

COMPARATIVE ANALYSIS OF PEPSI AND COCA-COLA

EXECUTIVE SUMMARY

The purpose of carrying out a comparative analysis between any two companies is to evaluate their strengths and weaknesses as well as business patterns to find out their performance in the market over the past few years. This comparative analysis helps companies learn and grow from their weaknesses and develop an even more strong strategy over time.

The soft drink also known as non-alcoholic beverage industry is dominated clearly by two names in the market ever since we have known. Pepsi and Coca Cola. These two companies are spending their revenues and exceptional marketing strategies for more than a century now to outdo each other in the competitive world. Both of them have a very high market share with a set of strength and weaknesses that vary and the reason that both of them have been surviving the competition ever since is different approaches to somewhat same destination (Cuthbert., 2019).

This paper finds out the competitive strategies carried out by the above-mentioned companies during the cola war in the past years. Depending on the decisions made and strategies chosen by both companies this paper evaluate how various frameworks and business strategies used by both companies have affected their position in the market and made one of them to be better in the market than other. The analysis begins with a basic introduction of these companies in the market followed by a historical background of both the companies and the present stance in the market. Secondly, the market analysis of both the brands is done separately to form a clear image of different routes taken by each of them. Later on, with complete detailed survey of Pepsi and Coca Cola a comparative analysis as to which one is lagging behind and some recommendations for that company to outdo the other will be discussed.

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INTRODUCTION

The soft drink industry is not a new one in the market. It won't be wrong to say that these businesses rule over a considerable portion of the market. In the urban culture use of soft drinks has been growing rapidly and there is no news to whether it will decline in the next few years. The reason behind this that in urban areas where people mostly carry out their dinner parties and occasions with soft drinks. The marketers are developing new strategies which improve the manufacturing, marketing, transportation aspects of their soft drink business and keep them at the top of the table. Moreover, the competition framework for such companies is considerably different from others. The main win is achieved through how well a company perform in costing, customer centric approach and enticing audience through their unique tactics. Over the past few years, we have seen some of the most amazing advertisements that are known to mankind which specifically target the audience with the purpose of calling them towards the brand. In today's highly competitive market there are two names known for delivering the best services and remaining at the top alternatively. Pepsi and Coca Cola. Through the years these two companies have been grabbing every opportunity to catch on the weakness of the other and using it to the best advantage of itself (Haldipur, Competitive Analysis Between Coke and Pepsi, 2015).

If a company has to survive in the market it should be able to keep up with the advancements and survive the competition with the similar companies. A successful competition strategy keeps in mind the weaknesses of the competitors while avoiding the strength. This close observation of weaknesses gives one company a winning advantage over the other. there are several ways through which a company can have a competitive advantage over the other. Strategies such as differentiation, differentiation focus, cost focus and cost leadership help process how to win the competition in the market (Competitive Strategies for Coca-Cola and PepsiCo Companies, n.d.).

these four strategies are different ways used by marketers to gain an upper hand over the other company.

For instance, in differentiation, a company strives to produce goods that are different from its competitors. With a distinguishing feature that sets them apart the company attacks on the audience's perception of delivering something new. In this case one of the either Coca Cola or Pepsi might want to produce a little different product by altering the ingredients. Or may add something that increases the value of overall product thus set a higher price for it. this improved quality may achieve the attention of consumers by impressing them in producing a good that is better and safer for their health. This increased price also covers up the cost of production thus increasing the profit.

In the differentiated focus the company varies its production from that of its competitor in a narrow market range only. This strategy should be ideal for businesses who are focusing on targeting a wider group of audience with variable taste and preferences. In this type of strategy, a company would focus on other aspects of a product from taste to develop a sense of attraction in the customers. For example, Pepsi may slightly vary their packaging to that of Coca Cola and focus on an attractive design that would provide them the benefit of increased sales.

On the other hand, the cost leadership strategy focuses on producing a product in lowest possible cost. By lowering the cost of a product from its competitor a company can sell in more quantity thus gaining an advantage over their rival. For example, Pepsi introducing offers and discounts or buy one get one free business strategy on events like thanksgiving and other festivities. In such cases, until the attained trade amount is equal or even near to the market price, Pepsi can relish a greater profit due to increased economies of scale.

Lastly, cost focus strategy allows setting up a lower price on the similar product in certain sections of the market. This generally happens in large scale production only. The company may decide to set up variation in prices for the same product depending upon the type of customers. for example, introducing student discounts or discount for nurses and doctors to show them they care. This is one of the most successful marketing tactics a company can pursue (Competitive Strategies for Coca-Cola and PepsiCo Companies, n.d.).

Companies use hundreds of dollars along with years of experience to invest in developing winning strategies for them. These wins can need to checked and balanced as the market state never remains constant. That's the thing about business, one day a brand is up next days its down, to ensure the later does not happen a business should be willing to strive at all times to first gain then maintain the position it has secured over years. When it comes to victory of a soft drink business there are 4 major defining factors.

- Availability
- Visibility
- Cooling
- Range

Availability

Marketers are well aware that purchasing of a soft depends on various factors. No one really plans on stocking up a soft drink in their monthly or weekly grocery items, rather its an impulsive decision. This impulsivity is dependent on the sudden urge of having a cold drink in hot weather or even to serve during a family feast. Now when it comes to purchase of a

soft drink the major decision is dependent on its availability. If the stores are stocked up with a particular soft drink chances are people will opt for it more than any other choice.

Visibility

Often times we observe grocery stores or even basic shops with billboards sponsored by Pepsi or Coca Cola. Or even refrigerators are pasted with Pepsi logo. The purpose of this is to increase the visibility of a product. Without visibility, a product's availability is of no use. That's why companies use these tactics to entice customers and urge them to buy their product at the first glance.

Cooling

The whole purpose of a soft drink is to cool down the body heat or to enjoy it with hot food. A soft drink which is chilled in a shop would be sold more than a drink which is kept in cartons. This factor contributes majorly to the sales of a soft drink.

Range

A range of a product is defined by its availability in different sizes to serve a wide range of customers. from a single person buddy pack to large jumbo drinks are ideal for people with large groups as well. This range also gives an impression to customers that they are saving money while getting more quantity in less amount (Haldipur, Competitive Analysis Between Coke and Pepsi, 2013).

COMPANY OVERVIEW

Coca Cola

HISTORY

The history of Coca Cola can be traced back to 8th May 1886, when pharmacist Dr. John S. Pemberton mixed natural elements: caffeine, coca leaves also known as cocaine and syrup to create a medicine. He invented this combination at Jacob's pharmacy and asked the visitors to have a free taste. Upon tasting, customers were really awes trucked with the amazing flavor of the mixture. Seeing this, the pharmacy started selling this mixture for five cents for each glass. Another pharmacist who worked with Mr. Pemberton, Frank M. Robinson tossed the name for this beverage as Coca Cola, while also taking up the honor of designing its first every logo. The same logo is continued by the company up till now. As the drink began to gain its popularity, each day almost 9 glasses were sold which led to a gross profit of \$164.25 during the first year. Since then Coca Cola which is now functioning as Coca-Cola Company Inc. has developed more than 10 billion gallons of syrup worldwide (Competitive Analysis of Coca-Cola: PEST and Porter's Five).

Later in 1893 January, Coca Cola got registered with the U.S. patent office. And following the registration, in 1915 the company created its renowned contour glass bottle which remained very popular among the customers and led to huge rise in sales. By the year 1917, Coca Cola had become the most widely known trademark company with a highest of 3 million Cold drinks sold per day. However, the founder did not live long enough to witness the success of his company.

Now, Coca Cola was a famous beverage amongst most users and it gained even more popularity during the World War II. The reason as to why Coca Cola gained more audience than ever was

its promise to deliver Coke to every U.S soldier during the war. During the time period of 1930 to 1936, the company had expanded its reach to Germany and it continued the business during the war as well. The company image was recreated again as a German company and the factories in Germany were allowed to manufacture Coca Cola secret ingredient recipe. Now, As the conclusion of war approached in 1945, the company ruled over 64 overseas bottling plants. It was during the same year that the company listed on Coca-Cola's popular nickname "COKE" (Nadeem, 2010-2012).

After 130 years of development to this beverage, the Coca Cola started ruling the market majorly in the year 1960. The company became a global icon and now is known as the number 1 company leading as a non-alcoholic beverage seller in the industry. Coca Cola company Inc operates in approximately 200 countries and has a license for more than 500 brands of sparkling and other beverages. Moreover, Coca Cola also has formed an association with more than 100,300 bottling partners world wide and rank amongst the top 10 private owners with a number of more than 700,000 people working for them in all parts of the world. According to statistics, the Coca Cola business has a selling average of 1.9 billion products each day (Competitive Analysis of Coca-Cola: PEST and Porter's Five).

BUSINESS MODEL

The basic motivation followed by Coca Cola company is to create a difference in the world through its business and marketing. Coca Cola considers itself responsible for spreading happiness and joy amongst the people. Their promises are based on 6 P's which define their company values and core objectives.

- **People:** Coca Cola Company promises to be an amazing place where people are encouraged to grow into best version of themselves.
- **Portfolio:** Producing quality beverages that fulfill people's requirements.
- **Partners:** Have a strong system of customers and suppliers, to create a strong identity.
- **Planet:** To act as a accountable citizen who makes a change by building strong communities.
- **Profit:** While staying true to company's core values, maximize the long term return.
- **Productivity:** Become a highly operative and growing organization (The Coca-Cola Company Reports Solid Operating Results in Third Quarter 2017, 2017).

In addition to these core values, Coca Cola has a widespread network of management divided into six major active groups which can be divided into the below mentioned categories.

- Europe, Middle East and Africa – Sales: 29% and Profit: 7.21%
- Asia Pacific – Sales: 28% and Profit: 4.92%
- North America – Sales: 23% and Profit: 4.30%
- Latin America – Sales: 20% and Profit: 3.78%
- Corporate – Sales: 14% and Profit: 0.07%
- Bottling Operating Segment: – Sales: -16% and Profit: -3.70% (The Coca-Cola Company Reports Solid Operating Results in Third Quarter 2017, 2017).

The first five of these units are considered to be company's planned business units. Each strategic unit is appointed a head who then reports to the Chief Operating Officer. The chief operating officers then have to collectively inform regarding the operations to the Chief Executive Officer and also to the Chairman of the Board of Directors. Coca-Cola works on a

decentralized structure while having a chief authority where all sub units report. One important aspect of Coca Cola core values is environmentalism. The company promises and then keeps up with the environmental regulations (Cuthbert., 2019).

The use of beverages despite related medical concerns has remained very popular in the past and there is no visible decline in the consumption as well. The Coca Cola's portfolio is very wide which gives it the benefit of serving a large group of audience. Coca Cola's portfolio comprises of about 21 brands with a sale more than \$1 billion including various extensions to the product. These products include Coke, Diet Coke, Coke Zero, Sprite, Dasani, Fanta, Powerade and Minute Maid. This diversification in portfolio enables it to satisfy the needs of wide group of audience from all around the world.

Even with such variety, the company has been facing a little decline in their sales which is also combined with slow growth. To overcome this issue, the company is in the midst of re-franchising by selling its US distribution and manufacturing operations. During the year 2015, Coca Cola cut off around 1500 jobs worldwide by stripping its bottling operations to reduce \$3 billion dollar in cost. Now the firm has brought up some organizational changes and the chances are that by altering the elementary portion of their business model, the association can avail more facilities in the market and remain at a strong position in future as well (Competitive Analysis of Coca-Cola: PEST and Porter's Five).

This change refers to the evolution of their current "Creative Excellence" marketing strategy to be evolved into "Content Excellence". This is the recent logic behind developing a winning strategy by the company. Introduced by Marry Minnick (Executive vice president and president of marketing, strategy and innovation, Coca-Cola U.S, n.d.) has developed this

idea to transform the market and structure of the Coca Cola brand. The marketing ideologies developed by Marry Minnick has used the customer centric approach to increase and boost the sales. She has utilized Customer expectancy, Retooling of Old Brands, Appealing Partners, Retailer's Response, Liability and Advertising (Competitive Strategies for Coca-Cola and PepsiCo Companies, n.d.).

Pepsi

HISTORY

The origin of Pepsi can be traced back to New Bern, North Carolina where a pharmacist named Caleb Bradham used to operate a soda fountain along with a drug store. He repeatedly tried a mixture of various ingredients to create a soft drink that could sell itself due to the taste and quality which impresses everyone. One of his such experiments gained popularity among the locals which was recognized as Brad's Drink. This was the same drink which was later named as Pepsi in 1898. The first time Pepsi was advertised in a newspaper was in 1902. This advertisement focused on highlighting the health benefits of the Pepsi. Later in 1903, Pepsi's name was listed with the United States Patent and Trademark Office. In 1905, Pepsi was sold in bottles as a chilled drink. This was due to the advancements in the soft drink industry, which made bottling a viable alternative to cold drinks. Looking at this opportunity, Bradham offered bottling franchises for his beverage. And by the year 1909, there were almost 250 Pepsi bottlers distributed in around 24 states (Stoddard, 2013).

To talk about another perspective from later times, the company was initiated in 1965, in New York with the ultimate goal of producing non-alcohol drinks and food processing items. It is the number one snacks producer worldwide. The company deals in light foods and operated around the US and Canada. The initial startup of the business was through only two operating units which were Pepsi co North America and Pepsi Co international. Soon the company realized, to grow financially and in the market, it needs to have a stronger wide spread of networks so it developed three more branches. These three networks operate in different regions. The first branch primarily functions in the Latin America whereas the second division, the Pepsi co international has a more global operating approach. The third branch is named as Pepsi co

Americas beverages and carries out its operations in North America, Tropicana, Gatorade and Latin America. This leads to the company having a decentralized structure (Cuthbert., 2019).

BUSINESS MODEL

The reason behind Pepsi's popularity and high market share is that it never compromises on quality. Pepsi has focused on protecting their customer's trust and values and to keep them in confidence. Pepsi does not sell a product without a quality assurance label on it. It also strictly follows environmental regulations to act as a responsible part of the society. When it comes to marketing strategy, Pepsi has proved to be one of the best through series of advertisements that are second to none. Pepsi usually focuses on influential marketing and promoting their products through celebrities (Cuthbert., 2019).

When it comes to marketing strategy Pepsi has always targeted the young audience. The famous slogan of Pepsi "The Choice of new generation" denotes that Pepsi puts the interest of youngsters before anything else. This has led to a likeliness of Pepsi mostly among the young generations who in turn are the biggest fans of soft drinks. Besides having an attractive slogan Pepsi also does several efforts to attract youngsters towards their product. Every year Pepsi invites celebrities and influencers who are very popular among the young generation. One such example is Michael Jackson, who was endorsed with the Pepsi brand for a really long time. Furthermore, Pepsi also had endorsed worldwide famous stars including Britney Spears, Shaquille O'Neal and Maria Carey to promote their products. Secondly, we all have seen Pepsi is always connecting their marketing strategy with music. Since, everyone is the fan of pleasing sounds, Pepsi uses attractive songs to entice young generation and bring up the adrenaline rush.

In fact, Pepsi also holds some musical concerts every year with Pop music which is most popular among the users. The third way is that Pepsi advertises its products through small accessories, such as bands, fashion products and collectibles to attract young customers. These products which are other than food and beverages show young generation that brand is concerned about their interest (Muzumdar).

Comparative Analysis of Pepsi And Coca Cola based on SWOT Analysis

SWOT ANALYSIS

SWOT Analysis abbreviates for Strength, Weakness, Opportunities and Threats analysis which are involved in a project or a business. It is used to learn about the external and internal factors, the internal factors cover Strength and Weakness whereas external factors comprise Opportunities and Threats. This is the basic way of comparing and evaluating how businesses are performing in the market.

SWOT Analysis of PEPSI CO

Strengths

- 2nd largest beverage and Food business in the world
- Pepsi has a strong worldwide brand image
- Strong operational efficiency
- Extensive and innovative product line

Weaknesses

- Tough race with Coca-Cola
- Coca Cola has a relatively greater share of soft drinks in the US
- Dependent on retailers largely
- A Strong employees union
- Image damage due to product recall

Opportunities

- Growth in product lines, Pepsi can introduce more products

- More networks into developing countries
- Can gain more bottling companies

Threats

- Failure to obey with environmental guidelines and production contamination
- Constant changes in foods and drugs laws relating to import and export of products
- Variations in interest charges, taxes and inflation (Muzumdar).

SWOT Analysis of Coca Cola

Strength

- Most Popular soft drink brand in US
- Several Coca-Cola based products are manufactured and sold
- More than 600 million product consumption each day

Weaknesses

- Reduction in sales volume worldwide
- Franchising of some share of company
- Sales in Japan fell, Japan consumes 35% of Coca Cola

Opportunities

- Strong brand image with a world wide recognition
- Can serve a large geographical base
- Has more opportunities to grow with changes in product and packaging

Threats

- Competitive threat from Pepsi co
- Has many other substitutes
- Health concerns which reduce the beverage consumption (Cuthbert., 2019)

RECOMMENDATIONS

Coca Cola is facing substantial decrease in its market share due to a poor market strategy. As discussed above, Pepsi has a stronger marketing tactics and uses it to the best advantage to attract various audience throughout the world. When it comes to Coca Cola, the company has a lacking in decision making which makes it suffers in the market. Coca Cola should follow a decentralized approach that divides the company into different segments working dividedly for decision making depending on various parts of the world. Coca Cola also needs to develop a strong bottling market which could give rise to its market share tremendously. The company, as seen has a huge potential and resources to improve its growth in the market but without a proper strategy the company cannot achieve the success it should. Political uncertainty is unavoidable, particularly in the countries which are not properly developed, and thus markets that not meet the demands of Coca Cola industry. In order to prevent this, Coca-should take into account the particular context in which it works in terms of history, politics and the economies of the particular markets. Changing customer behavior is still a challenge and, thus, to combat it, Coca-Cola will continue to promote its soda products as the demand begins to expand rapidly.

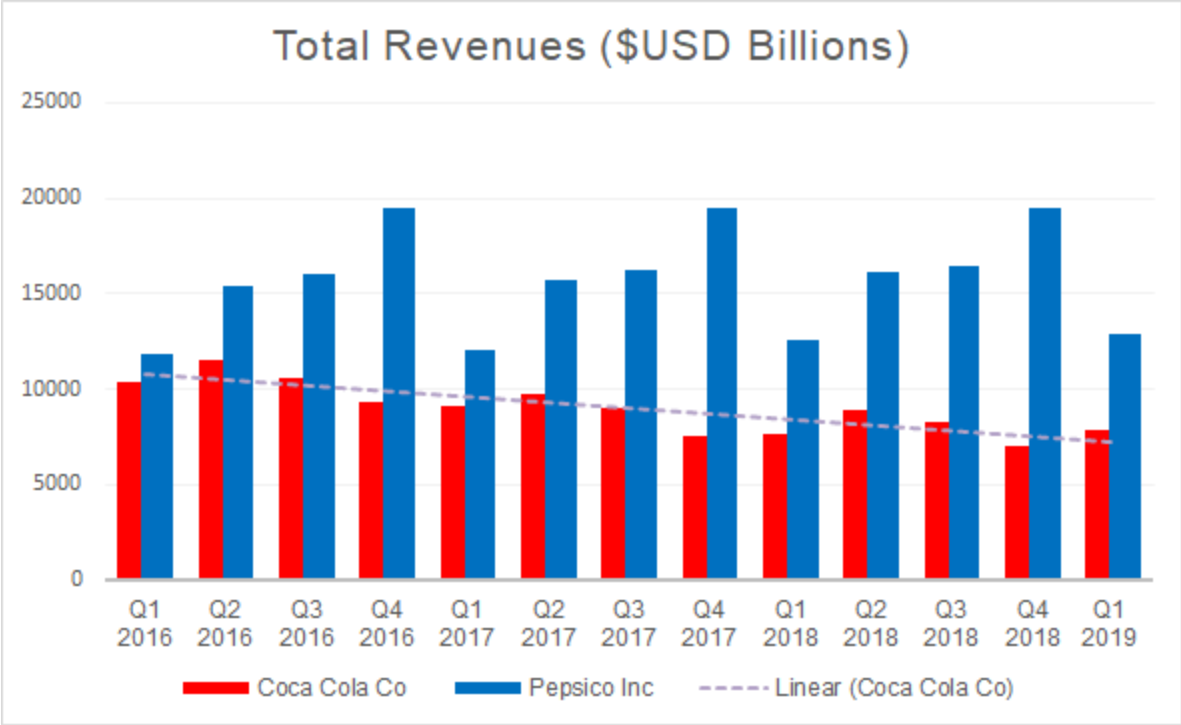


Figure 1 Pepsi Vs Coca Cola (Parthenidou, 2019)

This comparative analysis proves that Pepsi Co has made substantial growth in the market even after being launched several years after Coca Cola as shown in the figure above. Pepsi co is a company with long term vision and profit goals that are liked by customers and have a comparatively bright future when it comes to successful market strategies (Cuthbert., 2019).

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