PepsiCo – A Research Project

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Roll No- 28

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Introduction

This research project throws light on PepsiCo, a multinational food, snack and beverage producing company. However, the project is limited to its infamous drink "Pepsi". I have conducted a general survey in order to draw meaningful conclusions and assess the type of market and customer base the company harbors. The survey results are kept transparent and are attached with the report in an excel file. The analysis is not limited to the product itself and covers the market as well as the customer base.

Body

I. Product Analysis→ Pepsi is a soft drink which is part of the FMCG industry. It is a sweetened carbonated non-fruit drink which has a long shelf life. Pepsi is priced competitively with its major competitor in India (CocaCola and ThumsUp), priced at ₹35 for a 600ml bottle. In a market this competitive, even the slightest price hikes will lead to a competitor dominating the market.

II. Demand for the Product→ From the survey conducted, we have obtained the following results-
  a.

No. of People (percentage)	Drinks consumed per month
52.5%	1-5
12.5%	5-10
2.5%	10-20
32.5%	None

  b.

No. of People (percentage)	Preferred "Cola"
35%	CocaCola
10%	Pepsi
27.5%	Thums Up
27.5%	Don't prefer Cola

    c. From the tables above, we conclude that 67.5% of the people consume cola out of which only 10% prefer Pepsi. My thoughts are that Pepsi does not have a strong customer base in India. Whereas, CocaCola and Thums Up on the other hand have big market shares and dominate 62.5% of the "Cola" market.

III. Industry Analysis→ Since soft drinks are part of the FMCG industry, they're not affected by market cycles and is a non-cyclical industry. FMCG industry in india is ever-growing and is expected to grow by CAGR 15% approx. by 2025 TO $220B from current $110B. The government taxes FMCG on a rate of 22-24% currently which is expected to decrease to 18-20% shortly.

IV. Supply of the Product→ Companies like CocaCola and PepsiCo often hand out production and distribution to third party companies. PepsiCo has a contract with Varun Beverages Ltd. India's largest beverage making company and distributer, Varun Beverages has some of the notable brands like Pepsi, Mirinda, Mountain Dew, and 7up. The company is also engaged with the distribution of Tropicana, Aquafina, and Gatorade, etc. The substitutes to Pepsi are the Cola and other soft drink alternatives available in the market. The beverage industry has severe competition and is deeply affected by Marketing, Pricing and Availability.
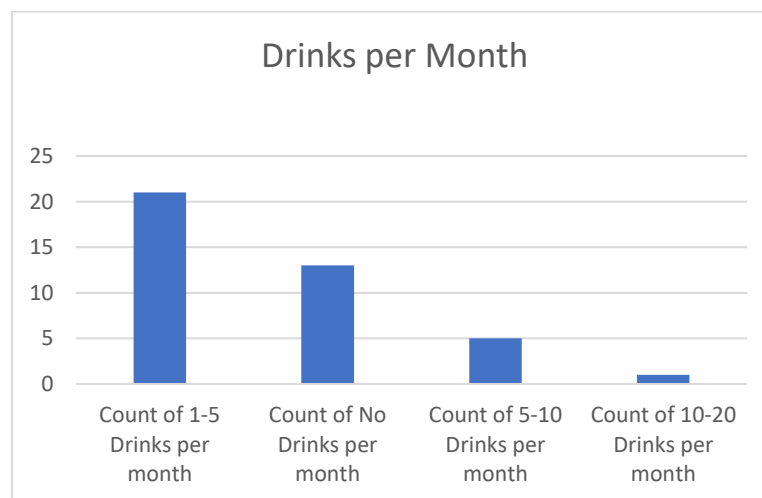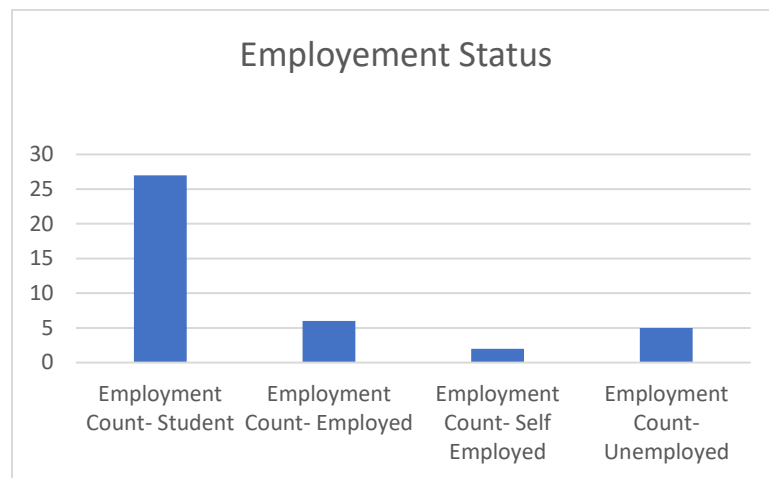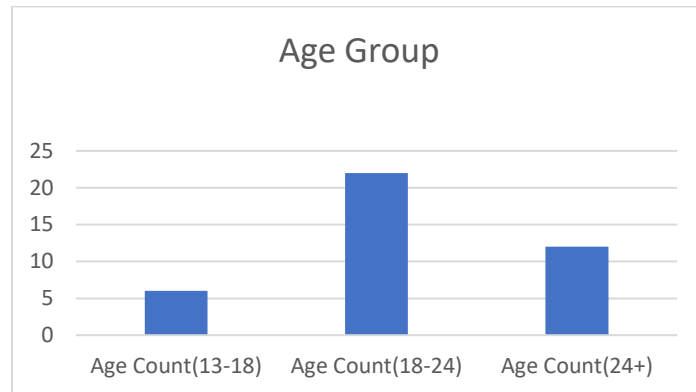
V. Price Elasticity of Demand & Supply→

    a. Demand→ $\left(\frac{P}{Q}\right) * \left(\frac{DQ}{DP}\right)$
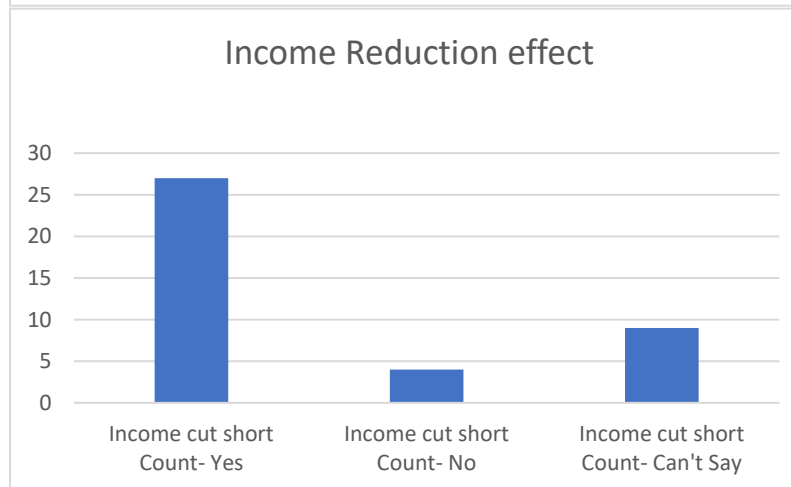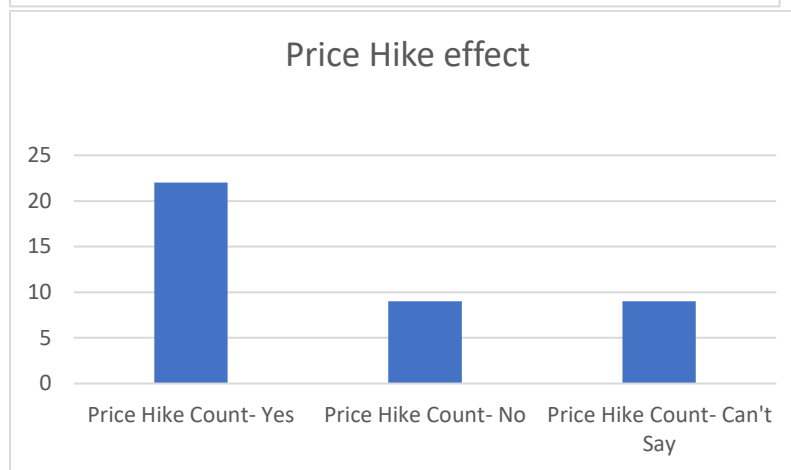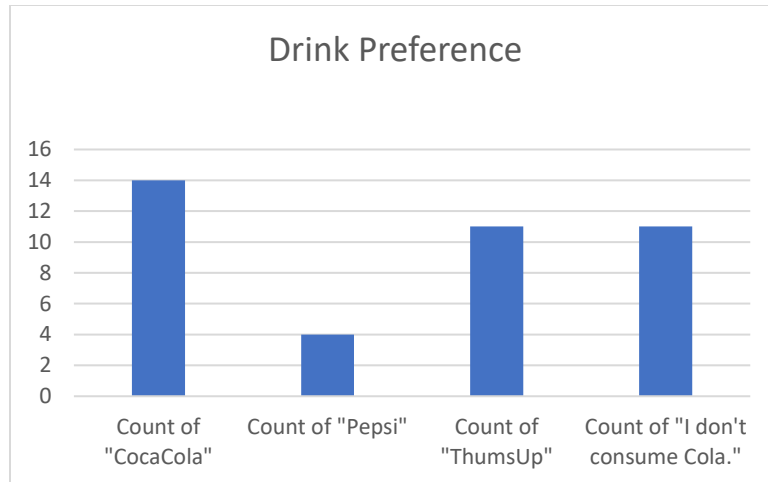
Where, P= Price of the product, Q= Demand of the Product, DQ= Change in demand, QP= Change in Price.
P= ₹35; Q=29; DP= ₹10; DQ= 22

Therefore, $\left(\frac{35}{29}\right) * \left(\frac{10}{22}\right) = 0.5485$

VI.   Graphs-

Age Group

Employement Status

Drinks per Month

Drink Preference

Category	Count
Count of "CocaCola"	14
Count of "Pepsi"	4
Count of "ThumsUp"	11
Count of "I don't consume Cola."	11

Price Hike effect

Category	Count
Price Hike Count- Yes	22
Price Hike Count- No	9
Price Hike Count- Can't Say	9

Income Reduction effect

Category	Count
Income cut short Count- Yes	27
Income cut short Count- No	4
Income cut short Count- Can't Say	9

"Go out of the way to buy preffered drink dillema"

20	
15	
10	
5	
0	

Substitute Condition Count- Yes | Substitute Condition Count- No | Substitute Condition Count- Can't Say

"Health Regulation ban condition"

25	
20	
15	
10	
5	
0	

Health Regulation Count- Yes | Health Regulation Count-No | Health Regulation Count- Can't Say

Conclusion

Here are some of the conclusions I came up with→

a) The nature of the customer base that this industry harbors is not loyal to one brand or company. The customers are likely to choose an alternative drink in order to save 10 Rupees. Hence, we can say that in order to remain relevant to the market the companies must price their products appropriately or offer out of the box products with lesser or no alternatives. For example- A can of Redbull costs Rs. 100, however despite this high price it has it's own market share due to lack of alternatives.

b) The product itself can be called an "Inferior Good". An Inferior good is something that is dependent on people from the lower income segments. This means that is a customer is to be moved from a lower segment to say-an upper income segment; That customer is likely to reduce or stop their consumptions of soft drinks.

c) If the income of the customer base is to decrease due to certain reasons, it would affect the sales of the entire industry. Thus we could say that the Soft Drinks are not a "Need". This however is not the case for products like Rice, Grains and Pulses.

d) An alternative or similar product getting banned or getting hit with a lawsuit WILL affect any other product in the Beverage industry. Like the Maggi case, If any soft drink were to be banned in India due to violation of health regulations, The customer base would start harboring their doubt towards other drinks too. This means that if any company is found guilty of such thing, it will take down a big portion of the entire Customer base with it!

e) A complementary industry to the beverage industry is the Fast-Food Industry. Beverage companies often provide small scale restaurants with sponsored display boards. These are means of marketing.

f) Even though we concluded that the customer base is not loyal to beverage companies in this industry, On the basis of the survey, we can state that a respectable portion of the Customer base is loyal to their favorite brands/drinks.

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