Analysis soft drink

Business

Analysis of the U.

S. soft drink industry, based on the competitive forces model of Michael Porter. In the soft drink industry the entry of new competitors depends on the barriers to entry that are present, and also the reaction from existing competitors that the entrant can expect. I will now analyze the six major sources of barriers to entry the soft drink industry. Economies of scale deter entry by forcing the entrant to come in at large scale and risk strong reaction from existing firms or come in at a small scale and accept a cost disadvantage.

If a company wants to decline its unit costs of their product, they will have to produce more to lower the cost.

The more you produce, the lower the costs. In the soft drink industry establishing firms have brand identification and customer loyalties. The brand name can have differences. This is a high barrier to enter. Entrants are forced to spend a lot to overcome existing customer loyalties. The capital requirements within this industry are very high.

Production, distribution and advertising are a must to compete with the industry leaders likeCoca Colaand Pepsi. So if a new The aluminum cans, plastic and glass bottles are pretty much dependant on the soft drink industry to survive in the business. This makes suppliers to have little power over the soft drink industry. The access to distribution channels is a high barrier because the most successful soft drink companies are aggressively spending their distribution channels and buying full ownership of bottling plants.

Supermarkets are at present the largest channels in the U. S. and there the competition is very high. Switching costs is also a barrier to entry this business. Switching costs by changing from one supplier to the other may happened.

Also employee training, new equipment, testing new technology. This things are common in this industry. This are barriers for new entrants.