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# COMPARATIVE ANALYSIS OF PEPSI AND COCA-COLA

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ABSTRACT

In the beverage industry, Pepsi and Coke are very well known name and does not require any introduction. These two beverage companies are now very well established brands and are operating in many countries of the world. These two brands are so much similar in the taste that it is almost impossible to distinguish in a blind test. Preferences of consumers are different between both colas. The taste of drinks is not the single similarity between the two brands, but there are many other things in which they are same for example pricing, branding, advertising and many other things. People say that coke is less sweet than Pepsi, it means that Pepsi can be differentiated from coke. The popularity level of these two brands is so much that almost every person in the world recognises the brands because they have become a universal brand now. From soft drinks to drinking water, both companies are competing with each other at the equal level. These two brands are manufacturing beverages for centuries and competing in every market of the world. Both the products have almost same product line and at their core competency which is beverages they are a perfect substitute of each other in terms of economics.

## 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.).

### *Objective of the study*

- To find out the potential customers or the target customers.
- To find out various strategies used by Pepsi & Coke to capture more and more market share.
- To know about the changing trends of both companies.
- To Know the customer taste.
- To study the various promotional strategies used by Pepsi and Coke.

***Significance of the study***

The research took into account the comparative analysis of coke and PepsiCo, the non alcoholic beverage giants of the world. They are quite similar in the products they manufacture, which is why they have been loggerheads for so many years. In this we have discussed about company profiles and the objectives for which the research is being conducted, It deals with the literature review containing the segmentation positioning of the companies in the non-alcoholic beverage market. A comparison and similarities has been provided to understand where both the companies stand with each other.

## 2.0 Review of literature

The Global Carbonated Drink Industry was valued at 406.89 billion in 2019 and expected to grow at CAGR 5.1% amid 2020-2027 (Grandview research, 2021). The strong popularity of carbonated drinks first came to light when **Coca Cola case study** owns a portfolio of more than 3500 products expanded its operation in 200 countries. The buyers prefer carbonated drink as it offers to cool, have an acidic bite often produces a pleasant tingling. Along with it, carbonated drinks composed of fruit favour that promotes acceptance of these products even more.

The battle between PepsiCo and Coca Cola didn't go slow in any way. By choosing the formula of the new beverage, product quality is improved that is typically based on sensory characteristics.

## 3.0 Research Methodology

Research methodology describes about the research objectives, design and methodology adopted to conduct the study. The data collected can be either primary or secondary.

**RESEARCH DESIGN**

Research design is used to describe the state of affairs, as it exists at present. The research design adopted for this study is exploratory research design. Descriptive research includes fact finding enquiries of different kinds. SAMPLING METHOD This refers to the technique or procedure the research would adopt in selecting the sample. Convenience sampling method will be chosen to conduct the survey.

## SOURCES OF DATA COLLECTION

Data for this project is collected through Secondary sources. Secondary data is collected with the help of following—

**1. Annual report**

Majority of information gathered from data exhibited in the annual reports of the company. These include annual reports of the year 2009 to 2012.

**2. Reference Books**

Theory relating to the subject matter and various concepts taken from various financial reference books.

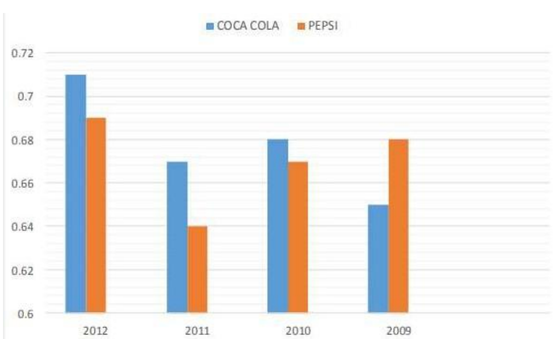
The study contains secondary data i.e. data from books, authenticated websites and journals for the latest updates just to gain an insight for the views of various experts.

## 4. Data Analysis and Interpretation

LIQUIDITY RATIOS

1) **CURRENT RATIO**

Current Ratio= Current Assets
Current Liabilities

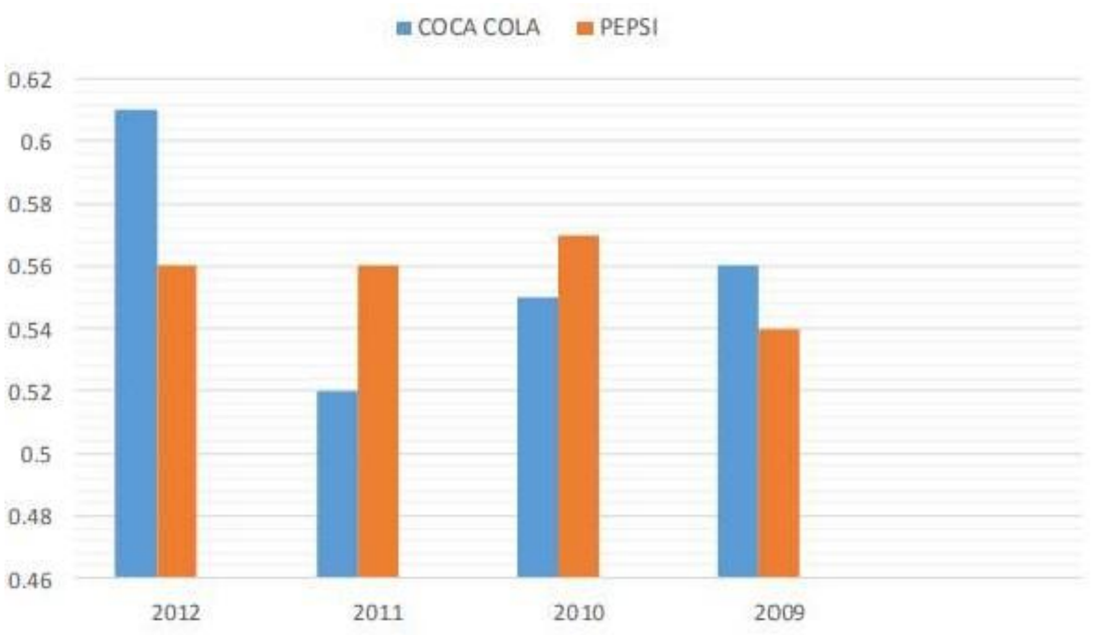


***INTERPRETATION***

The above chart shows that in Pepsi, Current ratio is decreasing in year 2010 as compared to year 2009. In year 2011 also the Current ratio is decreasing as compared to year 2010. In 2012 only the Current ratio is increased. This is due to increase in current assets in year 2012 as compared to year 2011. In coca cola India Ltd, current ratio is higher than Pepsi in 2012 due to the more

**2) QUICK RATIO**

Quick Ratio= Current Assets- Investment
Current Liabilities

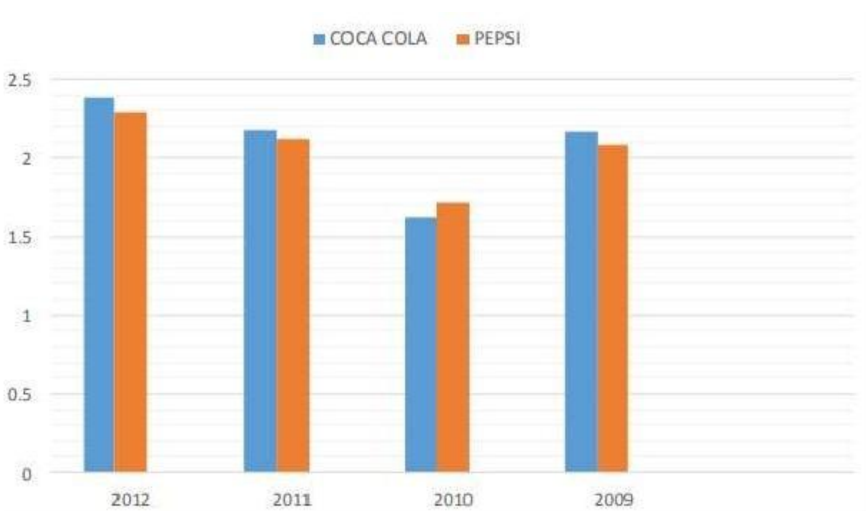



**INTERPRETATION**

The above chart shows that in Pepsi, Quick ratio is increasing in the year 2010 because of more current assets and investments but in year 2011 it again decreases. In year 2012 it remains the same as that of 2011. In coca cola India Ltd, quick ratio is higher than Pepsi in 2012 & 2009 due to the lesser liabilities than Pepsi. In year 2010 & 2011 Pepsi has higher quick ratio than coca cola due to the more current assets.

**3) Inventory Turnover Ratio**

Inventory Turnover Ratio = Cost of Goods Sold
Inventory



**INTERPRETATION**

The above chart shows that in Pepsi, inventory turnover ratio is increasing in all the succeeding years except the year 2010. In case of coca cola India Ltd, overall inventory turnover ratio of coca cola is higher than Pepsi. In year 2010 only Pepsi has higher inventory turnover ratio than coca cola.

## 5. FINDINGS

1 Current ratio is decreasing in year 2010 as compared to year 2009. In year 2011 also the Current ratio is decreasing as compared to year 2010. In 2012 only the Current ratio is increased. This is due to increase in current assets in year 2012 as compared to year 2011. In coca cola India Ltd, current ratio is higher than Pepsi in 2012 due to the more current assets than Pepsi.

2 account receivable turnover ratio is steadily increasing from the year 2009 till 2012. In case of coca cola India Ltd, account receivable turnover ratio is higher than Pepsi in 2010 & 2011 only. In year 2009 & 2012 Pepsi has higher ratio than coca cola due to the more net sales.

3 Inventory turnover ratio is increasing in all the succeeding years except the year 2010. In case of coca cola India Ltd, overallinventory turnover ratio of coca cola is higher than Pepsi. In year 2010 only Pepsi has higher inventory turnover ratio than coca cola.

4 Gross profit ratio is decreasing in year 2010 as compared to year 2009 but in year 2011 & 2012 gross profit ratio is gradually increasing this is due to increase in cost of sales and in coca cola India Pvt. Ltd, gross profit is increasing gradually in year 2012 as compared to previous years.

5 Net profit is increasing year by year from 2010 to 2012 like in 2010, it was 3.65 and it moves up to 5.54 in 2012 whereas in coca cola India Pvt. Ltd, net profit ratio is increasing from 2010 to 2012 but the increase in value is more than the Pepsi.

6 Quick ratio is increasing in the year 2010 because of more current assets and investments but in year 2011 it again decreases. In year 2012 it remains the same as that of 2011. In coca cola India Ltd, quick ratio is higher than Pepsi in 2012 & 2009 due to the lesser liabilities than Pepsi. In year 2010 & 2011 Pepsi has higher quick ratio than coca cola due to the more current assets.

## 6. Conclusion

- The in-depth analysis of key financial ratios in this project helps in measuring the financial strength, liquidity conditions and operating efficiency of the company. It also provides valuable interpretation separately for each ratio that helps organization implementing the findings that would help the organization to increase its efficiency.
- Ratios are only post mortem analysis of what has happened between two balance sheet dates. For one thing the position of the company in the interim period not related by analysis, moreover they gain no clue about the future. Ratio analysis in view of its several limitations should be considered only as a toll for analysis rather than as an end itself.
- From the analysis it is evident that the gross profit ratio is good, whereas operating ratio is around optimum level to the industry standards. As a whole the liquidity position of the company is good.
- Thus finally the company must try to improve its profit margins as they are below industry levels. This improvement may also bring up its return on investment and overall efficiency to the company.
- The business environment of both the company is reasonably good. The company's track record is always oriented towards profitable growth and with strong fundamentals.

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