Cola wars between coca-cola and pepsico

Business

Industry created the, “ Cola Wars” between two of the world’s largest beverage companies, Coca-Cola andPepsico. This Industry became very profitable, more so for the concentrate producers rather than the bottler’s.

By using Porter’s 5-forces model analysis, It can be determined how each force affects the profitability of this Industry. In this market, the threat of new entrants force Is low In Intensity. Due to the fact Coca-Cola and Pepsi have dominated the Industry, It makes It difficult for new intention to enter the market.

For example, both companies established franchise agreements with their bottler’s that gave them, “ an exclusive geographic territory, with rights granted in perpetuity by the franchiser. ” These contracts prohibit bottler’s from working with competing brands with similar products. Next, the bargaining power of suppliers is fairly low.

Concentrate producers have established long term relationships with their suppliers, and negotiated to, “ achieve reliable supply, fast livery, and low prices. Since there are many suppliers, they have hardly any pricing power, hence making them weak. Overtime, the number of Bottlers in the industry decreased dramatically. When dealing with few, powerful buyers, they are usually able to dictate the terms in agreements. Thus, making the bargaining power of buyers high in intensity.

Bottlers decided whether to market new beverages, advertising, promotions, testing efforts and essentially, “ had the final say in decisions about retail pricing.

The threat of substitutes is, also, relatively high in intensity due to the shift in consumption patterns. In the late sass's, consumption of soft drinks in the U. S. Began to decline because of " the growing linkage between Cads and health issues such as obesity and nutrition. " Americans wanted to switch to less sugary drinks, and could do so at a low price.

Trying to " stem the tide," Coca-Cole and Pepsi both spent millions on product innovation and advertising to promote their improved products.

Lastly, the intensity is high for competitive rivalry within the market. Since the beginning of the SD industry, Coca-Cola and Pepsi have fought each other for higher market share, and have ultimately survived the Intra-rivalry. Roger Enrich, the former CEO of Pepsi stated, " the more successful they are, the sharper we have to be. " The extreme rivalry has made both companies perfect their product, making It very difficult for other companies to try to compete In this Industry.

However, It was quite surprising to me to learn that the level of rivalry was high.

With today's science, technology and Innovations, It Is Interesting that no other company has been able to produce a product that beats out either company. The force that changes the most would be the threat of substitute products because of the continuing health issues of consuming soft drinks. " Declining SD sales, declining cola sales, and the rapid emergence of uncoordinated drinks," forces both companies to continue innovating their products, as well as introduce new ones, to keep their customers satisfied and prevent stimulation.