Real-world competitive environment research paper

Business, Company

Real-world Competitive Environment

Abstract

Among the multiple factors that influence competition, new entrants, mergers and acquisitions, government policies and regulations, and management decisions with regards to labor demand, supply, and labor relationship have considerable impact. This article discusses how these factors affect the competition scenario.

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There are many factors that determine the competitive environment that certain manufacturers face. Though, consumer sentiments single-handedly affect competition, there are other factors that are in the control of government and management. New entrant challenging established manufacturers, mergers and acquisitions, government policies favoring certain manufacturers (typically local manufacturers), and management decisions with regards to supply and labor relations are the dominant ones. This article discusses the management- and government-centric factors in context of competition that Coca Cola faces outside the US and more so in India.

The geographies where Coca Cola operates are also occupied by its long-time rival, the Pepsi. In India, during the early years of its entry, Coca Cola minimized competition by acquiring the beverages business of the erstwhile giant Parle. This acquisition helped Coca Cola with lots of manufacturing, stocking, and distribution advantages over Pepsi. Coca Cola also aggressively tried promoting its brand exclusively and pulling out the Parle-acquired products from the market. However, Coca Cola found the customer loyalty to be stronger and had to re-introduce Parle-acquired brands except the Gold Spot.

As far being challenged in their own product category, both Coca Cola and Pepsi were fortunate as the competition did not last long. The competition in question came from Cadbury Schweppes that soon disappeared in thin air.

As far the effect of the government policies and taxes are concerned, the Indian government adopted a neutral stance. The government shows no intent to favor local brands nor does it have any intention to curb production by increasing taxes.

Since over two decades of its coming to India, there have not been major issues at labor and distribution levels. In fact, in its bid to lure distributors, these companies worked out attractive benefit schemes that seem to be continuing. There is, however, a peculiar phenomenon that both Coca Cola and Pepsi have adopted. It is to associate with major food brands such as Pizza Hut, Domino’s, McDonald’s to name a few. These food brands continue to be hugely popular among the young population and the alliances give sustained business to Coca Cola and Pepsi.

There is, however, a rise of different kinds of beverage, mainly fruit-based, which are in some way taking away market share of the cola majors. Being agro-based products, these beverages enjoy considerable tax benefit. Also, they enjoy huge support by health-conscious consumers. There is more to this competition that goes beyond health consideration and consumer support.

The fruit-based beverages are available at price point that no cola product was available till recently. And the decision to make cola beverages available at the same price point was more of a reactive decision than being a promotional tactic. Second, the fruit-based beverages come from very old and trustworthy manufacturers, one of them being a pharmaceutical company. Another advantage to the fruit-based beverages is that they can be consumed without cooling. This makes them popular among the trekkers. Overall, the fruit-based beverages are certainly creating a niche for themselves by eating out market share of the cola companies.

There is, however, some good news to the cola companies on this competition front coming in from unthinkable corner. First, the cola beverages continue to the preferred drinks for all types of celebration. Second, they continue to be selected for consumption during sporting events that are more frequent in recent times.