The Shifting Landscape of the Carbonated Soft Drink Industry

Guy Heyworth, Drew Kenyon, Michelle Renolayan, Doug Williams, and Lindsay Zengler
Overview: Carbonated Soft Drink (CSD) Industry

- CSD industry is a **$44 billion** market
- Americans drink twice as much soda and other sugary drinks as we did 30 years ago
- Average American drink **45 gallons** of sugary drinks a year
- 2010: Coke Market share **37.14%**
- 2010: Pepsi Market share **30.25%**
The Decline of Carbonated Soft Drinks

- CSD has declined over 8% from 2000-2010
- Primarily due to the enduring Health & Wellness trend
- New “Soda Taxes” have started in major cities
- School districts have started to ban the sale of sugary beverages
- Rise in the sale of bottled water

The large players in the CSD industries need to come up with new strategies in order to increase sales.
Coca-Cola Co., Pepsico, and Dr. Pepper Snapple dominate 87% of the market share in 2014.
Gender Demographics

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Diet</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>% Regular</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>% Don't drink soda</td>
<td>39%</td>
<td>46%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Age Demographics

- Ages 18-29: 13% Diet, 50% Regular, 37% Don't drink soda
- Ages 30-49: 23% Diet, 32% Regular, 44% Don't drink soda
- Ages 50-64: 25% Diet, 46% Regular, 28% Don't drink soda
- Ages 65+: 32% Diet, 46% Regular, 22% Don't drink soda
1886: Coca Cola was created by John Pemberton as a medicine.

1923: Coca Cola invented the first 6 pack in a paper carton holder.

1927: Coca Cola broadcasted its first radio advertisement.

1920s: Coca Cola expanded internationally.

1985: Coca Cola made the move to reformulate its classic cola introducing its “New Coke.”

3 months: Product pulled due to customer dissatisfaction rebranded to Coca-Cola Classic.

2014: Coca-Cola closed a 15-year-old bottling plant in northern India due to toxic runoff, pollution, and too much groundwater.
## Coca-Cola: Internal Environment

### Resources

**Tangibles:**
- Diverse Product Portfolio
- Large Asset Volume

**Intangibles:**
- Large Market Share
- Strong Marketing
- Brand Recognition
- Strong Customer Loyalty

### Capabilities

**Tangibles:**
- Large distribution chain

**Intangibles:**
- Heavy reliance on beverage industry

### Strengths

**Tangibles:**
- Diverse Product Portfolio
- Large Asset Volume

**Intangibles:**
- Large Market Share
- Strong Marketing
- Brand Recognition
- Strong Customer Loyalty

### Weaknesses

**Tangibles:**
- Unhealthy Product

**Intangibles:**
- Negative Publicity (India)
## Coca-Cola: External Environment

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
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<tbody>
<tr>
<td>● Advertise less popular beverage products (non-CSD)</td>
<td>● Increased competition</td>
</tr>
<tr>
<td>● Focus on healthy options</td>
<td>● State regulation of sugar content in drinks</td>
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<tr>
<td>● Potential for acquisition into adjacent markets</td>
<td>● Negative health impacts</td>
</tr>
<tr>
<td>● Increase sustainability through packaging</td>
<td>● Declining CSD industry</td>
</tr>
</tbody>
</table>
Porter's Five Forces: CSD industry

- Threats of New Entrants
- Threats of Substitute
- Competitive Rivalry
- Supplier Power
- Buyer Power
Coca-Cola is currently the leading competitor in the CSD industry (42.3%)
- PepsiCo (27.5%)
- Dr. Pepper Snapple (17.1%)

Coca-Cola is the 4th valued brand in the world

Competitive Rivalry

High
Supplier Power

- Suppliers providing basic commodities
- Large number of suppliers
- Switching cost → Little to None
Buyer Power

- Depends on Buyer
- Buyers include
  - Bottlers
  - Fast Food
  - Grocery Stores
  - Vending Machines
- Coca-Cola is currently the leading competitor in the CSD industry
Threats of Substitute

Two types of threats of substitutes:

1. Within Carbonated soft drinks
   - Switching cost → Low
   - Brand Loyalty → High
   - Perceived price difference → Low

2. Within all beverages
Threats of New Entrants

Low

Main barriers to new entries
- Licensing deals
- Established distribution channels
- Retailer relations

What would it take to enter the market?
- Positive/viral image
- Heavy advertisement
- Trend targeted entry
Driving Questions

How can Coca-Cola Co. continue to grow, given the decline in the CSD industry?

How can Coca-Cola differentiate itself from its competitors?
Recommendations

1) Utilize technology to increase market share

2) Adopt edible 6 pack rings to promote sustainable image
Coca-Cola on Social

- 97,595,590 Likes
- 127,812 Followers
- 781,921 Followers
- 1,188,762 Views
- 24,947 Photos
- 1,247,796 Followers
- 417 Items
Snapchat

Number of Snapchat Daily Views: More than 8 billion

Snapchat Demographics

- 71% of Snapchat users are under 25 years old
- Roughly 70% of Snapchat users are female
- 30% of US Millennial Internet Users use Snapchat regularly
- College students:
  a. 50% of Male
  b. 77% Female
2020 Environmental Goals

- WATER STEWARDSHIP
- PACKAGING
- ENERGY AND CLIMATE
- AGRICULTURE
2020 Environmental Goals

- Water Stewardship
- Packaging
- Energy and Climate
- Agriculture
Goal: Reach a 75% recovery rate in developed markets of the equivalent amount of bottles and cans we introduce into the marketplace.

**INNOVATIVE PACKAGING**

35 Billion+

PlantBottle™ Packages have reached the market in nearly 40 countries, as of July 2015, resulting in 743,000+ barrels of oil saved.

Coca-Cola placed 6,900+ Recycling Bins at the 2014 FIFA World Cup™ and collected ~450 tons of solid waste.

Since 2008, we have reduced packaging weight by 15%.

- Glass Bottles
- Aluminum Cans
- PET Plastic Bottles
Safe and Sustainable 6 Pack Rings

• Partner with breweries nationwide
• Decrease environmental impact
• Generate positive brand associations

EITHER WAY, ANIMALS WON’T GET TANGLED UP
By 2020...

...we plan to have 25% of all six pack cans sold in the U.S. to include sustainable packaging.
Measuring Success

• Increase in Sales
• Social Media Followers
• Monitor positive media coverage on our environmental efforts
Questions?