Coke and pepsi beverage compare

Business, Company

Non-CSD beverage: Non-CSD beverage

Coke and Pepsi are attacking these categories themselves, each trying to become a “ total beverage company. ” Will this approach lead to brand dilution? Do CPs risk becoming a less profitable business if they do not extend the brand?

No good answers yet to these questions: Pepsi, so far, has had more success and has been more aggressive with non-CSDs. The basic principles of the business remain the same: Coke and Pepsi own the brand and control product development; Dedicated bottlers leverage economies of scope in distribution (selling to the same outlet, same trucks). There are exceptions-e. g. , Gatorade is delivered throughfoodwholesalers. As niche products, non-CSDs carried prices and margins that are higher for everyone in the value chain.

Water: Bottled Water Repeat of CSD New (less attractive) Industry Structure Economies of scale in advertising Hard to create brandloyaltyBarriers to entry in distribution Highly fragmented, competitive structure Similar economics of concentrate firm High price sensitivity Little differentiation

Bottled Water: Bottled Water Unless Coke and Pepsi can generate brand loyalty and establish their brands, water is more likely to become a commodity-like product, where despite the scale and barriers in distribution, most of the profits will be extracted by the distribution channel (retailers) rather than by the concentrate companies or (especially) the bottlers.

Summary of the Case:

1. One of the clearest examples on how firms can create and exercise market power.
2. To really understand the opportunities for strategy, we have to look at the underlying economics of the firm and the industry, and it's related (upstream and downstream) parts. Without understanding the economics of the CP and bottler, we cannot understand the motivations and the likely success of moves like vertical integration.