

Bad News for Wendy's Store Managers

For many years, Wendy's International has served Pepsi in its restaurants. In fact Wendy's and PepsiCo signed a contract cementing their relationship through 2009.

Through a series of acquisitions, PepsiCo has gradually become a competitor to Wendy's as well as a supplier. As the owner of Pizza Hut, Taco Bell, and Kentucky Fried Chicken, PepsiCo is now a major force in the fast-food industry, and Wendy's now finds itself in the uncomfortable position of buying its soda from one of its major competitors. Because PepsiCo uses its soft-drink profits to invest in its restaurant businesses, Wendy's is essentially helping to finance its competition. Furthermore, as a supplier, PepsiCo has access to confidential information about Wendy's sales, information that can be used to Wendy's disadvantage by PepsiCo's restaurant subsidiaries.

In view of this conflict of interest, top management has decided to terminate Wendy's contract with PepsiCo. They want the company-owned restaurants to serve Coca-Cola beverages instead. The switch will not immediately affect Wendy's franchisees, but they will be urged to follow the example set by the company-owned outlets.

Some of the restaurant managers won't be too happy about this change: they are loyal to their suppliers, the changeover is bound to be inconvenient, and some customers may complain. Furthermore, some Wendy's managers will be annoyed that franchisees can still sell Pepsi even though company-owned outlets can't.

Your task: Your boss, Helene Sorenson, is in charge of relationships with Wendy's company-owned restaurants. She has asked you to draft a memo to company owned restaurant managers announcing that Pepsi is out and Coke is in.