

SWOT Analysis of PepsiCo

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Abstract. This paper demonstrates a comprehensive SWOT analysis of PepsiCo, which is one of the most prominent beverage companies in the world. SWOT analysis is a strategic tool to profile an organization from four aspects: strength, weakness, opportunity and threat. The paper aims to present PepsiCo's current situation in the market with more clarity, including financial statement analysis and competitive factors. The financial statements include total revenue, gross profit, total cost, total assets from 2019-2022, as well as calculations of growth rate of gross profit, growth rate of total cost, cash proportion, accounts receivable proportion, total liability proportion. Based on the analysis, several recommendations are proposed for PepsiCo. The suggestions are consisted of regional strategies, emerging markets and technologies, new regulations and risk aversion. The findings of this study contribute to the strategic decision-making process for PepsiCo and provide insights into the company's position within the food and beverage industry. The SWOT analysis serves as a valuable tool for identifying strengths to capitalize on, weaknesses to address, opportunities to exploit, and threats to mitigate. By aligning its strategies with the findings of this analysis, PepsiCo can enhance its competitive position and achieve sustainable growth in the global market.

Keywords: SWOT analysis; PepsiCo; financial statements; competitors.

1. Introduction

PepsiCo is a company in food and beverage industry. It owns over 20 brands worldwide, ranging from sparkling water to potato chips and cereal. Adhering to the concept of "winning by winning", PepsiCo's vision is to become a leader in the global leisure food and beverage industry. The 'Way to Win' reflects our pursuit of a sustainable way to win the market and firmly integrate the company's philosophy into all aspects of business. The main internal advantages, potentials, and external opportunities and threats closely related to the research on Li through investigation are listed in the adjusted SWOT analysis, which is based on the situation analysis under internal and external competition environment and competitive conditions. These are then arranged in the form of a matrix, and the idea of systematic analysis is used to match various factors with one another and analyze, from which a series of correspond. By combining SWOT with PepsiCo current situation, some proposal can be put forward for the future growth of PepsiCo.

2. Market Analyzes

2.1. Market Composition

The food and beverage industry is a huge and diversified industry with many parts. Large multinational corporations: Enterprises like PepsiCo, Coca-Cola and Nestlé sell products worldwide and own many brands. Food processing and manufacturing enterprises: These companies are responsible for the intermediate process of food production, including cans, biscuits and dairy products. Retailers: They build supply partnerships to meet consumer needs, supermarkets, convenience stores are included. Fast food and beverage chains: These businesses operate globally in the form of chain stores and have extensive distribution network. Packaging and logistics providers: They ensure the safety and quality of food and beverages during production and processing, as well as the smooth operation of sales and distribution.

2.2. Industry Trend

Due to epidemic, world's food and beverage industry suffered a lot. In India the industry provides most positions for over 7 million and 300 thousand; epidemic caused not only unemployment but also bankruptcy. While countries are struggling to resume production, the public are concerning more about hygiene situation. Contactless pay received favoritism in China, India's food safety and hygiene situation is growing exponentially, more regulations and laws are enacted to ensure compliance and increase user loyalty [1].

Apart from that, producers are making innovation in packaging and taste. Indonesia have come up with a practical plan to use more sustainable packaging in face of inclining number of packaging waste [2].

3. Competitors

3.1. Brief Introduction of Competitors

3.1.1 Coca-Cola

Coca-Cola is a leading global beverage company that offers a wide range of popular carbonated drinks, juices, teas, and coffees. Since its establishment in 1886, Coca-Cola has been committed to providing consumers with high-quality and refreshing beverages. The company's portfolio includes iconic brands such as Coca-Cola, Sprite, Fanta, and more. With an extensive global distribution network, Coca-Cola focuses on social responsibility and sustainable development.

3.1.2 Mondelez International

Mondelez International is a global leading snacking company with a portfolio of well-known brands, including Oreo, Cadbury, and Milka. The company offers a diverse range of products such as biscuits, chocolates, candies, and coffee. Mondelez International is dedicated to providing high-quality, delicious, and innovative snack foods that are loved by consumers worldwide. Its international strategy and continuous innovation have contributed to its success in the global market.

3.1.3 Kraft Heinz

Kraft Heinz is one of the largest food and beverage companies globally, offering a wide range of products including cheese, condiments, and canned food. With well-known brands like Kraft, Heinz, and Oscar Mayer, the company provides consumers around the world with premium food choices. Known for its industry-leading supply chain and production practices, as well as its commitment to innovation and sustainable development, Kraft Heinz has established a strong presence in the market.

3.2. Competitive Factors

These four companies compete in many areas.

3.2.1 Beverage market

PepsiCo and Coca-Cola are largest fizzy beverage manufacturer, they have strong contest with each other. Besides, all of them own many famous brands including fruit juices, tea drinks and coffee, and try to attract customers through continuous innovation and marketing.

3.2.2 Snack market

Pepsi has snack brands like Lays, Cheetos; Mondelez International has Milka, Oreo; Kraft Heinz owns Planters, Bagel bites. They compete fiercely in the fields of cookies, chocolates and more.

3.2.3 International expansions

All four companies operate globally and compete for market share. They have branches and factories in various countries and regions to meet the tastes and needs of local consumers. They use strategic partnerships, mergers and acquisitions, and the launch of innovative products to expand market share and compete for a dominant position in the international market.

3.2.4 Sustainability and social responsibility

These companies are aware of the importance of sustainability and are committed to reducing environmental impact, improving supply chain transparency, and engaging in social responsibility programs. They compete for consumer attention and recognition by reducing carbon emissions, recycling packaging materials, and providing social benefits.

4. Analysis of Financial Conditions

Below are financial data tables of these four companies from 2019 to 2022.

4.1. Total Revenue, Gross Profit and Total Cost

The Figure 1, 2 and 3 demonstrate the total revenue and gross profit of these four companies since 2019. It is obvious that PepsiCo continues to rise by a relatively large margin. Nevertheless, the other three either fall or grow invisibly. As for the total cost, each one is increasing, PepsiCo is the most.

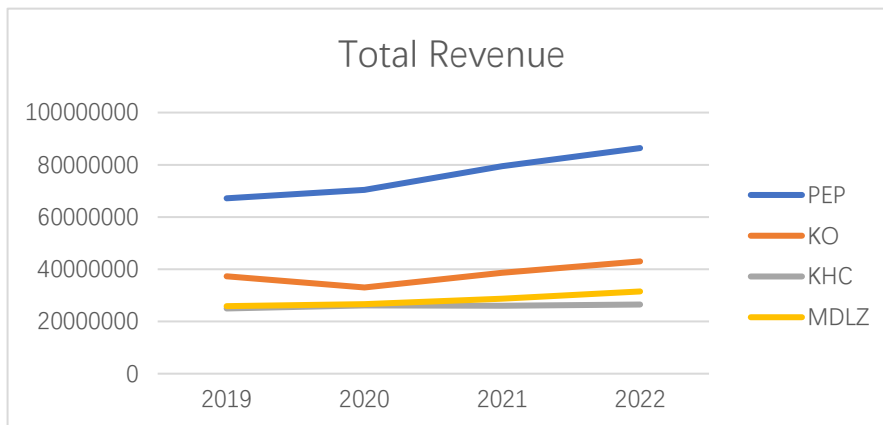


Fig. 1 Total revenue

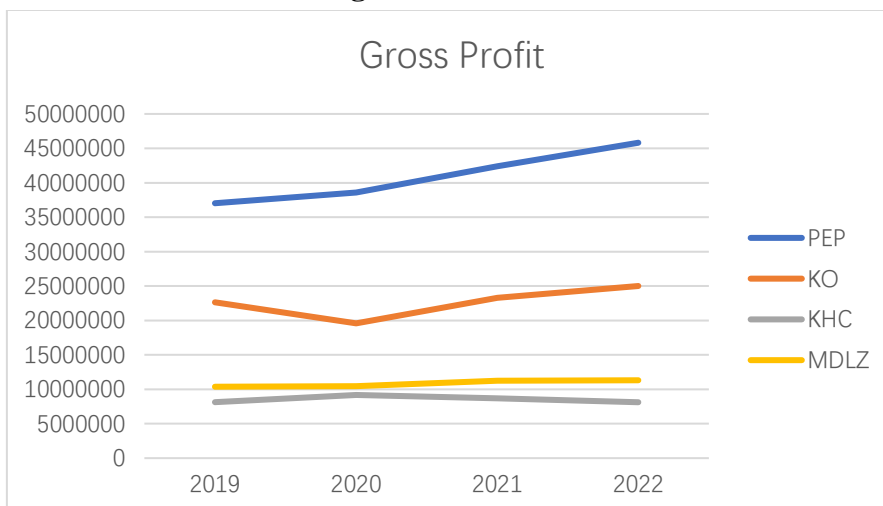


Fig. 2 Gross profit

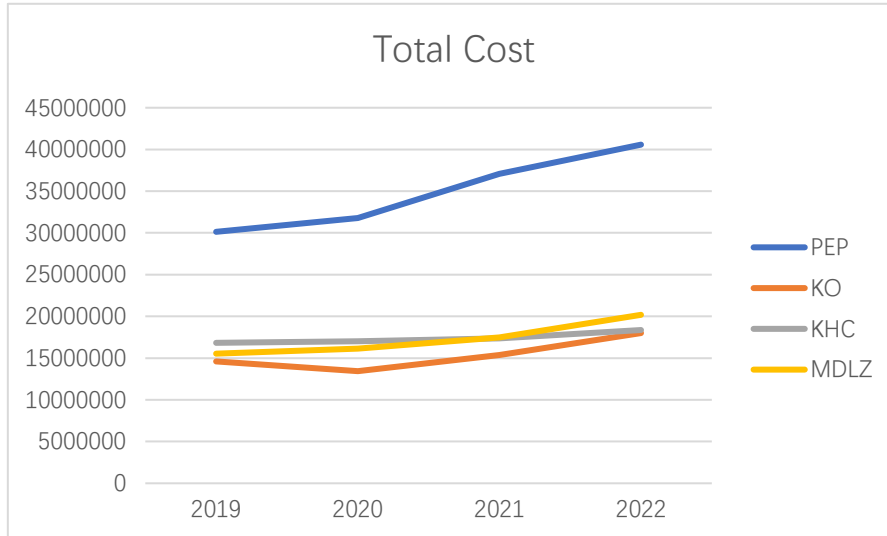


Fig. 3 Total cost

4.2. Growth Rate of Gross Profit and Cost

Figure 4 & 5 show the growth rate of gross profit and cost. The growth rate of gross profit of Coca-Cola and Mondelez International rose from 2020-2021, but fell the following year; Kraft Heinz Company's just kept decreasing; PepsiCo's was basically the same overall. In conclusion, they are all growing at different rates. But compared to the growth rate of total cost, Coca-Cola owns highest growth rate of cost and lowest growth rate of gross profit, which is not a good sign.

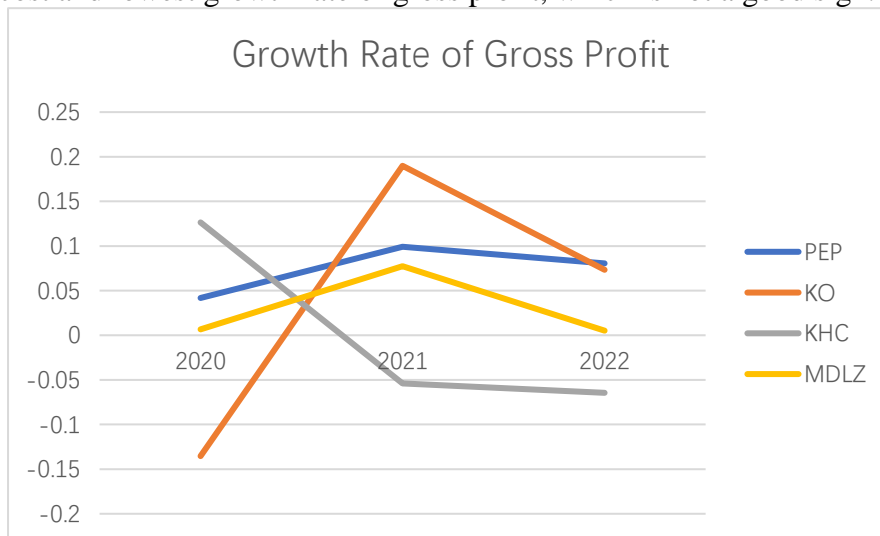


Fig. 4 Growth rate of gross profit

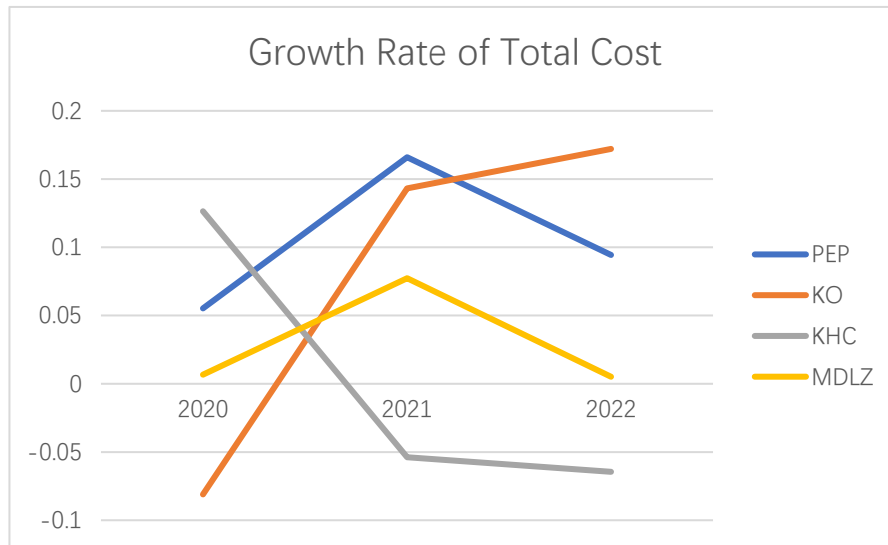


Fig. 5 Growth rate of total cost

4.3. Proportions

In terms of cash flow proportion (shown in Figure 6), Coca-Cola has the highest, which means it has steady cash flow and business. As for accounts receivable proportion, the lower indicates better brands and the stronger the industrial chain position. Obviously, Kraft Heinz Company's is the lowest. Next is the current asset proportion, the high ratio means that the liquidity ability is high, without a lot of capital investment, but the pressure of debt repayment is also large. In this aspect PepsiCo and Coca-Cola are roughly the same.

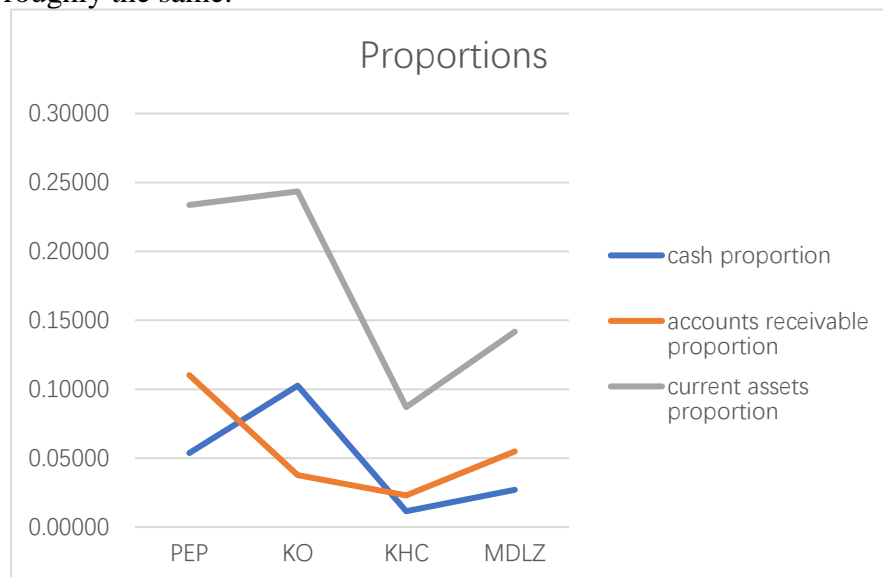


Fig. 6 Proportions

4.4. Total Liability and Its Proportion

The value of total liability reflects the overall debt size of a company at a particular point in time. By comparing with other projects, the financial stability, solvency and risk tolerance of the enterprise can be assessed. Higher total liabilities may mean that companies are under greater pressure to service their debts and need to ensure sufficient cash flow and capital to service their debts. In this area (shown in Figure 7 & 8), PepsiCo accounts for the highest proportion, maybe a potential threat for its future development.

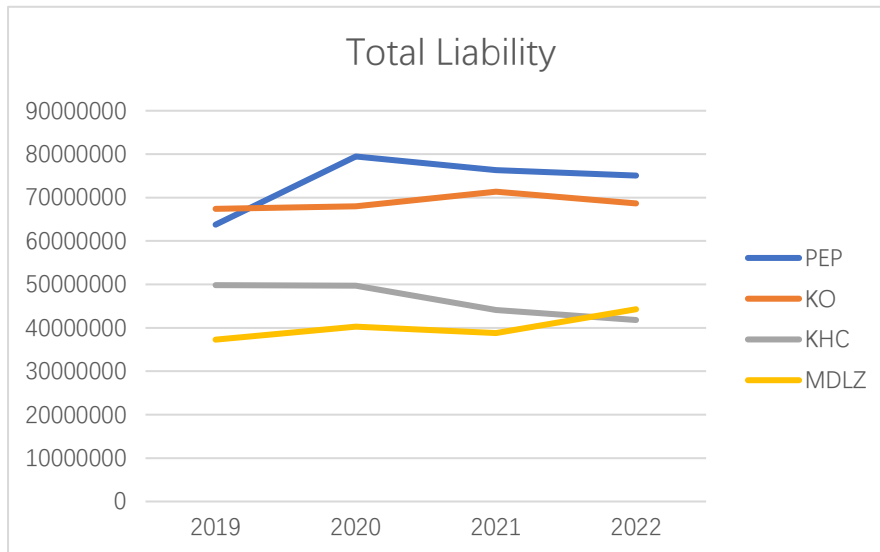


Fig. 7 Total liability

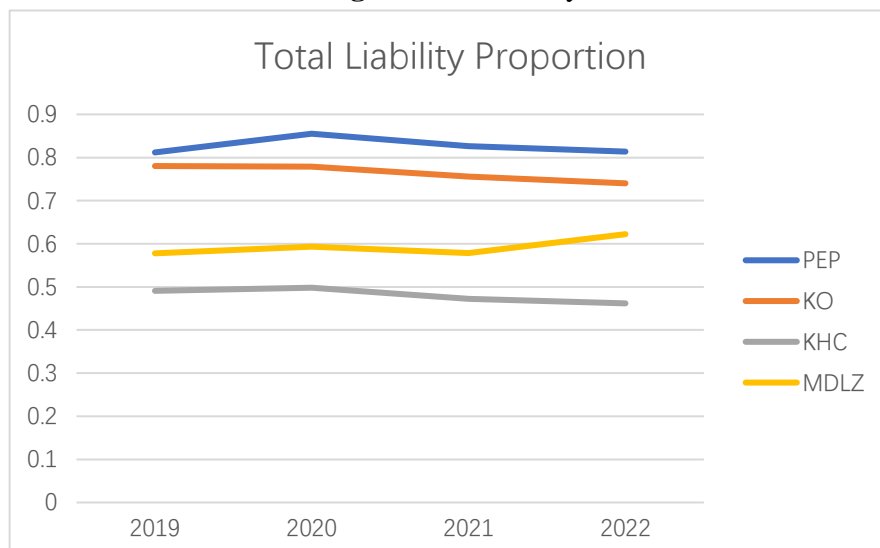


Fig. 8 Total liability proportion

4.5. ROE

ROE is an important indicator to measure the profitability of listed companies, generally the higher the higher the return to investors. The Figure 9 shows the last three years of ROE for these four companies. PepsiCo remain high after-tax ROE, Coca-Cola is not far behind. Kraft Heinz Company and Mondelez International's ROE are low.

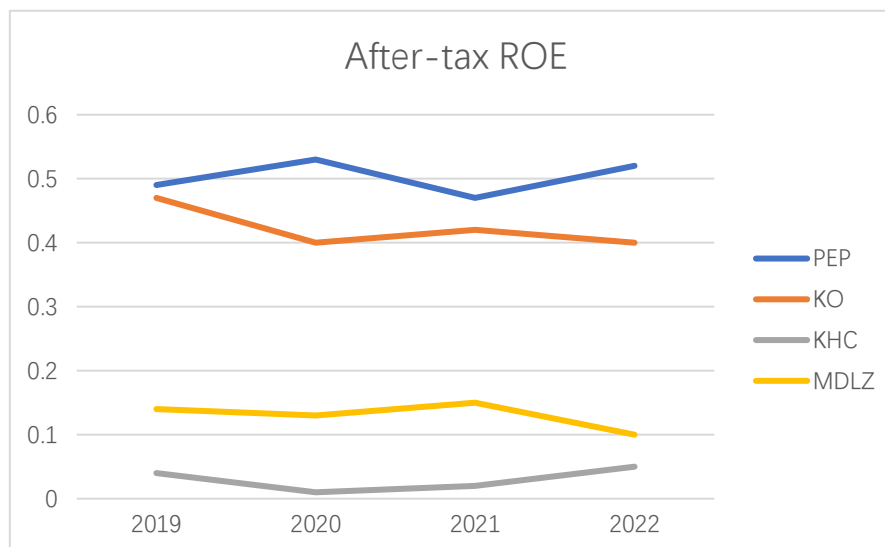


Fig. 9 After-tax ROE

Overall, PepsiCo and Coca-Cola are growing solidly, performing well financially, and benefiting from market competition with each other. In contrast, Kraft Heinz is currently facing the challenges of financial management and market competition, while Mondelez International's financial performance is relatively stable and still has potential for the future.

5. SWOT Analysis of PepsiCo

5.1. Strength

Strong brand power: The profitability of familiarity of a brand by the consumers is called the brand awareness. It is consisted of two parts, brand recall and brand recognition. The way advertisements are posted and celebrities endorsement can lead to bandwagon effect. Consumers tend to pursue celebrities through purchasing products. Pepsi Coca-Cola brand is one of the most well-known brands in the world, with strong brand awareness and consumer loyalty. They have already realized that building brand salience is the key factor to retain customer loyalty. Since the more customers know about a brand, the more willing they are to buy their products [3]. **Diversified product portfolio:** PepsiCo has a diversified product line including Pepsi Cola, mountain spring water, beverages, juices, tea beverages, oatmeal, snacks. Also, it has carried out the Sustainable Farming Program with farmers. The company sources more than 25 crops across 60 countries and provide more than 100,000 jobs in the whole industry [4]. **Extensive Global Business network:** PepsiCo operates in more than 200 countries and has an extensive global business network. **Marketing strategy innovation:** PepsiCo continues to innovate marketing strategies to attract consumers, such as rainbow Pepsi in 2019, and return to vintage Pepsi in 2020. **Energy Efficiency:** PepsiCo's ongoing efforts in energy and environmental sustainability are leading the industry.

5.2. Weakness

First, the beverage market is nearly saturated. PepsiCo is facing a competitive environment in highly developed markets such as the United States and Europe, and market share has reached saturation point. In addition, the quality of marketing activities is difficult to guarantee the diversified product line will disperse Pepsi resources, and the problem of marketing quality is not high enough. Apart from that, there is heavy pressure on sustainability. PepsiCo's plastic packaging has been in the spotlight, and the company has been working to replace traditional packaging with sustainable packaging, but this has also put pressure on the company to allocate resources.

5.3. Opportunities

First, explore growth markets further. With growth potential in emerging markets such as China, India and Africa, PepsiCo can further conduct market research to explore opportunities in emerging markets. Second, pay attention to health beverage market growth. With the improvement of consumers' health awareness, the health beverage market is growing rapidly, and Pepsi can seize the market by developing new health beverages.

Third, internal optimization process is vital as well. Try to use new technologies to improve internal processes, enhance collaboration between company departments, and improve production and marketing efficiency to save the company money. Lastly, improve sustainability. Leading the industry in sustainability, PepsiCo can adopt sustainability strategies and improve the company's image.

5.4. Threats

First threat is the attack of competitors. Coca-Cola is one of Pepsi's biggest competitors, and its market share has always been quite close, and it is possible to launch offensive marketing plans at any time. Second menace is the changes in government regulations. The government may enact stricter regulations to restrict the cola beverage market, or impose such as tax regulations on PepsiCo. Third is price volatility. Rising raw material and manufacturing costs, or commodity price fluctuations, could threaten PepsiCo's bottom line. Monte Carlo simulation based on the geometric Brownian motion can be added to the analysis of how the price of aluminum affects Pepsi cola sales in 2021. The findings show that the values increased in comparison to the previous five years during the epidemic, when aluminum prices climbed. It might be said that PepsiCo implemented an appropriate risk management plan [5]. Last worry is social concern for health. More and more people are concerned about their own health problems, which may not be good for Pepsi shares. All of the threats may contribute to financial risks, ranging from more debts and expenses, higher interest rate to poor liquidity of assets and bankrupt eventually.

6. Recommendations

6.1. Design Regionalization Strategy in Face of Various Countries and Territories

It is necessary to cater the local consumer preferences, culture background and adjust business strategies timely. For instance, it is quite effective in Chinese market to conduct celebrity endorsement advertisement. The fans of celebrities are willing to buy products endorsed by their stars because celebrities can be related to the loyalty to the brand [6]. However, PepsiCo tried to break into Kenya local market for many times, all failed unsurprisingly. It indicates they need to reconsider tactics in aspects like product strategy, location strategy and pricing strategy [7].

6.2. Invest Emerging Markets

Provide customized products and build strong supply chain in order to enhance business. Both PepsiCo and Coca-Cola have similar market segmentation, but customer preferences are changing, which appeal to companies to redesign proposals to cater the needs of customers. So far, they have managed to introduce sugar-free products, but that is far from enough. Further study still needs to be done to discuss when do they enter into complementarity and cooperation [8].

6.3. Persist Sustainable Development

The company could innovate more environment-friendly and more recyclable package and production process. Though PepsiCo has done a lot in solving climate issues and reducing carbon emissions, it needs further identify the feasibility and bridge the gap between strategy and execution [9].

6.4. Apply Technology Innovations to Develop Healthier Products

For instance, replace high fructose corn syrup with sugar substitutes. And improve the effectiveness of marketing strategies through digital analytics. Both PepsiCo and Coca-Cola are changing their ways of commercial advertising. With a shift of advertising themes and taglines from fun, lively, and sports to family, sexuality, and hedonism [10]. During epidemic, both Coca-Cola and PepsiCo are attentive on social media. They chose Instagram as a major platform to spread their ideas and share with the public about health crisis-related content. A large increase of interaction in terms of likes, views and comments can be found [11].

6.5. Focus on Political Stability and Trade Policy

Changes in political stability and trade policy may have some impact on PepsiCo's global business. Therefore, the company needs to pay close attention to and participate in government-related discussions and policy formulation to maintain the stable operation of its business and adapt to changes in the international trade environment.

6.6. Risk Management is Vital as Well

There are six steps to complete it. First, build criteria based on its characteristics. Second is to use the criteria and find out possible consequences. Third step is risk assessment in order to determine correct method and treat the risk. Last is to monitor risk and review timely [12].

The RSI from the end of April 2019 to the end of April 2020 indicates that the share price of PepsiCo during epidemic hasn't fluctuated too much and with the recovery of economy and trade, the stock values are at high level. It is believed that PepsiCo's future operation will make the company have a good prospect [13].

7. Conclusion

In the paper, food and beverage market, PepsiCo and its competitors are analyzed. In addition, we compared PepsiCo's financial statistics in the last four years and gave out some beneficial suggestions. The analysis revealed strength of PepsiCo as one of the largest food companies in the world, its diverse products offerings contributed to its market leadership. By seizing the opportunities and follow trends, PepsiCo can enhance its market position and cater to preferences of consumers. Nevertheless, PepsiCo need to be cautious about potential threats, not only government movements on policies, but also more severe competitions and changing consumers' needs. Opportunities coexist with danger, as long as PepsiCo continue to expand into emerging markets and continuously optimize management, the stage of development will get bigger and bigger. All in all, the SWOT analysis reinforces the significance of innovation of new products, excellent planning and focus on the market. With a proactive approach aligned with the findings of the analysis, PepsiCo can secure sustainable growth and success in a dynamic business landscape.

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