Coke and pepsi learn to compete in india

Business, Company

The politicalenvironmentin India has proven to be critical to company performance for both PepsiCo and Coca-Cola. There were specific aspects of the political environment in India that played key roles in both companies' difficulties.

India is a nation with a strong belief inloyaltyand devotion to theircultureand Indian products. The government promoted the consumption of local products rather than that of foreign products. The Indian government also has very strict trade policies which created many entry barriers for both PepsiCo and Coca-Cola. The stern rules and regulations of their government did not allow either company to freely promote their products. Typically, foreign investment denotes that foreigners take a somewhat active role in management as part of their investment and typically works both ways. India practices a more controlled foreign investment environment. Both companies should have done extensive research on India's political environment before attempting to enter their market.

Due to the trade barriers established by the Indian government Coca-Cola's first entry into India's market was not successful. Coca-Cola's first entry into India was in 1958 but they existed in 1978 after the Indian government asked them to reveal their formula. Coca-Cola refused and decided to shut down. PepsiCo entered the market during Coca-Cola's 16 years of exile, in 1989. Both companies face major controversy when the Centre forScienceand Environment (CSE), an environmental policy-orientated non-governmental organization (NGO) announced the results of a study. The study found that soft drinks sold in India, including those made by both companies, contained a cocktail of pesticides at concentrations far higher than considered permissible by national authorities and the WorldHealthOrganization (WHO). CSE had established a formidable reputation for accurate data-gathering and sharp analysis.

They tested numerous branded aerated drinks sampled from different parts of India, which included 28 Coke brands and 29 more from Pepsi. During the crisis with contaminated water in India, Pepsi and Coca-Cola were both under fire with the consumers and government. Politicians made it exceptionally difficult for both companies to redeem themselves with the facts they had, but Coca-Cola seemed to have a more difficult come-back than Pepsi. India’s market is enormous in terms of population and geography. Both PepsiCo and Coca-Cola were able to reposition themselves in India’s market and gain some success. In response to the sheer scale of operations in India both companies produced promotional activities that aligned with sporting events and festivals in India. This gave customers the opportunity to take advantage of special sales and contests that encouraged the purchase and continued consumption of both products.

Coca-Cola also changed their pricing policy by reducing their prices by up to 25 percent. Coca-Cola offers a wide range of products to the customers and is always looking to innovate and come up with innovations. PepsiCo also offers different varieties of products ranging from carbonated to noncarbonated soft drinks, offered in a variety of different sizes. PepsiCo also, like Coca-Cola, had to adapt to the pricing barriers in India in order to survive, by making their products pricing more sensitive to India’s economy. Both companies participated in TV campaigns to promote brand awareness and PepsiCo strategy was using celebrities in the introduction of any new product. Coca-Cola had a different approach by dividing the Indian market into two different youth categories; they were able to focus on an all-encompassing theme. Global localization is a policy that both companies have implemented successfully.

It includes the ability to provide shoppers with information in their native language and currency. PepsiCo gained success in this area by forming joint ventures with two local partners of India upon initial entry to their market. To continue the adaption of Pepsi they renamed the product in India to conform to foreign collaboration rules. And the strongest global localization strategy that PepsiCo implemented was sponsoring world famous Indian athletes. PepsiCo growth has been guided by PepsiCo’s global vision of “ Performance with Purpose”. This means that while businesses maximize shareholder value, they have aresponsibilityto all the stakeholders, including the communities in which they operate, the consumers they serve and the environment whose resources they use. PepsiCo achieved a significant milestone, by becoming the first business in the PepsiCo system to achieve ‘ Positive Water Balance’ (PWB) – it replenishes more water than it consumes in its manufacturing operations.

Coca-Cola, on their second go round, joined forces with local snack vendors and participated in special promotions of India’s cultural events. There are many lessons to be taken away from bot PepsiCo and Coca-Cola’s experience with India. PepsiCo should have learned that it is beneficial to keep with local tastes and to pay attention to market trends. Also, they should take into account that celebrity advertising has a favorable appeal. Coca-Cola should have learned that it is imperative to pay attention and proceed with caution when it comes to deals made with the government. They should also have realized the importance of maintaining a good relationship with foreign governments. Coca-Cola should recognize the significance of investing in quality products as well as the crucial effects ofadvertisementto the entry of a new market.

Although, both companies has their share of success within India it is my belief that Pepsi has the ability to withstand longevity in their success. The reason I think PepsiCo over Coca-Cola is that Pepsi entered the Indian market on a much better foot. Also in was genius of PepsiCo to enter a joint venture in launching into the bottled water industry. Coca-Cola as well had to branch out into other products to stay current to the market needs in India. Most recently Coca-Cola has decided to enter the growing Indian market for energy drinks, forecasted to grow to $370 billion in 2013 from less than half that in 2003. The competition in this market is fierce with established firms including Red Bull and Sobe. With its new brand Burn, Coke initially targeted alternative distribution channels such as pubs, bars, and gyms rather than large retail outlets such as supermarkets.

I understand the target market concept butI believethis strategy approach limits the new product exposure to the public. These distribution limitations could result in the potential loss of market share.