دراسة تحليلية للحرب الاقتصادية بين شركتى كوكا كولا و بيبسي

د . أبوبكر محمد عامر عامر ـ كلية الاقتصاد / العجيلات ـ جامعة الزاوية

الملخص العربي :

حروب الكولا بين كوكا كولا وبيبسي ، هذه الحرب الاقتصادية تحدث منذ أكثر من مائة عام. ولا تزال الحرب مستمرة إلى اليوم حيث تبحث كل شركة عن طرق للتوسع في أسواق جديدة ، وتقديم منتجات جديدة وتحليل استراتيجيات التعبئة وفهم كيفية تأثير ظروف السوق ، وطلبات المستهلكين على إستراتيجية كل شركة. على الرغم من أننا نشير إلى هذا باسم حروب كولا ، فقد حققت كل من كوكا كولا وبيبسي فوائد هذا التنافس ، ومن خلال هذا التنافس أصبحت كل شركة أكثر ذكاءً وأقوى من خلال استراتيجياتها وجعلت في النهاية صناعة المشروبات الغازية تحت سيطرة شركات احتكارية.

في الصفحات التالية ، سوف نلقي نظرة على الموارد البشرية ، والإستراتيجية ، والتحليل المالي والتسويقي لدراسة هذه الحالة ، مع الانتباه إلى كل من المكونات الداخلية والخارجية.

Analysis Study of The Economic War Between Coca-Cola and Pepsi

Aboubaker M Amer - Faculty member at The School of Economics - Azawia University

Cola Wars Continue: Coca-Cola and Pepsi in 2010

The Cola wars, between Coca-Cola and Pepsi have been happening for more than a hundred years. Today the war still continues as they look for ways to expand into new markets, introduce new products analyze bottling strategies and understand how the market conditions, consumer demands impact the strategy of each company. Though we refer to this as

the Cola Wars, both Coca-Cola and Pepsi have reaped the benefits of this rivalry, each company has gotten smarter and stronger with their strategies and has ultimately made the Carbonated Soft Drink industry, a duopoly.

In the follow pages we will take a look at the human resources, strategy, financial, and marketing analysis of this Case Study, with attention to both internal and external components.

HR Analysis

Human resource and management strategy play a critical part in this rivalry and the continued growth, expansion, and profitability of both companies. Both companies are now internationalized, have effectively consolidated the majority of the bottling industry, and have changed their products and business strategies. While the case does not specifically address human resource concerns and strategy, we have identified several items that were and could potentially be part of the business strategy and human resource items to address. These items include, Confidentiality and Data Protection, Recruitment and Selection, and Training and Development.

Confidential and Data Protection

From a human resource standpoint confidentiality and data protection is vital and important when running businesses that have propriety information. These agreements are put in place to ensure the integrity and confidentiality of the company and to protect them. In the case, we know that the formula for Coca-Cola syrup, is known as a "Merchandise 7X," remains a well-protected secret. (Yoffie, p.5) We also know that in 1950, Alfred Steele, a former Coke marketing executive went to work for Pepsi as the CEO, forming a marketing campaign called "Beat

Coke'' We can assume that his knowledge of the Coke's proprietary information and business strategies was shared giving Pepsi the new edge. (Yoffie, p.6) Confidentiality and data protection agreements help companies safe guard their information and keep information from leaking out. As we continue the "Cola Wars" they need to continue to enforce protection of information; including but not limited to new marketing, product, technologies, and other proprietary information.

Recruitment and Selection

Health awareness has been increasing every year, causing the soft drink industry to adapt to these changes. Beginning in the late 1990s, soft drink consumption fell due to increased awareness of and public reaction to negative health associations of consuming soft drinks. (Yoffie, p9) More information continues to be released, linking nutritional deficiencies such as obesity and diabetes to over consumption of soft drinks. To date Coke and Pepsi have began providing alternative beverages to increasingly health-conscious consumers, but they need to sustain growth and profitability in an industry that continues to shrink. They also need to understand how they can capitalize on an industry that is basically "new" to them – the non-CSD beverage market which presents its own challenges with lots of smaller competitors who are ahead of the game(accounting coach, 2012).

Up until now, both Coke and Pepsi have been reactive to this shrinking industry in the United States, creating new zero calorie CSDs and other new alternatives, but going forward it is important that their business strategy include hiring qualified

nutritional experts and trend analyst to predict and understand the consumers. Coke and Pepsi need to be proactive not reactive and need the qualified personnel to do so.

Training and Development

Training and development of employees is key to any successful organization. In today's world where we are technology driven, it is imperative that employees get proper instruction and have the skills to operate, maintain, and train on new equipment or other advanced technologies. Well equipped employee's means that the company can ensure optimal performance and satisfaction from its employees.

In 2009, we see that Coke revealed a new "freestyle" soda machine that enables customers to create hundreds of different kinds of custom made beverages. (Yoffie, p.9) The thought behind this new machine was to introduce a new model coke to the consumers and to attract customers to use it. With a machine like this, we would expect training of technicians to maintain and operate the new machine. This would allow them to ensure that it is optimally performing and that customers know how to report issues for handling.

While I use the Coke free-style as our example of training and development, any new technologies to the consumer or to the employee is imperative in this increasingly growing technology driven environment.

Strategy Analysis

Using Porter's five forces of; treat of new entrants, bargaining power of suppliers, threat of substitutes, bargaining power of buyers, and rivalry among competitors, we take a look

at the attractiveness of the carbonated soft drink (CSD) industry with respect to the profitability of bottlers.

Together the five forces determines the profit potential in an industry and how it may impact the cost, price, and return on investments.

Threat of new entrants: Low

The treat of new entrants in the bottling industry is relatively low. Opening a new bottling plant is a high investment, with the cost of running a four line bottling plant averaging between $40 to $75 million in addition to the difficulty of producing a brand integrity like that of Coca-Cola and Pepsi it would be difficult. Additionally building a distribution network could also be difficult, since Coca-Cola and Pepsi dominate most areas. (Beverage Digest, 2009). The number of bottling companies continues to decrease, because of the high risk and investment (Hilke, 1997).

Bargaining power of the suppliers: Medium

The suppliers for the bottlers include the concentrate producers, packaging manufacturers, and sweetener producers.

The materials such as the packaging and sweetener are commodities that are easy to obtain, are undifferentiated and would not render a switching cost or impact the price if the bottlers changed. However, it is different in the case of the concentrate producers. In the CDS industry bottlers are at the mercy of the concentrate producers with very little negotiating power over the price. The concentrate producers are a duopoly, and the bottlers incur long term binding contracts in addition, the concentrate producers are about one-third of the bottler's cost.

Bargaining power of the buyers: Low

For the bottlers, it is retail stores that are considered the customer/buyer and they have little to no effect on the cost for the bottlers. Except for larger chain stores or supermarkets, most retailers do not have much power to negotiate lower price offers from Cola or Pepsi. Where the cost would be incurred would be in sending people from the company to restock the shelves. Since hotels and restaurants mostly serve fountain drinks and vending machines are owned by and maintained by the concentrate company, they have very little impact. For the buyers it is both Coca-Cola and Pepsi, their brand and their marketing that sells the product. The retail price of carbonated soft drinks has increased slightly or remained the same (Jodi L. Bellovary, 2006)..

Threat of substitutes: Medium

There has been a decline in carbonated soft drink consumption. This is mainly due to environmental awareness of consumers and a research that suggests that soft drinks are linked to obesity. Consumers are shifting away from carbonated soft drinks and choosing water, tea, and energy drinks, in 2004 CSD's grew by 1% while, non carbonated drinks grew by 8% (Yoffie, p10). Pepsi and Cola have begun to jump on the bandwagon, selling water and non-carbonated drinks as well.

Rivalry among existing competitors

With the decline of bottling companies from 2,000 in 1970 to less than 300 in 2004, there is much less competition (Yoffie, p3). Where the rivalry exists is between the big bottlers and big orders of Coca-Cola & Pepsi. The other smaller bottlers don't get the same exposure or opportunities to saturate the market. If

there were competitors with the smaller bottlers it would be for items such as milk, tea, and coffee.

Between Coca-Cola & Pepsi, they have fought for shelf space in the market as well as cooler space at check outs. Both Coca-Cola and Pepsi have made huge investments to support the bottler network and offer direct store-door delivery of their products. Both have been experimenting with new cola and non cola flavors.

In conclusion, the bottlers will continue to make money no matter who wins the Cola war. Where the competition lies is not within the CSD industry, but in the beverage industry. While barriers for the CSD industry are high, for the overall beverage industry they are low. Overall the forces are medium to low, making the bottling business continue to be profitable and attractive.

Financial Analysis

Comparison between Return on Equity for both Coca-Cola and Pepsi

Financial Data for Coca-Cola and PepsiCo

			'he best ROE Coca-Cola Or Pep	
Years	Coca-Cola ROE	Pepsi ROE	Coca-Cola	Pepsi
1975	21.00%	18.00%	3.00%	
1980	20.00%	20.00%	0.00%	0.00%
1985	24.00%	30.00%		6.00%
1990	36.00%	22.00%	14.00%	
1995	55.40%	19.40%	36.00%	
2000	23.40%	30.10%		6.70%
2005	29.80%	28.60%	1.20%	
2007	27.50%	32.80%		5.30%
2008	28.40%	42.50%		14.10%
2009	27.50%	35.40%		7.90%

Table No. (1)

It is clear by looking at table (1) that Coca-Cola has good years for Return on Equity over Pepsi through, 1975, 1990, 1995 and 2005, and Pepsi has good years for Return on Equity over Coca-Cola Cola, through, (1985, 2000, 2007, 2008 and 2009).

One of the main reason that helped Pepsi against Coca-Cola was Pepsi's acquiring strategy to some fast-food restaurants such as Pizza Hut (1978), Taco Bell (1986) and Kentucky Fried Chicken (1986) which helped Pepsi to improve its return on equity on the long run.

On the other hand, acquisition by Coca Cola to Energy Brands, the big maker of non-carbs brands such as Vitamin water drinks in 2007 with about 4 billion purchase, didn't help Coca Cola to improve the Return on Equity over Pepsi in the following years till 2009.

Also, by accessing to international market helped Pepsi to acquire 76% stake in Russia's largest juice producer, OAO Lebedyansky, in 2008, in the same time, Coca Cola failed to acquire the leading juice company in china, because of the rejection of Chinese government to the Coca-Cola's $2.4 billion bid.

Acquisition strategy by Pepsi helped it to improve the Return on Equity on the long run and in some years was better than Coca Cola.

Coca-Cola's operating profit for its North American and international beverage

Financial Data for Coca-Cola and PepsiCo ($ Millions)

	North America			International				
Years	Operating Profit	Sales	Operating Profit/Sales	Operating Profit	Sales	Operating Profit/Sales	Total	International/North
1975	-	-	-	-	-	-		
1980	164.946	1486	11.10%	493.29	2349	21.00%	658.236	74.94%
1985	216.34	1865	11.60%	613.033	2677	22.90%	829.373	73.92%
1990	406.065	2461	16.50%	1800.75	6125	29.40%	2206.815	81.60%
1995	854.515	5513	15.50%	3654.669	12559	29.10%	4509.184	81.05%
2000	1408.73	7870	17.90%	3411.348	12588	27.10%	4820.078	70.77%
2005	1555.508	6676	23.30%	5786.13	16345	35.40%	7341.638	78.81%
2007	1692.576	7836	21.60%	6898.296	20778	33.20%	8590.872	80.30%
2008	1581.48	8280	19.10%	7959.072	22611	35.20%	9540.552	83.42%
2009	1695.555	8271	20.50%	7691.926	22231	34.60%	9387.481	81.94%

Table No. (2)

Since the U.S. consumption In CSD products began to fizzle in 1980 and later, the Coca Cola's strategy was to expand all over the international markets to achieve new growth. Table (2) shows that Coca Cola depends more on international markets to obtain more operating income than North America. Operating Income from international market is about 70% to 83% of the whole operating income earned by Coca Cola during 1980 till 2009 years.

Net profit for Coca-Cola and PepsiCo

Financial Data for Coca-Cola and PepsiCo ($Millions)

Coca Cola				Pepsi		
Years	Net profit	Sales	ROS	Net Profit	Sales	ROS
1975	249.57	2773	9.00%	124.614	2709	4.60%
1980	421.575	5475	7.70%	262.9	5975	4.40%
1985	723.117	5879	12.30%	424.76	7585	5.60%
1990	1381.86	10236	13.50%	1085.93	17515	6.20%
1995	2990.955	18127	16.50%	1430.025	19067	7.50%
2000	2168.548	20458	10.60%	2186.866	20438	10.70%
2005	4874.944	23104	21.10%	4070.25	32562	12.50%
2007	5973.399	28857	20.70%	5644.782	39474	14.30%
2008	5813.808	31944	18.20%	5146.869	43251	11.90%
2009	6817.8	30990	22.00%	5966.016	43232	13.80%

Table No. (3)

It Is clear in Table No. 3 that Pepsi' sales exceed Coca Cola' sales in many years, and the net profit for Coca-Cola is much higher than Pepsi's net profit, Pepsi' sales exceed cola' sales starting in the year 1980, and then in the following years till 2009 Pepsi sales are much higher than cola sales. The only exception was year 2000 when coca cola sales was more than Pepsi.

On the other hand net profit for Pepsi is less than the net profit for Coca Cola and this mean that the cost of goods sold and other expenses are much higher in Pepsi than Coca Cola. This helps Coca Cola to achieve more profits than Pepsi.

The best net profit for Coca Cola, was after the year 2000, when Coca Cola applied the new incidence pricing approach in 2003 with its overseas bottlers, whereby Coca-Cola agreed to vary concentrate prices according to prices charged in different channels and in different packages, and by year 2009, around 90% of Coca Cola's total volume was covered under incidence pricing agreements, and this year, Coca Cola achieved the best net profit ever with 22% of its sales.

Marketing Analysis

The marketing mix is the set of controllable elements that Coca Cola and Pepsi or any other company uses to produce a desired response from its target market. The marketing mix can be divided into product, price, place and promotion.

The following part describes the series of decisions made by Coca Cola and Pepsi with regard to each of these elements.

1- Product

- In 1950, Pepsi introduced a 26-oz bottle to target family consumption.
- In the 1960s, the two companies lunched new cola and non-cola flavors, such as Fanta (1960), Sprite (1961) and the low calorie cola tab (1963) by Coca Cola and Teem (1960), Mountain Dew (1964) and Diet Pepsi (1964) By Pepsi.
- Both Companies introduced non-returnable glass bottles and 12-oz metal cans.
- In 1982, Coca-Cola Introduced Diet Coca-Cola, it became within few years not only the most popular diet soft drink in the United States, but also the nation's third largest selling CSD.
- In April 1985, Coca-Cola announced that it had changed the 99 year old Coca-Cola formula. And in 6 months later Coca Cola announced that would treat the original formula as its flagship brand.
- In the 1980s, Coca Cola introduced 11 new CSD brands, including Caffeine Free Coca-Cola (1983) and Cherry Coca-Cola (1985). And Pepsi introduced 13 new CSD brands, including Lemon-Lime Slice (1984) and Caffeine-Free Pepsi Cola (1987).

- In 2005, Coca Cola introduced Coca-Cola Zero which offered the real Coca-Cola taste with zero calories and became the most successful new CSD product launched in the second half of the decade.
- Both Coca-Cola and Pepsi intensified their efforts to use alternative sweeteners and used Stevia, an herb that is used as a natural sweetener and was approved as food additive by U.S. Food and Drug Administration in 2008.
- Pepsi developed a portfolio of non-CSD products that outsold Coca-Cola's rival product in several key categories, such as sports drink (Gatorade) and tea Based Drinks (Lipton).
- Both Pepsi (with Aquafina 1998) and Coca-Cola (with Dasani, 1999) had introduced purified water products that had surged to become leading beverage brands.

2-price

- During World War II, at the request of General Eisenhower, Woodruff promised that "every man in uniform gets a bottle of coca cola for five cents wherever he is and whatever it costs the company".
- Pepsi declared bankruptcy in 1923 and again in 1932, but business began to pick up when, during the great depression, Pepsi lowered the price of its 12-oz bottle to nickel - the same price that Coca-Cola charged for 6.5-oz bottle.
- In 1980, Coca-Cola switched from using sugar to using high-fructose corn syrup, a lower-priced alternative.
- In 1987, the Master Bottler Contract was signed, and granted Coca-Cola the right to determine concentrate price and other terms of sale.

- Pepsi's master bottling agreement required bottlers to purchase raw material from Pepsi at prices and on terms and conditions, determined by Pepsi.
- In 2003, Coca-Cola moved toward 'incidence pricing', an approach that Coca-Cola often used with its overseas bottlers, whereby Coca-Cola agreed to vary concentrate prices according to prices charged in different channels and for different packages. By2009, around 90% of Coca-Cola's total volume was covered under incidence pricing agreements.

3-Place

- Pepsi and Coca Cola are selling products through, supermarkets, fountain outlets, vending machines, mass merchandisers, convenience stores, gas stations, small grocery stores and other outlets.
- During World War II, Coca Cola bottling plants followed the movement of American troops; the US government set up 64 such plants overseas - a development that contributed to Coca-Cola's dominant post war market shares in most European and Asian Countries.
- Pepsi extended its share of market by acquiring the fast food restaurants such as Pizza Hut (1978), Taco Bell (1986) and Kentucky Fried Chicken (1986). Coca Cola extended its share in the market by persuading competing chains such as Wendy's and Burger Kings to switch to Coca-Cola and also retained deals with McDonald's. Also Coca-Cola won the subway account from pepsi, while Pepsi grabbed the Quiznos account from Coca-Cola.
- Coca-Cola and Pepsi looked abroad for new growth, Coca-Cola relied upon international market far more than Pepsi. The Coca-Cola name had become synonymous with American culture. Served in more than 200 countries, Coca-

Cola derived about 80% of its sales from international markets.

4-Promotion

- To support the fountain channel, Coca-Cola and Pepsi invested in the development of service dispensers and other equipment, and provided fountain customers with point of sale advertising and other in store promotional material.
- Woodruff, the leader of Coca Cola, initiated "lifestyle" advertising, emphasizing the role that Coca-Cola played in a consumer's life
- Pepsi built a marketing strategy around the theme of its famous radio jingle: "Twice as much as a nickel, too"
- Under the leadership of CEO Donald Kendall, Pepsi in 1963 lunched its "Pepsi Generation" marketing campaign, which targeted the young and "young at heart". The campaign helped Pepsi narrow Coca-Cola's lead to a 2-to-1 margin.
- In 1974, Pepsi launched the "Pepsi challenge” in Dallas, Texas. In blind taste tests conducted by Pepsi's small local bottler, the company tried to demonstrate that consumers actually preferred Pepsi to Coca-Cola. After its sales shot up in Dallas, Pepsi rolled out the campaign nationwide.
- Coca-Cola placed greater emphasis on promoting its brands, such as spending $230 million in advertising for its flagship Cola-Cola drink. It also upped spending on sponsorships and global marketing, including $600 million for the world Cup in 2010.
- Pepsi redesigned its logo in 2008 with a three-year rebranding plan that could cost over $1 billion to rejuvenate its image. Pepsi focused on promoting the company's overall portfolio as a snack and beverage company, such as through "The Power of One" concept.

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