Coke and pepsi learn to compete in india

Business, Company

1. The politicalenvironmentin India has proven to be critical to company performance for both PepsiCo and Coca-Cola India. What specific aspects of the political environment have played key role? Could these effects have been anticipated prior to market entry? If not, could developments in the political arena have been handled better by each company? Answer The political environment have played key role as follow: - Indian government viewed as unfriendly to foreign investors. Outside investment had been allowed only in high-tech sectors and was almost entirely prohibited in consumer goods sectors. The “ Principle of indigenous available” If an item could be obtained anywhere else within the country, imports of similar items were forbidden.

This made Indian consumers had a little choice of products or brands and no guarantees of quality or reliability. - Indian Laws, the government mandated that Pepsi’s products be promoted under the “ Lehar Pepsi” name. For Coca-Cola, they attempted to enter into Indian market by joining with Parle and became “ Coca-Cola India” Some of these effects may have been anticipated, especially foreseeing the corruption within Indian government. Taking that into account more proactively might have helped Coca-Cola avoid hardships in the past. As far as the contamination issues goes, that might not have been so easy to anticipate. Both companies held their own when trying to prove their products were within safe limits compared to otherfoodproducts. They could developments in political arena; Coke could agreed to start new bottling plants instead of buying out Parle, and thus wouldn’t agreed to sell 49% of their equity.

2. Timing of entry into the Indian market brought different results for PepsiCo and Coca-Cola India. What benefits or disadvantages accrued as a result of earlier or later market entry? AnswerPepsi early entry than Coca-Cola so it must be different in benefits and disadvantages between them in timing of entry into the Indian market: Pepsi: Advantage – It could enter into market before Coca-Cola so it could gain a foothold in the market while it was still developing. Disadvantages – It was forced to change its name to Lahar Pepsi. And government limited its soft drink sales to less than 25% of total sales. Coca-Cola: Advantages – It could buy 4 bottling plants from industry leader (Parle). It also bought Parle's leading brands such as Thums Up, Limca, Citra, Gold Spot and Mazaa.

And it could set up 2 new ventures with Parle to bottle and market product. Disadvantages – It denied to entry in Indian market until 1993 because Pepsi was already there, so it was not easy to establish the market share with Pepsi. 3. The India market is enormous in terms of population and geography. How have the two companies responded to the sheer scale of operations in India in terms of product policies, promotional activities, pricing policies, and distribution arrangements? Answer Product Policies Coca-Cola and Pepsi launched different product lines for attractive to the Indian consumer tastes. They started with product lines that were already available, such as cola, fruit drinks, and carbonated water. And they introduced new products such as Sprite and bottled water.

Promotion Activities – Pepsi and Coca-Cola adapted themselves to the local market with promotions. Pepsi: They promoted heavily during the cultural festival of Navrarti by offering people fetch one kilo of Basmati rice with every refill of a case of Pepsi. This is an effective strategy to exchange between the old (rice) and the new (Pepsi). On the other side, Coca-Cola offers free passes, and giveaway as well as vacations to Goa, a famous resort in India for promoting its product. Pricing Policies - Pepsi launched with an aggressive pricing policy to attempt to get immediate market share from Indian rivals. For, Coca-Cola reduced prices nationwide by 15-25% to make them affordable and to access the market share easily. Distribution Arrangements - Production plants and bottling centers were strategically placed in large cities all around India.

They were more added as demand grew, along with new product lines. In Coca-Cola’s case, the JV with Parle provided access to its bottling plants and its products. By forming partnerships, both Coca-Cola and Pepsi were able to get initial access into the market. 4. “ Global localization” (glocalization) is a policy that both companies have implemented successfully. Give example for each company from the case. Answer Pepsi - Pepsi forms joint venture when first entering India with two local partners, Voltas and Punjab Agro, forming “ Pepsi Foods Ltd”.

In 1990, Pepsi Foods Ltd. changed the name of their product to “ Lehar Pepsi” to conform to foreign collaboration rules. In keeping with local tastes, Pepsi launched its Lehar 7UP in the clear lemon category. Moreover, Pepsi is most effective glocalization strategy has been sponsoring world famous Indian athletes. Coca-Cola – Firstly, joined forces with the local snack food producer Britannia Industry Indai Ltd. in the early 90’s. Then, Coca-Cola formed a joint venture with the market leader Parle in 1993.

For the festival of Navrartri, Coca-Cola issued free passes to the celebration in each of its “ Thums Up” bottles. It also ran special promotions where people could win free vacations to Goa, a resort state in western India. Furthermore, Coca-Cola also hired many famous Bollywood actors to guarantee its products. 5. How can Pepsi and Coke confront the issues of water use in the manufacture of their products? How can they defuse further boycotts or demonstrations against their products? How effective are activist groups like the once that lunch the campaign in California? Should Coke Address the group directly or just let the furor subside? AnswerMany failures of both Pepsi and Coca-Cola experienced due to the unforeseen external environment, including the boycott placed on American and British Goods following the Second Gulf War in 2003. Firstly, Pepsi and Coca-Cola should have more focused on its products. The market still hasn’t taken off so they need to penetrate harder.

In 2003, India’s annual consumption rate was still a poor seven per person. Specifically, Pepsi spent very small amounts on its 7UP marketing campaigns in India due to its relatively low market size (4. 5%). Advertising dollars should be pumped more freely and strategically if they want to see a return on investment. Next, they should be defined more specifically in their target markets. Coca-Cola separates its markets as “ India A” and “ India B”. This is too broad and lacks focus.

We can differentiate demographics by gender, race, age, interests, job, and location. Then, Coca-Cola entered the market at a wrong time because they had to agree to abide by all of the Foreign Investment Laws of that year. To avoid having to sell its 49% stake though, Coca-Cola should have agreed to set up Greenfield bottling units instead, as Pepsi did. Further, Coca-Cola lost valuable market share by entering the beverage market after Pepsi. By the time Coca-Cola was fully owned in 1993, Pepsi had already amassed a 26% market share. By continuing to apply for extensions and attempting to deny voting rights for the Indian stake, Coca-Cola was only tarnishing its public image and destroying its relationship with the government. When entering into a foreign market, maintaining a good relationship with the host country's government is crucial.

6. Which of the two companies do you think has better long-term prospects for success in India? AnswerIn my opinion, Pepsi will fare better than Coca-Cola in the long run because Pepsi has better in marketing and advertising. It's also more widely accepted from consumers because it came in this market early so this could make Pepsi got more market share than Coca-Cola. 7. What lessons can each company draw from its India experience as it contemplates into other Big Emerging Markets? AnswerFor Coca-Cola, firstly, it must consider more in dealing with government and also establish a good relationship with government. And it must pay attention for investment in quality products. For Pepsi, it must keep their products with local taste, and it should be focus on market trends in that area, celebrity appeal makes for exceptional advertising, and it must keep up with emerging trends in the market as well.

8. Comment on the decision of both Pepsi and Coke to enter the bottled water market instead of –continuing to focus on their core products carbonated beverages and cola-based drinks in particular. AnswerPepsi and Coca-Cola did successful in continuing to research emerging trends and implementing them. Pepsi created smaller bottles to keep up with the trend of high frequency/ high volume consumption. Coca-Cola launched the “ minis” in an effort for higher volume. So, they should keep a close watch on the advertising campaign effectiveness, and research on pleasant of the advertising for intention to buy. This measure ensured that advertising dollars were being strategically allocated and not wasted.

Moreover, they must to consist of establishments primarily engaged in manufacturing non-alcoholic, carbonated beverages, mineral waters and concentrates and syrups for the manufacture of carbonated beverages. Establishments primarily engaged in manufacturing fruit juices and non-carbonated fruit drinks are classified in canned and Preserved Fruit and Vegetable Industry.