Issues with cola war essay sample

Business, Company

“ Cola Wars Continue: Coke and Pepsi in the 21st Century” explains the economics of the soft drink industry and its relation with profits, taking into account all stages of the value chain of the soft drink industry. By focusing on the war between Coca-Cola and PepsiCo as market leaders in this industry – with a 90% market share in carbonated beverages – the study analyses the different stages of the value chain (concentrate producers, bottlers, retail channels, suppliers) and the impact of the modern times and globalization on competition and interaction in the industry.

Analysis:

It is quite clear that there was a “ war” between Coca-Cola and PepsiCo: not only have they been rivals for ages but they have always followed each other’s moves. In the late 1950s, the beginning of World War II, both companies started to make it clear in their advertising that competition existed between them, creating campaigns that recognized the existence of competitors. However, according to Roger Enrico, former CEO of PepsiCo, the brand would have a tough time being an original and lively competitor if it wasn’t for Coke. In fact, this statement proves the existence of a war, but it also proves that both companies actually benefitted from this war.

The warfare must be perceived as a continuing battle without blood. Without Coke, Pepsi would have a tough time being an original and lively competitor. The more successful they are, the sharper we have to be. If the Coca-Cola company didn’t exist, we would pray for someone to invent them. And on the other side of the fence, I’m sure the folks at Coke would say that nothing contributes as much to the present-day success of the Coca-Cola Company than…Pepsi.

To understand the profitability of the industry, I used the Porter Framework, where I identified the forces close to the firms affecting their ability to serve customers and make a profit: threat of substitute products, threat of new entrants, bargaining power of suppliers, bargaining power of buyers, and competition from internal rivals.

Porter's Five Force Analysis

Issues and Recommendation:

The main issue with CSD industry is that the smaller brands are loosing because of the entry barriers. Smaller brand, sometimes even better in taste, can fail miserable due the amount of marketing efforts and investment in distribution channels done by Coke and Pepsi.

Innovation is the key to success but not for the price of losing the current loyal customer. A Positive Innovation always helps in improving the current market. Coke and Pepsi should always try to positively innovate their product through different campaigns and strategies. The move by Coke to introduce new favor in the market was completely a negative innovative strategy. Instead they could have invested more on marketing strategies and increased their distribution channel or provided promotion in sales. Brand name is the most important factor for profitability and that comes for loyal customers following the brand. Consumer might be willing to pay a premium price to get their favorite drink but wont appreciate any change in the most liked product.

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The concentrate business is more profitable than the bottling business and bottlers are vulnerable to the decisions taken by the concentrate business. It is not so clear whether the cola wars really took place and that both businesses profited from that. The tools used in this war were ranging from marketing campaigns to the enhancement of the delivery services and the modernization of plants, introducing new flavors and packing.

The effects of this war were on the industry’s profitability. The competition for supermarket shelf space led to a decrease in retail prices and as a result of intense competition, bottlers saw an increase in capital requirements followed by a decrease in margins. Sustaining profits in a market which is giving more and more importance to the non-carbonated drinks can be difficult task to achieve, but there are some measures that could help both companies in reaching it: diversification, marketing, focus on core products, emerging markets, innovation, market research etc

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