

Coke wars case study

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Why, historically, has the soft drink industry been so profitable? The soft drink Industry has been profitable due to numerous reasons. Overall, it was the successful combination of concentrate producers, bottlers, retail channels, and suppliers plus the wide spread availability of Cad's and their availability in diet and numerous other flavors.

2. Compare the economics of the concentrate business to that of the bottling business: Why Is the profitability so different? Concentrate producers, produced cheap concentrate product that was promoted and advertised successfully. The cost to build and run a manufacturing facility was relatively little , concentrate companies invested heavily in research and development and marketing of the product, and successful “ customer development agreements”(where the company would offer retailers funds for marketing and other uses) were made that helped stimulate sales.

Bottling companies had it harder, since the industry was much more capital intensive and had significant expenses in concentrate, syrup, packaging, labor, and overhead. 3.

How has the competition between Coke and Pepsi affected the industry profits? Their competition for greater market share led to the evolution of both companies into dominant companies that left little room for other competitors for the vast majority of their history.

This increased growth in profit, however, meant a lot more advertising and capital investment, which it's profitability began to reach its peak in the late sass's as most other small bottlers were forced out of the market. Thus, as Coke and Pepsi pulled away, other SD concentrate company's and bottlers

were forced to leave the industry, since they couldn't compete. 4. Can Coke and Pepsi sustain their profits in the wake of flattening demand and the growing popularity of non-Cads? I believe they can, as they have been known to branch out and buy or produce other types of products other than just Cad's. An example would be Coke now owning Smart Water.

However, they must invest heavily in these non SD products and make them a bigger part of their operations. 5. Which of the 5 forces is the most important threat for concentrate producers v. Bottlers?