Soft drink industry analysis research papers examples

Business, Company

The soft drink industry faces changing market dynamics, consumer dynamics and intense competition. The soft drinks include “ carbonates, juices, bottled water, energy drinks” (Deloitte 2005, 4). While the industry controls billions of dollars, it only has “ three major players; Coca Cola, Pepsi, and Pepper Snapple” (Goldsworthy 2012, 13). The five forces analysisBargaining Power of BuyersThe industry has millions of customers, who consume over 50 gallons of soda annually (Pepsi, 2012, 2). The buyers’ power is demonstrated by ease with which buyers can switch the suppliers, owing to the small price difference. Further, the buyers need no information on the products’ use, making them have higher bargaining power on ease of switch.

Effect on the internal environment: The major players need to use pricing and marketing strategies to maintain their market share.

Bargaining Power of SuppliersEach of the major suppliers has very distinct and differentiated products. The suppliers exhibit their powers by offering products with unique flavors, colors, packaging and tastes. Effect on the internal environment: Other than the ability to set up the expensive bottling plants and marketing networks, a company within the industry can easily switch from a supplier.

Threat of New EntrantsThe major players, Pepsi and coca cola, have cost and economies of scale advantages. The huge capital expenditures keep of possible entrants. Internally, the industry competes through exceptional branding strategies that identify their products. Effect on the internal environment: The players can control the distribution channels that can be used to compete internally and lock out new entrants. Threat of Substitutes

While the industry has many substitutes, brand switching is low. Internally, companies like Coca cola and Pepsi have brands with the same tastes and flavors. Effect on the internal environment: the internal brand switching is limited because of the exceptional brand loyalty among the industry consumers. Rivalry among Existing PlayersThere exist intense rivalries within the industry. The growth of the industry is slight with major idle capacities. Effect on the internal environment: To cope with the internal industry competition, the manufacturers have substantial brand identities, with the brand name being the major factor in internal competitive edge. VRIO AnalysisThe VRIO model analyses the internal resources and capabilities of the major industry players about the competitive advantages. Distribution systemsInternally, Coca cola mainly focuses on the fountain markets and restaurants and limited focus on retailers. Pepsi mainly uses acquisition such as purchase of Tropicana and Frito-Lay enhances its distribution networks. Coca cola uses a lot of resources to strengthen the networks of the distributors through transportation and cooling systems (Coca Cola 2010, 1). VRIO Analysis: Effect on the distribution systems on internal environment: RarityCoca Cola's ability to reach millions of customers through efficient networks makes its distribution network rare. Compare to Pepsi, the coca cola has more efficient and rare network with higher competitive edge. ImitabilityThe distribution system adopted by coca cola, and the push and pull strategy can be imitated. However, its immense size makes it unique. Pepsi adopted the acquisition strategy that is hard to imitate due to huge cost implications. OrganizationCoca cola has well organized marketing strategy and operational efficiency. The company competes through market dominance and persuasive marketing. Pepsi exploits partnership with firms in other industries such as KFC to meet the market demand. Internal industry differentiation

The industry survives on product differentiation. According to Deloitte (2005, 14), the industry's; practices vary widely across the world due to the " differences in consumption habits, brand awareness and lifestyle". Effect on the internal industry differentiation on the internal environment

The major differentiating factor in the industry is taste and flavoring. Many players have also adopted franchise system (Govind and Kumardatt 2007, 170). Coca cola has kept its recipe a secret for many years, making it able to control the product lines and remain competitive. On the other hand, some industry players use business model as a differentiation strategy. The major coca cola competitors push their products in the market under the model of something ' new and fresh'. Further, the industry players are establishing themselves in other markets like snacks, confections, and water to deal with the internal competitions (Barbara, 2006).

References

Balakrishnan V., and Rajkumar, C. 2006, Innovation in Marketing Management, Excel

Book.

Brownell, K. and Frieden, T., 2009, Ounces of Prevention: the Public Policy Case for taxes on sugared Beverages, New England Journal of Medicine, 360(1805): 1–4..

Coca-Cola Company, 2010. the Coca-Cola Company Policy on nutrition

Labeling and nutrition information 2010, Online: .

Datamonitor, 2005, May, Global Soft Drinks: Industry Profile, New York.

Deloitte Touche Tohmats, 2005, Profitable growth and value creation in the soft drink industry. Online.

Goldsworthy, P., 2012, breaking Down the Chain: A Guide to the soft drink industry, department of supply Chain Management & Marketing sciences Rutgers Business School

Govind, S. and Kumardatt , G., 2007, Brand building strategies for Soft Drinks. National Monthly Refereed Journal Of Reasearch In Commerce & Management., 1 (3), 170-176.

Murray, B., 2006, Carbonated Beverages, Online: http://premium. hoovers. com/subscribe/ind/overview. xhtml? HICID= 1049

PepsiCo Inc., 2012, 2012 Annual Report, Online: http://www. pepsico. com

Sherlekar, S. and Gordon, E., 2010, Marketing management, Mumbai]: Himalaya Pub. House.