The comparison between coca-cola and pepsi strategies

Business

The Comparison between Coca Cola and Pepsi Strategies Both Coca Cola and Pepsi are popular soda beverages. People drink them everyday in their daily routines as part of a balanced minimum input of 2000 calories. If the income of a population goes down people stop spending less on products and services. The question stated that the income of the population went down 30%. The relation between the amount of the decrease in income and the lower consumption as a consequence of soda products is not linear. This implies that a decrease in 30% in income will not result in a decrease in same about of consumption in Pepsi and Coca Cola beverages. The products sold by these two companies are categorized as basic necessities since they are both food products. The demand for soft drinks is elastic which means that if the price of the product rises its demand will go down. The best strategy these two companies should implement if the customers lose 30% of their income is to lower the price of their products to attract more sales from customers that are looking to save money. Both these companies should use aggressive marketing strategies under such an economic outlook to drive sales of its products. A potential threat to both these companies during a recession is the entrance of a new player with a cheaper product of same quality. This threat is minimal since companies for decades have tried to outperform the sales figures of Pepsi and Coca Cola and they have failed miserably. Coca Cola generated $35. 11 billion in revenues in 2010 (Thecoca-colacompany, 2010). A factor that is keeping these two companies at the top of the food chain is brand value and goodwill. Coca Cola is the market leader in the soft drink and industry and Pepsi is the second largest player who has many lucrative contracts with fast food restaurant that carry its brand in its menu offering. In order to maintain its market share the best strategy for both these companies is to lower prices. Both companies are going to have to accept a lower gross profit in order to maintain its customer retention rates high. Items such as food, medicine, and shelter are basic necessities that cannot be eliminated from a customer’s personal budget even if their income goes down. Luxury items such as 20” rims, Seiko watches, and jewelry are the types of products whose demand drastically goes down when the population has a lower overall income. Both Pepsi and Coca Cola could offset the effect of lower sales without the need of lowering prices too much through acquisitions. For instance Coca-Cola could purchase all the equity of a company that manufactures generic sodas. They subsequently aggressively market the brand to increase its sales due to its marketing expertise and monetary resources for such a campaign. The Coca-Cola brand will not be hurt by the generic division because both brands will be marketed differently without associating one with the other. The same strategy could be implemented by Pepsi. Coca-Cola and Pepsi control the soft drink industry. Under the scenario that the population loses 30% of its income both Coca-Cola and Pepsi are prepared to economically for the effects of a recession. ReferencesThecoca-colacompany. com (2010). Annual Report Coca Cola 2010. Retrieved October 4, 2011 from http://www. thecoca-colacompany. com/investors/pdfs/10-K_2010/12_Coca-Cola_Item8. pdf