



COLA WARS: REFLECTIONS

RC STRATEGY

ASHISH NANDA

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Competitive Forces in the Soft Drink Concentrate Industry

- To judge industry attractiveness, take a wide-angled view that takes in account all the forces that impact the market
- The soft drink concentrate industry is an example of an industry with an attractive structure
 - Coke and Pepsi do not compete on price
 - Instead, they compete on advertising, new product introduction, direct store delivery: dimensions that grow the industry, strengthen the benefits to scale, weaken customer bargaining power, raise barriers to entry, and make substitutes less powerful
- Industry structure is not just exogenous; your actions influence it
 - Soft drinks could have been a commodity product with low profitability
 - But the choices made by Coke and Pepsi led to an industry with an extremely attractive structure for the incumbents

Judo Approach – Outflanking a Larger Incumbent

- Go to where the rival is not
“Skate to where the puck will be”
- Create a dilemma by turning the incumbent’s strength into a weakness
Pick a product segment with unique needs and configure entirely to that
Focus on differences that can’t be straddled by your larger competitor
- Do not compete head-on with the incumbent
Do not provoke