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# Soft Drink Companies and the Health Effects of Soda

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**Abstract-** Although Coca-Cola and PepsiCo are the market leaders in the soft drink/beverage industry, it is not easy to sustain their competitive edge. This is because of many factors such as customers taste, other substitute products, and government regulations on unhealthy products. The association between soft drink consumption and health issues led many people to think twice before consuming such products. It is the responsibility of associations and agencies such as the National Soft Drink Associations to ensure that safety and health concerns of people are in their top priorities. With these concerns, all soft drink companies must take these issues seriously if they want to be competitive or, at least, stay in this market.

## The Profitability of Coke-Cola and PepsiCo

Coca-Cola and PepsiCo have a huge market share of the world's beverage industry; therefore, are assured of profitability. They are market leaders with intense competition, and each one wants to dominate the market. Additionally, the two have efficient distribution and retail systems that make their operations highly profitable. To ensure optimal performance within the market, Coke and Pepsi work with other stakeholders like bottlers efficiently in order to help them in reaching their goals. Also, they both have operations globally that broaden their customer spread to ensure profitability.

Both companies have a strong brand equity because of their efficient marketing strategies. Also, Coke and Pepsi have a positive long history in the beverage industry (for more than a century) which assures customers loyalty to them which is definitely reflected on profitability. Product differentiation and product positioning strategies by the two work well to ensure that there is high revenue. The continuous improvement and modifications of strategies helped Coke and Pepsi to be closer to customers compared to other beverage producers and distributors. To assure profitability, they continue executing strategies in all areas such as pricing, bottling, advertising and brand strategies.

## The Tax Proposal on Soda

The Mayor of Philadelphia, Michael A. Nutter, was trying to propose a tax on soda due to the negative effects it has on people. However, the soda tax proposal failed to pass because soda lobbyists reacted by making campaign contributions to local politicians and they cooperated with the local bottling companies. Additionally, the Children's Hospital of Philadelphia received a donation of $ 10 million from soft drink industry in order to improve its image (Sanger-Katz, 2016).

Even though soda companies have succeeded to avoid the tax proposal on soda, they are suffering a lot because more people are knowledgeable about the consequences of drinking soda over the long run. Thus, sales are declining as more Americans changed their views about soda and see it as an unhealthy product. "From 2004 to 2012, children consumed 79 fewer sugar-sweetened beverage calories a day, according to a large government survey, representing a 4 percent cut in calories over all (Sanger-Katz, 2016)." Consequently, the obesity levels among children in school have demolished. Not surprisingly, the results in Philadelphia were better than the country as a whole with a decrease in daily soda consumption by 24% between 2007 and 2013. This is due to the efforts of Mayor Nutter and other public health researchers to educate children in classrooms about nutrition and discourage them from drinking soda. In addition, they prevented the sale of sugary beverages in schools, created radio and television ads, soda warning signs and encouraged healthy food owners to open their stores (Sanger-Katz, 2016).

## Offering Alternative Products

As the sales of carbonated soft drinks have deteriorated in the United States, the companies have reacted by offering new products such as iced teas, sports drinks and flavored waters to satisfy customers' needs. "Coca-Cola, for example, has nearly doubled the number of individual products it offers, to 700 this year from 400 in 2004. And companies are increasingly experimenting with smaller packages for sodas, for which customers will pay a higher price per ounce" (Sanger-Katz, 2016).

## Other Reactions of Soft Drink Companies

In response, soft drink companies expanded their operations worldwide to gain more market share and reach new customers. The reaction of companies was due to the fears of losing domestic customers, which could affect their revenues negatively. “The three largest soda manufacturers have entered a voluntary agreement that requires each company to reduce the total number of calories per person it sells by 20 percent by 2025. They have also made investments in obesity research and have spoken about their commitment to offering healthy choices” (Sanger-Katz, 2016).

## The Main Strategic Challenges

Coke and Pepsi’s future strategic challenges for the next five years generally involve changes in the market environments. They both want to maintain their positions as being the market leaders while at the same time competing against each other to lead the industry. There is a threat of changing of intensity of competition though the entry of new powerful competitors in addition to the existing ones. Changes in consumer behavior make it a strategic challenge to retain customers. There is more of a tendency for customers to drink healthier products other than soda that contains a lot of sugar, the main cause of obesity.

Increasing substitute products in the beverage market will affect the future operations of both Pepsi and Coke. Some of the alternative products include, but are not limited to, milk, coffee, tea, juices, and bottled or tap water.

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## Conclusion

In summary, Coke and Pepsi need to maintain their position as market leaders through customer satisfaction, and efficient marketing strategies. The change of people’s taste is an indicator for companies to offer healthy alternatives in order to fulfill their needs. Additionally, they must implement effective strategies in order to sustain a competitive edge over their rivals in the industry.

## References

Sanger-katz, Margot. "The Decline of ‘Big Soda’." *The New York Times*. The New York Times, 02 Oct. 2015. Web. 01 Mar. 2016.