As well, the product of a PepsiCo has a long product life. Their carbonated drinks can last up to nine months while being unopened. Also, those soft drinks are transportable and durable (Deardorff, 2020). Those criteria create a competitive advantage for the company's product list and push supermarket chains to purchase them.

Selling in International Context

For a global corporation, as PepsiCo is strategically important to trade beyond the borders of their home market. The company gathered success operating on all the continents, in most of the

countries. Their economical position is based on strong global selling strategy. The company successfully operates within different cultures, exploits value from international prices and develops strong universal brand image.

Before talking about international sales in the context of PepsiCo let's outline two fundamental principles of a global economy. Those two processes form an international market as we see it today and create an environment so successfully utilized by PepsiCo. At first, let's look at globalization. It is a process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. As mentioned, in a company description PepsiCo has been found in America. However, international expansion company undertaken for the last 50 years made the company far more than a national carbonated drinks producer. Secondly, let's go through International division of labour. It is an outcome of globalization. The term usually referred to the relocation of production facilities from advanced nations to developing countries. The company significantly benefits from reallocation of their production facilities. They established a complex distribution network and reduce expenses from lower costs for labour and raw materials in developing countries, where PepsiCo located a significant share of their production facilities.

Analyzing factors, which pushes PepsiCo to sell internationally rather than concentrating on a global market (Jobber and Lancaster, 2019). These reasons may include the following:

1. Become less vulnerable to the economic recession. Counter market fluctuations.
2. Achieve economy of scale
3. Access to new markets
4. Potential benefits from their expertise of good production, not available on a foreign market
5. Take advantage of faster economic growth rates in a foreign market

Unlike, companies dated back to the 19th century to sell products in a foreign market, production facilities should no longer be located on a home market. For example, in China, the Tingyl-PepsiCo alliance, which is the number one liquid refreshment beverage in a country, established more than 70 plants and national distribution network (PepsiCo, 2020). PepsiCo uses its expertise in food and drinks production to successfully sell in developing countries. However, market power on its own is not enough for successful business activity in those regions. Besides, it is crucial to understand and cooperate with the local culture.

Despite the ongoing globalization, different parts of the world keep their unique culture. Culture is a distinctive way of life of a people that is not biologically transmitted. For an enterprise operating overseas is crucial to understand the local culture. It affects an individual's buying habits, changes the attitude people have towards certain products and meaning attaches to them. Culture has a large impact on communication patterns locals have, as well their attitude toward certain marketing tools. Poor understanding of local culture often ends up catastrophically. For example, in 1963 PepsiCo started its expansion in China (Michelson, 2020). They launched an advertisement campaign with the slogan "Come Alive! You're In The Pepsi Generation". However, on a Chinese market, Pepsi's products were underperforming. As it turned out, the slogan was mistranslated in China as 'Bring your ancestors from the dead'. After this failure, PepsiCo had to relaunch its expansion in China. From that point, the company become quite careful while operating in a state with unknown traditions and unfamiliar culture. They keep an eye on local languages, government regulations, religion or even response customers have toward certain colours.

To promote their global sales PepsiCo is involved in a process called 'Cultural Imperialism'. The recent boom in IT technologies leads to a global market shift (Grandinetti, 2020). To address a market Pepsi launched its first global campaign 'Live for Now' in May 2009. The company consist of TV advisement, prints, online Ads and website to allow internet users to share the experience they had and discuss it with others. The campaign features an ethnically diverse group of males and females engaging in various forms of summer activities. Newly designed cans featured Michael Jacksons who has been recently upvoted as an icon of all times by CNN poll. Pepsi attempted to create a global image for their major product, making associated with words like youthful, exciting and being synonymous with entertainment. PepsiCo successfully exported American culture, their main slogan 'Live for Now' have not been even translated. Universal image of its brand product strengthens its market position and brought in new customers.

Relationship selling

Concept of relationship selling is built around the idea that building long-lasting relationships with consumers will benefit a company long-term (Lither, 2020). According to this concept, the company should focus upon developing strong working relationship rather than going for a short-term term profit goal. Company's philosophy favours long-term sustainable growth, so establishing a strong on-going relationship with their organizational buyers' suit company's strategy. As the mentioned earlier company does put a decent amount of pressure on their buyers trying to establish optimal terms for their products. Nevertheless, the company aims long-term contract signing and develop strategic alliances. For example, lets overview Pepsi's relationship with Subway. Companies cooperate for decades in different locations. Pepsi stays a single carbonated drink in this fast-food network, while Subway receives sweetened syrup for a lower price. Their relationship does not end up there. For example, in the latest 'Super Bowl' Subway commercial, Pepsi's Frito-Lay brand has been presented as a key ingredient in the new Subway's sandwich. Companies support each other in international expansion. In India, PepsiCo became an exclusive National Beverage and Snack provider. Company's looking forward to using their existing brands and innovations to further enhance Subway customers' experience.

Term ethical selling refers to a specific ethical code which affects company selling strategy. Code describes the way company treat their customers and suppliers, take decisions, getting involved in regional problems (Jobber and Lancaster, 2019). The statement can involve the following aspects. The company treats suppliers and customers with honesty, compete in a market by establishing a strong brand image rather than damaging the opponent's one. Sign long-term contracts and keep loyalty towards certain suppliers. Companies develop an ethical code for a few major reasons. At first, they want to promote an image of themselves as an honest, high-standard business. Secondly, companies push their partners to operate with high standard, reducing the risk of damaging behaviour from their side. As well, employees working in an organization with high ethical standards feel respected and satisfied.

PepsiCo is a company with a high moral standard. Company management is cautious about risk ethical problems can create, so they did develop advanced ethical code making their business activity responsible and thought-out (Weinger, 2020). At the first company is careful, while picking their suppliers. PepsiCo looks beyond the traditional aspects of cost, quality and consistent supply while trying to make superior products. Their supply chain compromises thousands of individual suppliers setting clear expectations and desire to do business in the right way. The organization developed a Sustainable Sourcing Program(SSP) to communicate and guide their suppliers. The program helps small business to establish essential partnerships, support them with accountability to develop their transparency. As well, PepsiCo is cautious about environmental sustainability goals. It is a member of Bonsucro, an organization aiming to reduce the negative impact of sugar cane production.

In alliance with Bonsucro, PepsiCo aims to develop certification procedure, which will guarantee 100% sustainable cane sugar production by 2020. Besides, PepsiCo is aiming to improve communities through different initiatives. 'Mother Water Cellar Project in Greater China Region' helps volunteers to construct water purifying tower, which will greatly benefit almost a thousand students and teachers in southwest China (PepsiCo, 2020). 'Food for Good' program helped to provide over 1.6 mln. free nutritious meals to homeless children. Company is involved in many other programs supporting local communities and volunteering organizations. Fundamentally, the company's goal is to strengthen its brand image and develop a positive attitude towards their business activity.

Despite large effort to improve an individual's life and support fair trade, Pepsi is often criticized. Their products soda, sports drinks and other sugary beverages described as an unhealthy choice for children. Children buy into their positive image and colourful adverts and increase the consumption of those goods. According to the specialist, a high amount of sugar included in carbonated drinks leads to obesity and heart diseases. In response to ongoing criticism, PepsiCo and other major industry players started campaigns promoting a healthier lifestyle and regular excise. Pepsi even made summer sport a huge part of their 2009 global marketing campaign 'Live for Now'. Also, the company formed a partnership with the public health sector to support health diseases treatment and obesity reduction.

