

Porter's 5 Forces Analysis: Coca-Cola

Since its introduction in 1979, Michael Porter's Five Forces has become the de facto framework for industry analysis. The five forces measure the competitiveness of the market deriving its attractiveness. The analyst uses conclusions derived from the analysis to determine the company's risk from in its industry (current or potential). The five forces are [\(1\) Threat of New Entrants](#), [\(2\) Threat of Substitute Products or Services](#), [\(3\) Bargaining Power of Buyers](#), [\(4\) Bargaining Power of Suppliers](#), [\(5\) Competitive Rivalry Among Existing Firms](#). The following is a Five Forces analysis of The Coca-Cola Company in relationship to its Coca-Cola brand.

Threat of New Entrants/Potential Competitors: Medium Pressure

- Entry barriers are relatively low for the beverage industry: there is no consumer switching cost and zero capital requirement. There is an increasing amount of new brands appearing in the market with similar prices than Coke products
- Coca-Cola is seen not only as a beverage but also as a brand. It has held a very significant market share for a long time and loyal customers are not very likely to try a new brand.

Threat of Substitute Products: Medium to High pressure

- There are many kinds of energy drink s/soda/juice products in the market. Coca-cola doesn't really have an entirely unique flavor. In a blind taste test, people can't tell the difference between Coca-Cola and Pepsi.

The Bargaining Power of Buyers: Low pressure

- The individual buyer no pressure on Coca-Cola
- Large retailers, like Wal-Mart, have bargaining power because of the large order quantity, but the bargaining power is lessened because of the end consumer brand loyalty.

The Bargaining Power of Suppliers: Low pressure

- The main ingredients for soft drink include carbonated water, phosphoric acid, sweetener, and caffeine. The suppliers are not concentrated or differentiated.
- Coca-Cola is likely a large, or the largest customer of any of these suppliers.

Rivalry Among Existing Firms: High Pressure

- Currently, the main competitor is Pepsi which also has a wide range of beverage products under its brand. Both Coca-Cola and Pepsi are the predominant

carbonated beverages and committed heavily to sponsoring outdoor events and activities.

- There are other soda brands in the market that become popular, like Dr. Pepper, because of their unique flavors. These other brands have failed to reach the success that Pepsi or Coke have enjoyed.

Valuation Academy is proud to present our meticulously researched and in-depth analysis of Coca-Cola using Porter's Five Forces and a SWOT analysis available for just \$4. This 2,500 word, (fully editable) 10 page word document will be available for download after checking out through the link below.