Profitability, Liquidity, And Revenue Of PepsiCo

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Executive Summary:

This report is doing analysis of the evaluation of the current position of profitability, liquidity, and revenue. The problems are identified which are affecting the financial statements severely. Results are also shown after implementing the procedures for rectifying the errors. The volume of sales of PepsiCo in the years 2004 and 2005 are not good, but after 2005, there is an increase in revenue. PepsiCo has developed latest innovation and concerned with R& D department to meet the challenges of the new demands of the consumer. PepsiCo and testing also concern the health experts is done to develop the flavor which the customer wants. It is recommended that PepsiCo take immediate steps to promote its healthy and fresh products and restrict unhealthy products. The cost must also be maintained so the consumer might be attracted towards the products of PepsiCo due to the reasonable price.

Letter (Memo) Of Transmittal:

It is a research report on the Pepsi Company. The main topic of this research is to analyze the reasons for less revenue or the wrong position in the market as compared to last year. The problems and their solutions are discussed, which, if implemented, will have a powerful impact on the financial situation as well as on the marketing position of the company. In the year of 2014-2015, there is less revenue generation. The improvements are made after 2015, and the steps which are involved in the improvements are also discussed in this thesis.

The hard thing is to analyze where the issues are occurring and how they can be overcome. The natural thing in this research paper is to state the prevailing position of the company. The interesting thing in this research paper is to analyze the changes after improvements because there is a rapid change in the financial statements after solving the issues.

The instructions are properly followed in this research paper because these are the guidelines for analyzing the company. There are certain factors which are to be followed to maintain the success of the enterprise. The most important aspects are cost minimization and customer satisfaction. However, cost minimization must not affect the quality of the products of the company.

Introduction Of PepsiCo:

This research is about the Pepsi Company, which is the most iconic company and recognizes the brands of consumers across the world. PepsiCo is a diversified food-and-beverage company rather than a business with only three products. Its portfolio includes hundreds of brands across beverages, snacks, and foods; Pepsi, Diet Pepsi, and Pepsi Zero Sugar are only part of its beverage range. PepsiCo's 2025 corporate material describes a family of more than 500 brands. In future planning, the goal of PepsiCo. They do enough by setting high targets, which are difficult to achieve, but they are capable of maintaining their brand to higher standards. They have been expanding their work since they launched their company. They have set their goals to achieve in products.

They are making efforts to bring continuity in refining the food and beverage choices to meet the needs of the customer through the development of broader product choices. Pepsi Co. also set goals to grow their business and make amendments according to the changing world. They have the planning to make advancements for the rights of the human, promotion of diversity, and community development all over the world. Pepsi Co. is working to expand the Sustainable Farming Initiative (SFI) for the enhancement of practices of environment agriculture. In this research paper, the main emphasis is on the financial statement in which there is a loss from 2014 to 2015, so its reasons will be discussed, and further steps to overcome the problems will also be discussed. The problem is defined in this research paper, and the solutions are also given for solving the problems. After the implementation of the solutions, their potential results are also discussed. Further recommendations are also given for PepsiCo, which can be effective for profit earning. In starting of this report, the executive summary is also provided in which an explanation is given about PepsiCo.

Establishment And Example Of Problem

The revenue of PepsiCo has been decreasing since 2014. There is also a reduction in the operating profit from 2014-2015, but after that, there is an increasing trend. There are many possibilities for the occurrence of loss. PepsiCo is a global company that sells food and beverages in categories highly competitive, and they depend on the continuity of demand for the products. (Rothaermel, 2015) For the generation of maximum profit, customer satisfaction is required. If there is any change in the preference of consumers and PepsiCo cannot meet the changing phenomena, then there will be a deduction in demand for PepsiCo's products. The success of PepsiCo depends upon its ability to respond to the changing trends in the consumer's choice. The consumers are much possessive about their health and wellness, and they should be, they also notice the quality of products, so it is a big challenge for PepsiCo to develop new products which are preferable by the customer either by reducing sodium, sugar addition or full food. There will be an adverse effect on the growth rate of liquid refreshments and snacks if there is no development in the current share and emerging markets. (Black, 2015) The change in the category consumption or consumer demographics can become the reason for less demand. There are fluctuations in the business due to increases in cost, shortages of raw materials, and disruption of supply. Political instability, unfavourable economic conditions, and civil unrest are also the reasons for less revenue in the business. There is a limitation in the PepsiCo business due to the change in the legal and regulatory system, which also creates adverse effects on the firm. Due to the worst weather conditions or natural disasters, there is an adverse impact on the manufacturing department, transportation, distribution, and sales. The rules, regulations, and laws failed to be implemented by PepsiCo, which resulted in improper activities of the employees, late financial information, and many other problems. There is a change in the environment of legal, which is limiting the business activities and increasing the cost and decreasing in demand.

Statement Of Solutions:

(Black, 2015) PepsiCo should build the ability to develop sweet innovation and improvement in production, packages, and products. Respond must be given to the pressure of prices and competitive products.

There is a need to reduce costs and improvement in efficiencies. The strategic plans also help if implemented properly for success in the future. The structure must be developed to lower the cost of running the operations on a long-term basis and more efficiently. There must be continuity of implementation of global operations for effective decision-making, innovation and brand management. More investments must be made for expanding the business which will assist the execution of plans and provide continuity of leading. If the implementation is not done according to the planning in a timely manner, then there is the chance of failure to achieve savings, which will increase costs and less demand. The new policies must be made to maintain higher standards for the quality of products. The confidence of the consumer must be attained in product quality, integrity, and safety. A high ethical and social environment must be properly maintained for all the operations of the business. As PepsiCo is running its operation globally, so there is a need to implement local regulations such as anti-corruption laws and tax laws, and rules and regulations must also be implemented in the manufacturing, distribution and sales departments.

Example of Solutions:

New ideas can provide benefits to the business. If the management and staff work together and make brainstorming for writing the ideas which come in the minds of the employees can provide the best outcomes. In this type of discussion, after getting ideas from all the concerned people, the best ideas can be extracted, which becomes the foundation of the solution. Every company needs brainstorming to get the input of ideas which provide options for workable solutions. If monitoring is done on a regular basis on the activities of the employees and the progress of the department, then the process of solving the problems can easily take place. Managers must do evaluations for the comparison of actual performance and the targeted goals. If there might be any issue, then a particular marketing plan can be implemented to analyze the solutions to the problems. As PepsiCo is getting lower revenue, then there must be a projection for the loss year, and evaluation must be done on the sales to reveal the methods of sales which are to be rectified for the generation the revenue and get back to its profitability track (Nixon, Mejia, Cheyne, Wilking, Dorfman, & Daynard, 2015).

Solution Implementation:

There are many possibilities for the occurrence of loss. PepsiCo is a global company that sells food and beverages in categories highly competitive, and they depend on the continuity of demand for the products. (Black, 2015) For the generation of maximum profit, customer satisfaction is required. If there is any change in the preferences of consumers and PepsiCo cannot meet the changing phenomena, then there will be a reduction in demand for PepsiCo's products. There is also the implementation of rules and regulations for the regular monitoring of the activities of the employees and financial statements. So that if there is any problem prevailing in the financial statements or there is less income, then actions can be taken in a sudden manner in order to rectify the problem as early as possible; instead, it may prolong the whole period. The executives and upper management should unite the employees and ask for solutions to the problems so that they take an interest in the current issues and take responsibility for solving the errors in an efficient manner. The logic tree-based problem solver is also used by PepsiCo to have a detailed analysis of the problematic financial positions for making effective decisions. After making decisions, the solver branches receive responses from consumers and keep working on the strategy until a positive response from customers.

Potential Results:

After the analysis of the problems, PepsiCo has made some policies to come out of the bad situation. It has restricted the products which are damaged or out of date and asked the storekeepers to remove those products from their shelves and make sure that consumers are getting fresh and quality products. The concentration is given by PepsiCo on the risk factors to maintain the reliability of the business. There is an improvement in the adjusted net profit margin from 2015 to 2016, and the slight increase is also analyzed in the profitability ratios. Committees are arranged by PepsiCo, who are responsible for finding the solutions to the prevailing problems. These committees take work from the employees and develop the relationship between the particular department of the company and employees (Nixon, Mejia, Cheyne, Wilking, Dorfman, & Daynard, 2015). Customer service applications are used by PepsiCo to deal with complaints to make strategic plans to handle upset customers. Some tools are used to resolve the problems of the consumers. Service agent allows the customers the provision of small discounts to attract clients for resolving problems and issues, and in these criteria, there is also the management of the cost of extracting the company's revenue. PepsiCo is very aware of its problems and knows where there is a lack, so it is taking adequate measures to maximize profit and to make a position in the market. There have been improvements in financial statements recently, and PepsiCo has rectified many issues. Their targeted valued are of the higher standards, and they are working on the problem-solving strategies to satisfy the customer needs and desires.

The change has also taken place in the manufacturing, designing, and marketing sectors of PepsiCo according to consumer behaviour and core competencies.

Recommendations:

PepsiCo is maintaining its position very well, but in the period of 2014-2015, there was a downsizing in the revenue. PepsiCo needs to concentrate on its cost minimization, but the quality of the products must be maintained properly (Rothaermel, 2015). Consumer satisfaction must be considered a critical aspect so that demands for the products also increase. There must be checks and balances on the financial reports, and employees to analyze the errors and omissions on a regular basis. To get a higher position among competitors, there is a need to do product development in a unique manner because people are attracted towards differentiated products and services.

Conclusions:

This thesis is based on the financial position of the PepsiCo. It is the company which is giving the best products and services to their consumers. But due to some deficiencies, there have been problematic conditions in the last two years. PepsiCo makes improvements, and if there is continuity in improvements, then there will be a rise in the revenue, and the demand for the products of Pepsi Company will also have an increasing trend. The regular checks and balances also assist the management of PepsiCo to make rapid changes for the betterment and to come out from downsizing and generate maximum profit. It is a big brand which has been providing its products and services for many years in a successful manner, but for some periods, there have been some critical situations in the company which can be overcome if proper management is hired in all the departments of the Pepsi Company.

References

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