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The Volatility of Soda

The market for soda is one that is unlikely to change. The convenience of different storage devices make soda universal among a variety of activities. Yet twelve-pack and twenty-four-pack prices are often fluctuating at an extreme rate. I have seen the price change by almost fifty percent within a week.

People will continue to buy soda as they have since the beginning. Whether it is because of the variety of flavor that each drink brings, the marketing that keeps it relevant in your mind, or how sugar has been studied to be one of the most addicting compounds ever discovered. The industry is massive with estimates totaling the size to just shy of a half trillion dollars. Such a large industry with a diverse range of buyers and sellers should cause a level playing field that promotes constant and competitive pricing, yet that does not seem to be the case. A graph from CamelCamelCamel1 shows that between 2014 and 2018, that price of a twelve-pack of twelve fl. oz Coca-Cola, costing around four dollars, has risen by about $1.50. This does not include the constant fluctuations in pricing. Every time the bar goes vertical, the price has changed well over a hundred times. This does not make any sense as there is no reason to believe that aluminum, water, sugar, and the plastic, used for lining the inside of the can, have also shown such volatility.

The companies in the industry are in a weird pseudo-monopoly. Cola flavored drinks are nothing special in the world, with Coca-Cola, Pepsi, and every supermarket having their own drink. But they do not taste the same. The monopolies awarded for the copywriting of a recipe gives you protection but considering that the original recipe for Coca-Cola is about 136 years old, that protection is long gone. Yet I have never tasted a drink that can properly duplicate the taste. Pepsi would be the closest duplicate, as it was designed to compete, but the difference in taste is due to their when they originally released. Coca-Cola, also known as Coke, was released in 1886 as a medicinal product containing the extract of cola leaves. This was common at the time to believe cocaine, a drug derived from cola leaves, to help and was in many medicines. The drink would be served warm and would provide an antidote to headaches and give you a burst of energy. That changed with the start of the twentieth century and was replaced with sugar, which is cheaper, legal, and similarly addictive. Pepsi released in 1893 and created a similar recipe but decided to add citric acid giving it a distinct taste. This produces two different monopolies that exist within the same market and are completely separate.

There is also the market for generic colas. Everyone knows of all the copy drinks Dr. 38, Monsoon Dew, and Koca-Soda, and they all try to mimic the taste of the originals, but very few do it successfully. If you look at the prices of the knockoffs, they often are half the price, but they are always the last to be sold. I figure that this is three-fold, one part being primary versus substitute goods, brand recognition, but I figure the main issue for people is the taste. The taste buds can be tricked due to other factors, but sometimes changing up the quantity of ingredients can create an adverse reaction. A prime example of this was “New Coke”, an official Coca-Cola product that flopped because it tried to mimic the sweeter taste of Pepsi, but carrying the Coca-Cola name plate, consumers were disappointed with the expectation of Coca-Cola and got Kinda-Cola. Brand recognition is also a very powerful tool, how often do see a restaurant carrying only in-house soda and not Pepsi or Coke. There is rarely a reason to stray from a known formula when you can get a guaranteed taste.

These generic sodas carry a fairly static price, there are a few fluctuations, but not the swings like name brand. If I were to pursue this concept to completion, I would need to find historical data about the prices of soda at retail, aluminum, water, high fructose corn syrup, and plastics to calculate roughly what the total cost before markup would be. I would also want to see if there is a pattern around holidays or other events that could cause spikes or sales.