How Does PepsiCo Manage to Navigate in a Market Characterized by Intense Competition?

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Abstract

This research article is about PepsiCo's evolution, supply chain, and how they manage in a market characterized by intense competition. PepsiCo has grown into a strong global company with a diverse portfolio. Positioned in competitive beverages and snacks markets, the company faces a lot of competition but manages to maintain its market position and continues to generate market share. The "PepsiCo Way" initiative focuses on optimizing the supply chain for effectiveness, strength, and sustainability. While navigating challenges, including the trend toward healthier options, PepsiCo continues to adapt and innovate for future success.

Keywords: PepsiCo, food and beverages, global supply chains, intense competition

Introduction

PepsiCo started back in 1965 with the business merger of the two companies Pepsi-Cola and Frito-Lay (“About PepsiCo,” 2023). Over the following years, the company expanded its business, acquired hundreds of brands, and generated more and more money. Today, the company has more than 500 brands in their business, and in 2022, it generated a net revenue of 86.4 billion dollars (PepsiCo, 2022). PepsiCo is established in the S&P 500 and is operating in the sector of consumer non-durables and in the industry of non-alcoholic beverages, where the company is the second biggest based on market capitalization value in the industry, only exceeded by CocaCola Inc. (TradingView, 2023). In general, the food and beverage industry can be characterized by intense competition, with a wide array of large companies with a wide range of resources and competitiveness with worldwide companies and brands such as Coca-Cola, Nongfu Spring, and Redbull in the soft drink industry (Brown, 2023). This article explains PepsiCo's supply chain and business model and how they navigate in a market characterized by intense competition.

Market position

PepsiCo has two primary markets: the worldwide market for beverages (non-alcoholic) and snacks. In both markets, PepsiCo is positioned at the very top and has a major impact. Both markets are characterized by intense competition and some major and significant competitors. Figure 1 states the market share for the carbonated soft drink companies and shows that PepsiCo has the second
largest market share in the US. Coca-Cola is the market leader, followed by PepsiCo and Dr. Pepper (Beverage Digest, 2022). In Figure 2, the market share of companies in the worldwide snack and bakery industry is listed, with Nestle S.A. at the top, followed by PepsiCo and Mars Inc. (Snack Food & Wholesale Bakery, 2022).

Figure 1. Market share of leading carbonated soft drink (CSD) companies in the United States from 2004 to 2021.

Source: Beverage Digest (2022)
The stock price for PepsiCo was 169.44 dollars on 10/02/2023, which is a growth of approximately 60 dollars per stock since the beginning of 2019 (Figure 3). During the early months of the COVID-19 crisis in 2020, PepsiCo experienced a significant downturn. However, it quickly rebounded and saw overall growth during this period. So, this did not significantly affect PepsiCo (Figure 3).

Figure 2. Sales of the leading snack and bakery companies worldwide in 2021. Source: Snack Food & Wholesale Bakery (2022)

Figure 3. PepsiCo, Inc. Common Stock (PEP). Source: Nasdaq (2023)
Business model and supply chain

Since PepsiCo was founded in 1965, the business model of PepsiCo has developed many times. PepsiCo always focused on expanding their business model by acquiring hundreds of worldwide brands to extend their business and revenue. Today, the company is effectively using its capabilities to integrate acquired brands and expand them throughout their business model and supply chain. PepsiCo’s primary capability is their strong brand recognition and salience, which have a big impact on the company's sales and performance in the market (Yadavalli, 2021). Moreover, PepsiCo has a strong financial position, which gives it economies of scale advantages in the market. However, many competitive companies, such as Coca-Cola (Brown, 2023). So, one of the ways PepsiCo sets itself apart from its competitors is through an effective and better supply chain. In recent years, PepsiCo developed the initiative "The PepsiCo Way," which is an initiative to strengthen its business model and supply chain. "The PepsiCo Way" focuses on making their business model faster, stronger, and better throughout their supply chain (Figure 4).

![THE PEPSICO WAY](https://scholar.stjohns.edu/jga/vol5/iss1/5)

**Figure 4. The PepsiCo Way.**

Source: PepsiCo - Winning with Purpose (2020)

PepsiCo has many separate supply chains because of their more than 500 brands, each of which has different supply chains depending on the variation of products. In general, the PepsiCo supply chain consists of many components, including a supplier of raw materials and components, suppliers of semi-
finished products, manufacturers/assembly of finished goods, distribution, retail, and final customers (Figure 5).

Figure 5. PepsiCo – Supply Chain.
Source: Self-made with data from PepsiCo - Our value chain (2023)

Figure 5 is a general figure of the supply chain in PepsiCo because PepsiCo has several separate supply chains. Nevertheless, the different separate value chains consist of the same basic components but with different locations and types of suppliers and retailers. For example, PepsiCo's Mountain Dew brand has a separate supply chain from the Dorito brand. Mountain Dew needs different raw materials, such as sugar, compared to Doritos, which needs potatoes and salt. Moreover, the different brands have separate popularity in different countries and cultures, making the retailers different from brand to brand. Furthermore, PepsiCo has more than a thousand different manufacturing facilities worldwide, whereas 291 of them are company-owned, which means that the products go to different manufacturing plants (“PepsiCo - Positive Value Chain,” 2023). Therefore, PepsiCo has many different supply and value chains depending on the brand and location.

With the new initiative “The PepsiCo Way,” PepsiCo is trying to make every aspect of the supply chain faster, stronger, and better to get a competitive advantage in a market characterized by high competition. Faster by developing a more dynamic supply chain to respond to the demand from the customers faster and make competitive advantages. Stronger by using their capabilities to succeed in the market, for example, by effectively using their capability of a large distribution network or their strong economic situation to invest in new
technologies. Better by integrating purpose and sustainability in the supply chain, for example, by distributing the products with electronic vehicles to limit CO2 emissions. An example of this is the collaboration with Schneider National Inc. to make the first shipment of products with an electric vehicle (“PepsiCo - Our stories,” 2023).

**Future challenges for PepsiCo**

The revenue trend for PepsiCo is positive, and in the last three years, the company generated a net revenue of 70.37 billion dollars in 2020, 79.47 billion in 2021, and 86.39 billion in 2022, which is a continuous total increase of 22.8% since 2020. It can, therefore, be argued that this tendency could continue (PepsiCo, 2022).

On the other hand, PepsiCo should be attentive to any potential market challenges that could arise in the future. A relevant topic might be the increased focus on a healthy lifestyle; hereunder, focus on healthier snacks and soft drinks with less sugar and fat (Dai, 2021). PepsiCo is attempting to address this by developing new and healthier alternatives such as Pepsi Diet, Gatorade Zero, etc. Moreover, they have acquired several new and healthier brands as alternatives to their less healthy brands. These are brands such as: Bare Snacks in 2018 (Baked fruit and vegetable snacks), Health Warrior in 2018 (Nutrition bars with chia, pumpkinseeds or other plant-based protein offerings), Imagine in 2018 (Snacks based on real ingredients like apples, cheese, and cranberries), Muscle Milk in 2019 (Protein products), and Beyond Meat in 2022 (Plant-based meat snacks). (“About PepsiCo,” 2023)

Not only the less sugar and fat is in focus, but also the amount of caffeine and other potentially unhealthy ingredients. For example, the article “Sports Drinks and Energy Drinks for Children and Adolescents: Are They Appropriate?” attempts to focus on whatever sports drinks and energy drinks, such as PepsiCo's Gatorade, are suitable for children and should be advertised differently and even if the products should be limited by law (Schneider & Benjamin, 2011). Also, the increasing focus on sustainability is important to address for PepsiCo in the future, which they already try to do with their zero-emission goal in 2040 and “The PepsiCo Way” (PepsiCo - Winning with Purpose, 2020). So, these are all challenges PepsiCo should bear in mind in the future.
**Conclusion**

PepsiCo is one of the largest companies in the snack and soft drink market worldwide. Despite operating in a highly competitive market, with Coca-Cola being a direct competitor, PepsiCo manages to evolve and stay in tune with external trends across all aspects of its value chain and supply chain. This is achieved, in part, through a focus on sustainability, efficiency, and cost optimization throughout the whole supply chain and value chain. PepsiCo does this with “The PepsiCo Way” mindset to secure future competitive advantages. Moreover, PepsiCo succeeded in acquiring and developing current brands to align their portfolios with social trends, such as a healthier lifestyle and sustainability, to keep their market position.

**References**


